

Chapter 7

2007 Annual Report

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Figure 1: Office Organization, September 30, 2007

<p>Auditor General</p> <p>Jim McCarter</p>	<p>Human Resources</p> <p>Annemarie Wiebe, Manager Shayna Whiteford, HR Assistant</p>	<p>Operations</p> <p>John Sciarra, Director</p> <p>Administration</p> <p>Shanta Persaud, Financial and Administrative Services Co-ordinator Maureen Bissonnette, Accounts Payable Clerk Elisa Johnston, Receptionist Sohani Myers, Administrative Clerk Christine Wu, Administrative Assistant</p> <p>Communications and Government Advertising Review</p> <p>Christine Pedias (Acting)/Andréa Vanasse, Manager of Corporate Communications and Government Advertising Review Shirley Falkner, Administrative Co-ordinator Mariana Green, Web and Production Officer Tiina Randoja, Editorial and Communications Co-ordinator</p> <p>Information Technology</p> <p>Peter Lee, Systems Specialist Shams Ali, Systems Officer</p>
<p>Deputy Auditor General</p> <p>Gary Peall</p>	<p>Professional Practices</p> <p>David Lee, Manager</p> <p>Research</p> <p>John Landerkin, Manager Michael Radford</p>	

Audit Portfolios and Staff

<p>Health and Health Promotion</p> <p>Rudolph Chiu, Director Sandy Chan, Manager Denise Young, Manager Frederick Chan Anita Cheung Oscar Rodriguez Pasha Sidhu Celia Yeung Gigi Yip</p>	<p>Public Accounts, Finance, and Information Technology</p> <p>Paul Amodeo, Director Rita Mok, Manager Bill Pelow, Manager Suzanna Chan Henry Cheng Marcia DeSouza Ben Lau</p>	<p>Crown Agencies</p> <p>John McDowell, Director Walter Allan, Manager Tom Chatzidimos Jasmine Chen Mary Romano Megan Sim</p>
<p>Transportation, Infrastructure, and Municipal Affairs</p> <p>Andrew Cheung, Director Gus Chagani, Manager Teresa Carello Kim Cho Jindong Fu Isabella Ho Jemima Lao Fiona Mak Myuran Palasandiran Gajalini Ramachandran Alexander Truong</p>	<p>Education and Training</p> <p>Nick Mishchenko, Director Michael Brennan, Manager Fraser Rogers, Manager Ariane Chan Zahra Jaffer Mythili Kandasamy Emanuel Tsikrakis Dora Ulisse Brian Wanchuk Oksana Wasylyk</p>	<p>Health and Long-Term Care Providers</p> <p>Susan Klein, Director Laura Bell, Manager Naomi Herberg, Manager Kevin Aro Matthew Brikis Sally Chang Ted D'Agostino Veronica Ho Gloria Tsang</p>
<p>Justice and Regulatory</p> <p>Vince Mazzone, Director Rick MacNeil, Manager Vishal Baloria Helen Chow Howard Davy Kandy Fletcher Linda Fung Rashmeet Gill Mark Hancock Anat Ishai Alfred Kiang Cynthia Lau</p> <p>Ruchir Patel Vivian Sin Janet Wan</p>	<p>Community and Social Services, and Revenue</p> <p>Walter Bordne, Director Wendy Cumbo, Manager Johan Boer Stephanie Chen Constantino De Sousa Katrina Exaltacion Inna Guelfand Li-Lian Koh Angela Schieda Aldora Sequeira Nick Stavropoulos Maria Zuyev</p>	<p>Economic Development, Environment, and Natural Resources</p> <p>Gerard Fitzmaurice, Director Vanna Gotsis, Manager Tony Tersigni, Manager Izabela Beben Tino Bove Jason Hung Roger Munroe Catherine Porter Mark Smith Zhenya Stekovic Ellen Tepelenas</p>

