Chapter 7

The Office of the Auditor General of Ontario

The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly and the citizens of Ontario by conducting value-for-money and financial audits and reviews and reporting on them. By doing this, the Office helps the Legislative Assembly hold the government, its administrators and grant recipients accountable for how prudently they spend public funds and for the value they obtain, on behalf of Ontario taxpayers, for the money spent.

The work of the Office is performed under the authority of the *Auditor General Act*. In addition, under the *Government Advertising Act, 2004*, the Auditor General is responsible for reviewing and deciding whether or not to approve certain types of proposed government advertising (see Chapter 5 for more details on the Office's advertising review function). Both acts can be found at **www.e-laws.gov.on.ca**.

In an election year, the Auditor General is also required to review the reasonableness of the government's pre-election report on its expectations for the financial performance of the province over the next three fiscal years. The government's most recent pre-election report was issued on April 26, 2011, and the results of our review were released on June 28, 2011.

General Overview

VALUE-FOR-MONEY AUDITS IN THE ANNUAL REPORT

About two-thirds of the Office's work relates to value-for-money auditing. The Office's value-for-money audits are assessments of how well a given "auditee" (the entity that we audit) manages and administers its programs or activities. And while auditors typically focus on the numbers, value-for-money audits delve into the underlying operations to assess the level of services being delivered to the public and the relative cost-effectiveness of these services. The Office has the authority to conduct value-for-money audits of the following entities:

- Ontario government ministries;
- Crown agencies;
- Crown-controlled corporations; and
- organizations in the broader public sector that receive government grants (for example, hospitals, universities, community colleges, school boards, long-term-care homes, children's aid societies and agencies that provide mental-health services).

The *Auditor General Act* (Act) identifies the broad criteria to be considered in this assessment:

- Money should be spent with due regard for economy.

- Money should be spent with due regard for efficiency.
- Appropriate procedures should be in place to measure and report on the effectiveness of programs.

The Act requires that, if the Auditor General observes instances where the three value-for-money criteria have not been met, he or she report on them. More specific criteria that relate directly to the operations of the particular ministry, program or organization being audited are also developed for each value-for-money audit.

The Act also requires that the Auditor report on instances where the following was observed:

- Accounts were not properly kept or public money was not fully accounted for.
- Essential records were not maintained or the rules and procedures applied were not sufficient to:
  - safeguard and control public property;
  - check effectively the assessment, collection and proper allocation of revenue; or
  - ensure that expenditures were made only as authorized.
- Money was expended other than for the purposes for which it was appropriated.

Assessing the extent to which the auditee was controlling against these risks is technically "compliance" audit work but is generally incorporated into both value-for-money audits and "attest" audits (discussed in a later section). Other compliance work that is typically included in our value-for-money audits is:

- identifying the key provisions in legislation and the authorities that govern the auditee or the auditee's programs and activities as well as those that the auditee's management is responsible for administering; and
- performing the tests and procedures we deem necessary to obtain reasonable assurance that the auditee's management has complied with these key legislation and authority requirements.

Government programs and activities are the result of government policy decisions. Thus, we could say that our value-for-money audits focus on how well management is administering and executing government policy decisions. It is important to note, however, that in doing so we do not comment on the merits of government policy. Rather, it is the Legislative Assembly that holds the government accountable for policy matters. The Legislative Assembly continually monitors and challenges government policies through questions during legislative sessions and through reviews of legislation and expenditure estimates.

In planning, performing and reporting on our value-for-money work, we follow the relevant professional standards established by the Canadian Institute of Chartered Accountants. These standards require that we have processes for ensuring the quality, integrity and value of our work. Some of the processes we use are described below.