2007 Pre-Election Report on Ontario's Finances...
 Fiscal Transparency and
 Accountability Act, 2004

Government Advertising Act

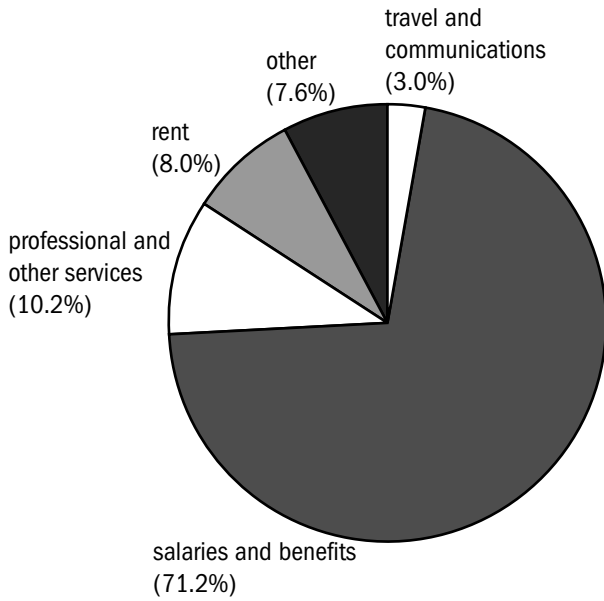
Figure 2: Five-year Comparison of Spending (Accrual Basis) (\$ 000)

Prepared by the Office of the Auditor General of Ontario

	2002/03	2003/04	2004/05	2005/06	2006/07
W	9,363	9,870	10,914	12,552	13,992
D					
	6,244		7,261		8,760
	918		891		985
	654		877		1,264
	170		290		363
	665		533		930
T	8,651	9,535	9,852	11,040	12,302
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W	684	406	1,201	1,609	1,730
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Figure 3: Spending by Major Expenditure Category, 2006/07

Prepared by the Office of the Auditor General of Ontario



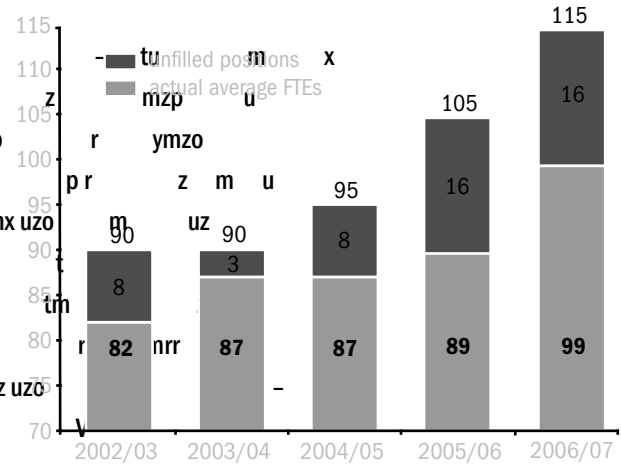
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Chapter 7

Figure 4: Staffing, 2002/03–2006/07

Prepared by the Office of the Auditor General of Ontario

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Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2007 are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian generally accepted accounting principles.

To ensure the integrity and objectivity of the financial data, management maintains a system of internal controls including an appropriate code of conduct and an organizational structure that effectively segregates duties. These controls provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded and financial information is reliable and accurate.

The financial statements have been audited by the firm of Allen & Miles LLP, Chartered Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

Jim McCarter, CA
Auditor General

Gary R. Peall, CA
Deputy Auditor General

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Email: toronto@allenmiles.ca • Website: www.allenmiles.ca

AUDITORS' REPORT TO THE BOARD OF INTERNAL ECONOMY OF THE LEGISLATIVE ASSEMBLY OF ONTARIO

We have audited the statement of financial position of the Office of the Auditor General of Ontario as at March 31, 2007 and the statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the management of the Office of the Auditor General of Ontario. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2007 and the results of its operations and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget information is unaudited and not considered as part of the financial statements on which we have expressed our opinion.