Selecting What to Audit

The Office audits major ministry programs and activities at approximately five- to seven-year intervals. We do not audit organizations in the broader public sector and Crown-controlled corporations on the same cycle because there are such a great number of them and their activities are so numerous and diverse. Since our mandate expanded in 2004 to allow us to audit these entities, our audits have covered a wide range of topics in several sectors, including health (hospitals, long-term-care homes, and mental-health service providers), education (school boards, universities and colleges) and social services (Children's Aid societies and social service agencies), as well as several large Crown-controlled corporations.

In selecting what program, activity or organization to audit each year, we consider how great the risk is that an auditee is not meeting the three legislated value-for-money criteria. To help us choose higher-risk audits, we consider factors such as:

- the results of previous audits and related follow-ups;
- the total revenues or expenditures involved;
- the impact of the program, activity or organization on the public;
- the complexity and diversity of the auditee's operations;
- recent significant changes in the auditee's operations; and
- the significance of the issues an audit might identify.

We also consider whether the benefits of conducting the audit justify its costs.

Another factor we take into account in the selection process is what work the auditee's internal auditors have completed or planned. Depending on that work, we may defer an audit or change our audit's scope to avoid duplication of effort. In other cases, we do not diminish the scope of our audit but rely on and present the results of internal audit work in our audit report.

Setting Audit Objectives, Audit Criteria and Assurance Levels

When we begin an audit, we set an objective for what we want to achieve. We then develop suitable audit criteria that cover the key systems, policies and procedures that should be in place and operating effectively. Developing criteria involves extensively researching sources such as recognized bodies of experts; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; applicable criteria successfully applied in other audits or reviews; and applicable laws, regulations and other authorities.

To further ensure their suitability, the criteria we develop are discussed with the senior management responsible for the program or activity at the planning stage of the audit.

The next step is designing and conducting tests and procedures to address our audit objective and criteria, so that we can reach a conclusion regarding our audit objective and make observations and recommendations. Each audit report has a section entitled "Audit Objective and Scope," in which the audit objective is stated and the scope of our work is explained.

Conducting tests and procedures to gather information has its limitations. We therefore cannot provide what is called an "absolute level of assurance" that our audit work identifies all significant matters. Other factors also contribute to this. For example, we may conclude that the auditee had a control system in place for a process or procedure that was working effectively to prevent a particular problem from occurring—but auditee management or staff might be able to circumvent such control systems, so we cannot guarantee that the problem will never arise. Also, much of the evidence available for concluding on our objective is more persuasive than it is conclusive, and we must rely on professional judgment in much of our work—for example, in interpreting information.

For all these reasons, the assurance that we plan for our work to provide is at an "audit level"—the highest reasonable level of assurance that we can obtain using our regular audit procedures. Specifically, an audit level of assurance is obtained by interviewing management and analyzing the information it provides; examining and testing systems, procedures and transactions; confirming facts with independent sources; and, where necessary because we are examining a highly technical area, obtaining expert assistance and advice.

With respect to the information that management provides, under the Act we are entitled to have access to all relevant information and records necessary to the performance of our duties. Out of respect for the principle of Cabinet privilege, we do not seek access to the deliberations of Cabinet. However, the Office can access virtually all other information contained in Cabinet submissions or decisions that we deem necessary to fulfill our responsibilities under the Act.

Infrequently, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management; analyses of information management provides; and only limited examination and testing of systems, procedures and transactions. We perform reviews when, for example, providing a higher level of assurance has prohibitive costs or is unnecessary, the *Auditor General Act* does not allow for a certain program or activity to be audited or other factors relating to the nature of the program or activity make a review more appropriate than an audit. In the 2011 audit year, we conducted a review of the electricity sector's stranded debt, which complemented our related value-for-money audits of renewable energy initiatives and regulatory oversight of the electricity sector. In 2009, we conducted a review of the unfunded liability of the Workplace Safety and Insurance Board that was well received by the Standing Committee on Public Accounts, and the Committee has shown an ongoing interest in the actions being taken to reduce that liability. This year, we reviewed the process used to review and approve the province's annual expenditure Estimates and researched other jurisdictions' estimates oversight practices.

Communicating with Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the value-for-money audit or review. Early in the process, our staff meet with management to discuss the objective and criteria and the focus of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with the auditee's senior management. The auditee's management provides written responses to our recommendations, and these are discussed and incorporated into the draft report. The Auditor General finalizes the draft report (on which the Chapter 3 section of the Annual Report will be based) with the deputy minister or head of the agency, corporation or grant-recipient organization, after which the report is published in the Annual Report.

SPECIAL REPORTS

As required by the Act, the Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Legislative Assembly at any time, on any matter that, in the opinion of the Auditor General, should not be deferred until the Annual Report.

Two sections of the Act authorize the Auditor General to undertake additional special work. Under section 16, the Standing Committee on Public Accounts may resolve that the Auditor General must examine and report on any matter respecting the Public Accounts. Under section 17, the Legislative Assembly, the Standing Committee on Public Accounts or a minister of the Crown may require that the Auditor General undertake a special assignment. However, these special assignments are not to take precedence over the Auditor General's other duties. In addition, if a minister requests such an assignment, the Auditor General can decline or delay conducting the work if he or she believes it conflicts with other duties.

In recent years, when we have received a special request under section 16 or 17, our normal practice has been to obtain the requester's agreement that the special report will be tabled in the Legislature on completion and made public at that time.

In 2011, one of the audits that we had initiated using our risk-based selection criteria—Ornge Air Ambulance and Related Services—was delayed due to challenges in finalizing the report with the auditee. The Minister requested that on completion we table the report in the Legislative Assembly as a special report, which we did in March 2012.

ATTEST AUDITS

Attest audits are examinations of an auditee's financial statements. In such audits, the auditor expresses his or her opinion on whether the financial statements present information on the auditee's operations and financial position in a way that is fair and that complies with certain accounting policies (in most cases, with Canadian generally accepted accounting principles). As mentioned in the overview of value-for-money audits, compliance audit work is often incorporated into attest audit work. Specifically, we assess the controls for managing risks relating to improperly kept accounts; unaccounted-for public money; lack of recordkeeping; inadequate safeguarding of public property; deficient procedures for assessing, collecting and properly allocating revenue; unauthorized expenditures; and not spending money on what it is intended for.

The Auditees

Every year, we audit the financial statements of the province and the accounts of many agencies of the Crown. Specifically, the Act [in subsections 9(1), (2), and (3)] requires that:

- the Auditor General audit the accounts and records of the receipt and disbursement of public money forming part of the province's Consolidated Revenue Fund, whether held in trust or otherwise;
- the Auditor General audit the financial statements of those agencies of the Crown that are not audited by another auditor;
- public accounting firms that are appointed to be the auditors of certain agencies of the Crown perform their audits under the direction of the Auditor General and report their results to the Auditor General; and
- public accounting firms auditing Crown-controlled corporations deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of the accounting firm's report of its findings and recommendations to management (typically contained in a management letter).

Chapter 2 discusses this year's attest audit of the province's consolidated financial statements.

We do not discuss the results of attest audits of agencies and Crown-controlled corporations in this report. Agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible for the agency. Our Office also provides copies of our independent auditor's reports and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Treasury Board.

Where an agency attest audit notes areas where management must make improvements, the auditor prepares a draft findings report and discusses it with senior management. The report is revised to reflect the results of that discussion. After the draft report is cleared and the agency's senior management responds to it in writing, the auditor prepares a final report, which is discussed with the agency's audit committee if one exists. If a matter is so significant that we feel it should be brought to the attention of the Legislature, we include it in our Annual Report.

Exhibit 1, Part 1 lists the agencies that were audited during the 2011/12 audit year. The Office currently contracts with public accounting firms to audit a number of these agencies on the Office's behalf. Exhibit 1, Part 2 and Exhibit 2, respectively, list the agencies of the Crown and the Crown-controlled corporations that public accounting firms audited directly during the 2011/12 audit year.