Allen & Miles LLP

Licensed Public Accountants

Toronto, Canada
August 14, 2007



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Brampton, Ontario L6W 4P7
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Office of the Auditor General of Ontario
Statement of Financial Position
As at March 31, 2007

	2007	2006
	\$	\$
Assets		
Current		
Cash	337,829	175,192
Due from Consolidated Revenue Fund	365,969	526,452
	<u>703,798</u>	<u>701,644</u>
Capital Assets (Note 3)	564,876	555,748
	<u>1,268,674</u>	<u>1,257,392</u>
Total assets	1,268,674	1,257,392
Liabilities		
Accounts payables and accrued liabilities	1,171,798	1,305,644
Accrued employee benefits obligation [Note 4(B)]	1,995,000	1,810,000
Net assets (Accumulated deficit)		
Investment in capital assets (Note 3)	564,876	555,748
Accumulated deficit [Note 2(B)]	(2,463,000)	(2,414,000)
	<u>(1,898,124)</u>	<u>(1,858,252)</u>
Total liabilities and accumulated deficit	1,268,674	1,257,392

Commitment (Note 5)

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

 Jim McCarter
 Auditor General

 Gary Peall
 Deputy Auditor General

Office of the Auditor General of Ontario
Statement of Operations and Accumulated Deficit
For the Year Ended March 31, 2007

	2007	2007	2006
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Consolidated Revenue Fund – Voted appropriation	13,992,200	13,992,200	12,552,200
Expenses			
Salaries and wages	8,503,200	7,205,845	6,426,221
Employee benefits (Note 4)	1,911,300	1,554,185	1,620,989
Office rent	1,000,000	984,551	961,877
Professional and other services	1,369,500	1,263,785	951,197
Amortization of capital assets	–	250,829	217,047
Travel and communication	281,800	363,367	323,719
Training and development	172,900	132,385	113,555
Supplies and equipment	373,500	97,171	75,621
Transfer payment: CCAF-FCVI Inc.	50,000	50,000	50,000
Statutory expenses: <i>Auditor General Act</i>	248,000	362,564	233,337
<i>Government Advertising Act</i>	82,000	37,456	66,410
Total expenses (Note 7)	13,992,200	12,302,138	11,039,973
Excess of revenue over expenses	–	1,690,062	1,512,227
Less: returned to the Province	–	(1,729,934)	(1,608,914)
Net deficiency of revenue over expenses (Note 2B)		39,872	96,687
Accumulated deficit, beginning of year		1,858,252	1,761,565
Accumulated deficit, end of year		1,898,124	1,858,252

See accompanying notes to financial statements.

Office of the Auditor General of Ontario
Statement of Cash Flows
For the Year Ended March 31, 2007

	2007	2006
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Net deficiency of revenue over expenses	(39,872)	(96,687)
Amortization of capital assets	250,829	217,047
Accrued employee benefits obligation	185,000	120,000
	<u>395,957</u>	<u>240,360</u>
Changes in non-cash working capital		
Decrease (increase) in due from Consolidated Revenue Fund	160,483	(186,084)
Increase (decrease) in accounts payable and accrued liabilities	(133,846)	389,412
	<u>26,637</u>	<u>203,328</u>
Investing activities		
Purchase of capital assets	<u>(259,957)</u>	<u>(494,360)</u>
Net increase (decrease) in cash position	162,637	(50,672)
Cash position, beginning of year	<u>175,192</u>	<u>225,864</u>
Cash position, end of year	<u><u>337,829</u></u>	<u><u>175,192</u></u>

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2007

1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office of the Auditor General promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Auditor General is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(A) ACCRUAL BASIS

These financial statements are accounted for on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund each year. As the approved appropriation was prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets and the recognition of employee benefit costs earned to date but that will be funded from future appropriations.

(C) CAPITAL ASSETS

Capital assets are recorded at historical cost less accumulated amortization. Amortization of capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2007

2. Significant Accounting Policies (Continued)

(D) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Capital Assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	509,045	321,768	187,277	230,423
Computer software	212,611	123,523	89,088	68,838
Furniture and fixtures	247,305	59,989	187,316	158,659
Leasehold improvements	130,226	29,031	101,195	97,828
	<u>1,099,187</u>	<u>534,311</u>	<u>564,876</u>	<u>555,748</u>

Investment in capital assets represents the accumulated cost of capital assets less accumulated amortization and disposals.