OTHER STIPULATIONS OF THE *AUDITOR GENERAL ACT*

The *Auditor General Act* came about with the passage, on November 22, 2004, of Bill 18, the *Audit Statute Law Amendment Act*, which received Royal Assent on November 30, 2004. The purpose of Bill 18 was to make certain amendments to the

Audit Act to enhance the ability of the Office to serve the Legislative Assembly. The most significant amendment contained in Bill 18 was the expansion of the Office's value-for-money audit mandate to organizations in the broader public sector that receive government grants. This *2012 Annual Report* marks the seventh year of our expanded audit mandate.

Appointment of Auditor General

Under the Act, the Auditor General is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council—that is, the Lieutenant Governor appoints the Auditor General on the advice of the Executive Council (the Cabinet). The appointment is made "on the address of the Assembly," meaning that the appointee must be approved by the Legislative Assembly. The Act also requires that the Chair of the Standing Committee on Public Accounts—who, under the Standing Orders of the Legislative Assembly, is a member of the official opposition—be consulted before the appointment is made (for more information on the Committee, see Chapter 6). In the selection of the last two Auditors General, an open competitive selection process was conducted, with representatives from the three major political parties sitting on the selection committee. The committee then made its recommendation to the Legislative Assembly.

Independence

The Auditor General and staff of the Office are independent of the government and its administration. This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Auditor General is appointed to a 10-year, non-renewable term, and can be dismissed only for cause by the Legislative Assembly. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Legislative Assembly and is thus free to fulfill the Office's legislated mandate without political pressure.

The Board of Internal Economy—an all-party legislative committee that is independent of the government's administrative process—reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the Act, the Office's expenditures relating to the 2011/12 fiscal year have been audited by a firm of chartered accountants, and the audited financial statements of the Office are submitted to the Board and subsequently must be tabled in the Legislative Assembly. The audited statements and related discussion of expenditures for the year are presented at the end of this chapter.

CONFIDENTIALITY OF WORKING PAPERS

In the course of our reporting activities, we prepare draft audit reports and findings reports that are considered to be an integral part of our audit working papers. It should be noted that these working papers, according to section 19 of the *Auditor General Act*, do not have to be laid before the Legislative Assembly or any of its committees. As well, because our Office is exempt from the *Freedom of Information and Protection of Privacy Act*, our draft reports and audit working papers, which include all information obtained during the course of an audit from the auditee, cannot be accessed from our Office, thus further ensuring confidentiality.

CODE OF PROFESSIONAL CONDUCT

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. The Code is intended to be a general statement of philosophy, principles and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence and integrity in their work.

The Code explains why these expectations exist and further describes the Office's responsibilities to the Legislative Assembly, the public and our auditees. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations. All employees are required to complete an annual conflict-of-interest declaration and undergo a police security check on hiring and every five years thereafter.

Office Organization and Personnel

The Office is organized into portfolio teams—a framework that attempts to align related audit entities and to foster expertise in the various areas of audit activity. The portfolios, which are loosely based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Assisting the Directors and rounding out the teams are a number of audit Managers and various other audit staff (see Figure 1).

The Auditor General, the Deputy Auditor General, the Directors, and the Managers of Human Resources and of Communications and Government Advertising Review make up the Office's Senior Management Committee.

Canadian Council of Legislative Auditors

This year, Nunavut hosted the 40th annual meeting of the Canadian Council of Legislative Auditors (CCOLA) in Iqaluit, from August 19 to 21, 2012. This annual gathering has, for a number of years, been held jointly with the annual conference of the Canadian Council of Public Accounts Committees. It brings together legislative auditors and members of the Standing Committees on Public Accounts from the federal government and the provinces and territories, and provides a useful forum for sharing ideas and exchanging information.

International Visitors

As an acknowledged leader in value-for-money auditing, the Office periodically receives requests to meet with visitors and delegations from abroad to discuss the roles and responsibilities of the Office and to share our value-for-money and other audit experiences with them. During the audit year covered by this report, the Office met with several delegations from other countries. In the last few years, delegations from China have been the most frequent visitors. The Office also participated in a staff exchange with the Auditor General of Tasmania.

Results Produced by the Office This Year

The 2011/12 fiscal year was another successful year for the Office. In total, we conducted 12 value-for-money audits, issued a special report under section 17 on Ornge Air Ambulance and Related Services, and reviewed the Legislature's process for reviewing the province's annual Expenditure Estimates. This year our value-for-money audits in the broader public sector examined aspects of a number of provincially funded agencies such as Cancer Care Ontario's cancer screening programs, Metrolinx's rapid transit plan implementation, services provided by independent health facilities, the long-term-care home placement process, youth justice service providers, and teaching quality at universities. In addition, we examined a variety of government activities also of importance to Ontarians, including education of Aboriginal students, the Ontario Diabetes

Figure 1: Office Organization, September 30, 2012

Auditor General
Jim McCarter

Deputy Auditor General
Gary Peall

Human Resources
Annemarie Wiebe, Manager
Shayna Whiteford

Quality Assurance and Special Projects
Paul Amodeo, Manager
Kristin Snowden, Manager
Shariq Saeed

Standards and Research
Rebecca Yosipovich, Manager

Operations

Administration
Maureen Bissonnette
Sohani Myers
Shanta Persaud
Christine Wu

Communications and Government Advertising Review
Christine Pedias, Manager
Mariana Green
Shirley McGibbon
Tiina Randoja

Information Technology
Shams Ali
Peter Lee

Financial Statement Audit Portfolios and Staff*

Crown Agencies (1), Finance
John McDowell, Director
Walter Allan, Manager
Tom Chatzidimos
Kandy Fletcher
Mary Romano
Megan Sim

Crown Agencies (2)
Laura Bell, Director
Teresa Carello, Manager
Izabela Beben
Margaret Chen
Constantino De Sousa
Roger Munroe
Zachary Thomas
Cynthia Tso

Public Accounts
Bill Pelow, Director
Allen Fung
Georgegiana Tanudjaja

Value-for-money Audit Porfolios and Staff*

Community and Social Services, and Revenue
Vanna Gotsis, Director
Sandy Chan, Manager
Tino Bove
Inna Guelfand
Michael Okulicz
Zhenya Stekovic
Janet Wan

Education and Training
Gerard Fitzmaurice, Director
Emanuel Tsikritsis, Manager
Tara Beheshti
Johan Boer
Zahra Jaffer
Rumi Janmohamed
Michael Katsevman
Nina Khant
Mythili Pratheeskar
Mark Smith
Ellen Tepelenas
Dora Ulisse

Environment and Natural Resources
Gus Chagani, Director
Kim Cho, Manager
Nick Stavropoulos, Manager
Bartosz Amerski
Marcia DeSouza
Katrina Exaltacion
Lauren Hanna
Kristy Ho
Li-Lian Koh
Shreya Shah
Alexander Truong
Jing Wang

Health
Rudolph Chiu, Director
Gigi Yip, Manager
Denise Young, Manager
Ariane Chan
Anita Cheung
Helen Chow
Lisa Li
Oscar Rodriguez
Alla Volodina

Health and Long-term-care Providers
Susan Klein, Director
Wendy Cumbo, Manager
Naomi Herberg, Manager
Kevin Aro
Sally Chang
Dimitar Dimitrov
Jennifer Fung
Ingrid Goh
Veronica Ho
Linde Qiu
Tiffany Yau

Justice and Regulatory
Vince Mazzone, Director
Rick MacNeil, Manager
Fraser Rogers, Manager
Vivian Sin, Manager
Rashmeet Gill
Kiran Grewal
Tanmay Gupta
Alfred Kiang
Margaret Lam
Wendy Ng
Alice Nowak
Ruchir Patel
Brian Wanchuk
Robyn Wilson
Michael Yarmolinsky
Celia Yeung

*Staff below manager level shift between portfolios to address seasonal financial statement audit workload pressures.