4. Obligation For Future Employee Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. These benefits are accounted for as follows:

(A) PENSION BENEFITS

The Office provides pension benefits for its full-time employees through participation in the Public Service Pension Fund (PSPF), which is a multi-employer defined benefit plan established by the Province of Ontario. As the Office has insufficient information to apply defined benefit plan accounting, the pension expense represents the Office's contributions to the plan for current service of employees during this fiscal year and any additional employer contributions for service relating to prior years. The Office's contributions related to the pension plan for the year were \$536,635 (2006 – \$497,853) and are included in employee benefits in the Statement of Operations and Accumulated Deficit.

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2007

4. Obligation For Future Employee Benefits (Continued)

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

Although the costs of any legislated severance and unused vacation entitlements earned by employees are recognized by the Province when earned by eligible employees, these costs are also recognized in these financial statements. These costs for the year amounted to \$290,000 (2006 – \$374,000) and are included in employee benefits and statutory expenses in the Statement of Operations and Accumulated Deficit. The total liability for these costs is reflected in the accrued employee benefits obligation, less any amounts payable within one year, which are included in accounts payable and accrued liabilities, as follows:

	2007	2006
	\$	\$
Total liability for severance and vacation	2,463,000	2,414,000
Less: Due within one year and included in accounts payable and accrued liabilities	(468,000)	(604,000)
Accrued employee benefits obligation	<u>1,995,000</u>	<u>1,810,000</u>

(C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

5. Commitment

The Office has an operating lease to rent premises for an 11-year period, which commenced November 1, 2000. The minimum rental commitment for the remaining term of the lease is as follows:

	\$
2007-08	525,369
2008-09	525,369
2009-10	525,369
2010-11	525,369
2011-12	306,465

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Notes to Financial Statements

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6. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of Ontario public-sector employees paid an annual salary in excess of \$100,000 in calendar year 2006.

Name	Position	Salary \$	Taxable Benefits \$
McCarter, Jim	Auditor General	224,206.46	317.45
Peall, Gary	Deputy Auditor General	156,831.00	261.77
Amodeo, Paul	Director	127,726.58	210.63
Bordne, Walter	Director	117,220.90	211.68
Cheung, Andrew	Director	127,739.66	211.68
Chiu, Rudolph	Director	108,472.87	180.02
Fitzmaurice, Gerard	Director	125,813.11	210.63
Klein, Susan	Director	117,055.87	200.67
Mazzone, Vince	Director	109,399.27	183.79
McDowell, John	Director	125,813.11	210.63
Mishchenko, Nicholas	Director	125,813.11	210.63
Sciarra, John	Director of Operations	108,472.87	180.02
Bell, Laura	Audit Manager	102,098.20	168.33
Brennan, Michael	Audit Manager	103,633.87	169.14
Chagani, Gus	Audit Manager	102,098.20	168.33
Gotsis, Vanna	Audit Manager	102,090.93	169.14
Landerkin, John	Audit Manager	100,568.72	168.33
Lee, David	Audit Manager	102,090.93	169.14
Mok, Rita	Audit Manager	102,090.93	169.14
Rogers, Fraser	Audit Manager	100,568.72	168.33
Tersigni, Anthony	Audit Manager	100,568.72	168.33
Wiebe, Annemarie	Manager, Human Resources	100,568.72	168.33

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Notes to Financial Statements

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7. Reconciliation to Public Accounts Volume 1 Basis of Presentation

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the accounting policies followed for the Province's financial statements, under which purchases of computers and software are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. Volume 1 also excludes the accrued employee future benefit costs recognized in these financial statements as well as in the Province's summary financial statements. A reconciliation of total expenses reported in volume 1 to the total expenses reported in these financial statements is as follows:

	2007	2006
	Actual	Actual
	\$	\$
Total expenses per Public Accounts Volume 1	12,262,266	10,943,286
Less: purchase of capital assets	(259,957)	(494,360)
Add: amortization of capital assets	250,829	217,047
change in accrued future employee benefit costs	49,000	374,000
Total expenses per audited financial statements	<u>12,302,138</u>	<u>11,039,973</u>

8. Financial Instruments

The carrying amounts of cash, due from Consolidated Revenue Fund, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. The fair value of the accrued employee benefits obligation has not been determined. Information regarding this financial instrument is provided in Note 4.