Strategy, the Drive Clean Program, the collection of overdue taxes, the Criminal Law Division of the Ministry of the Attorney General, and aspects of the Ontario Provincial Police services.

As mentioned in the earlier Attest Audits section, we are responsible for auditing the province's consolidated financial statements (further discussed in Chapter 2), as well as the statements of more than 40 Crown agencies. We again met all of our key financial-statement audit deadlines while continuing our investment in training to successfully implement significant revisions to accounting and assurance standards and methodology for conducting our financial-statement audits.

We successfully met our review responsibilities under the *Government Advertising Act, 2004*, as further discussed in Chapter 5.

The results produced by the Office this year would clearly not have been possible without the hard work and dedication of our staff, as well as that of our agent auditors, contract staff and expert advisers.

Financial Accountability

The following discussion and our financial statements reproduced at the end of this chapter outline the Office's financial results for the 2011/12 fiscal year. This year our financial statements have been prepared in accordance with public-sector accounting standards. In accordance with these standards we have presented for the first time a breakdown of our expenses by the four main activities our Office is responsible for: value-for-money audits, financial statement audits, our review of the government's 2011 pre-election report (as described earlier in this chapter, the Auditor General is required to review the reasonableness of the government's pre-election report in an election year, which 2011 was) and our government advertising review responsibilities. This breakdown is provided in note 10 to the financial statements and indicates that almost two-thirds of our resources were used to perform value-for-money audits, the activity that is of most interest to the Standing Committee on Public Accounts. About 30% was devoted to completing the audits of the annual financial statements of the province and some 40 of its agencies. The remaining 3% was devoted to the other two statutory responsibilities. These percentages changed only slightly from 2011, mostly because we diverted some value-for-money resources to help complete the review of the pre-election report early in the 2011/12 fiscal year.

Figure 2 provides a comparison of our approved budget and expenditures over the last five years.

Figure 2: Five-year Comparison of Spending (Accrual Basis) ($ 000)
Prepared by the Office of the Auditor General of Ontario

	2007/08	2008/09	2009/10	2010/11	2011/12
Approved budget	**15,308**	**16,245**	**16,224**	**16,224**	**16,224**
Actual expenses					
Salaries and benefits	9,999	10,279	10,862	11,228	11,039
Professional and other services	1,525	1,776	1,489	1,491	1,667
Rent	1,048	1,051	1,069	1,036	1,016
Travel and communications	397	332	360	337	303
Other	1,033	1,096	1,073	1,071	1,216
Total	**14,002**	**14,534**	**14,853**	**15,163**	**15,241**
Returned to province*	**1,608**	**1,561**	**1,498**	**1,222**	**997**

* These amounts are typically slightly different than the excess of appropriation over expenses as a result of non-cash expenses (such as amortization of capital assets, deferred lease inducements and employee future benefit accruals).

Figure 3 presents the major components of our spending and shows that more than 72% (74% in 2010/11) related to salary and benefit costs for our staff, while professional and other services and rent comprised most of the remainder. These proportions have been relatively stable in recent years.

Overall, our expenses increased just 0.5% (2.1% in 2010/11) and were again significantly under budget. Our budget has been frozen over the last four years, yet we have successfully delivered on our Office's mandate while returning unspent funds totalling $5.3 million. The main reason for our ability to come in under budget is that we have historically faced challenges in hiring and retaining qualified professional staff in the competitive Toronto job market—our public-service salary ranges have simply not kept pace with compensation increases for such professionals in the private sector. In addition, we have been reluctant to fully staff up given the tight fiscal circumstances the province faces.

A more detailed discussion of the changes in our expenses and some of the challenges we are facing follows.

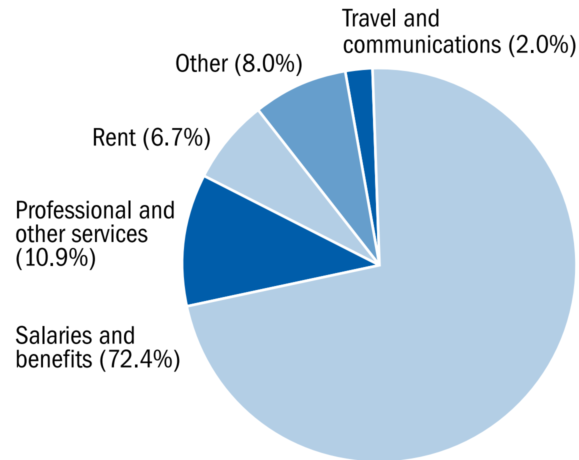
SALARIES AND BENEFITS

Our salary costs declined 3.2% this year while benefit costs rose 5.2% from the previous year.

With the legislated freeze on salary ranges again this year, any increases due to promotions earned by trainees who obtained their professional accounting designations during the year and for those staff demonstrating the ability to take on additional responsibilities were more than offset by delays in replacing retiring and departing staff. As well, parental leaves and severance payments to retirees this year, while lowering salary costs, increased both our benefit costs and our need for contract professional services to fill in. We continue to employ fewer student trainees, as many of our trainees earned their professional accounting designation during the year and remained with us. To be competitive, we must pay our newly qualified staff

Figure 3: Spending by Major Expenditure Category, 2011/12

Prepared by the Office of the Auditor General of Ontario

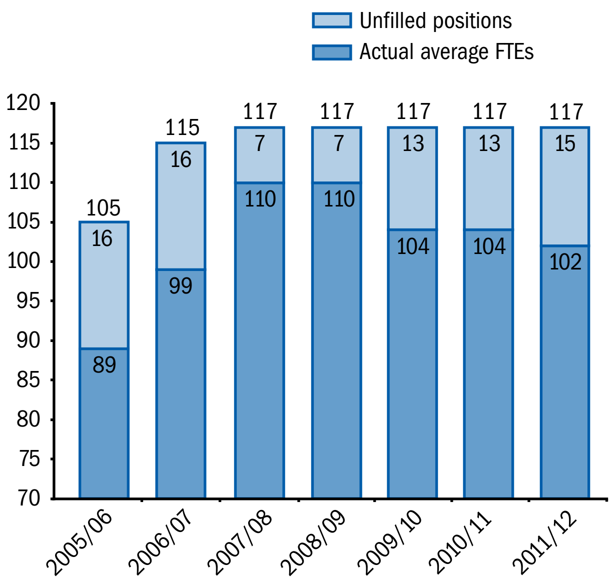


considerably more than they were paid as trainees. Salaries for qualified accountants rise fairly quickly in the first five years following qualification.

With the economic uncertainty and the continuing need for cost containment, we remained cautious about staffing up when staff departed, delaying the replacement of retiring senior staff and hiring experienced but more junior staff as opportunities arose. As a result, our average staffing over the course of this year declined to about 102, down from 104 in the previous year. Staff departures continue as the market for professional accountants has remained fairly robust despite economic uncertainties. Our hiring continues to be primarily at more junior levels, given that our salaries and benefits are competitive at these levels. We quickly fall behind private- and broader-public-sector salary scales for more experienced professional accountants. This is one reason that, as Figure 4 shows, we still have a number of unfilled positions. The growing complexity of our audits demands that we use highly qualified, experienced staff as much as possible. The challenge of maintaining and enhancing our capacity to perform these audits will only increase as more of our most experienced staff retire over the next few years.

Under the Act, our salary levels must be comparable to the salary ranges of similar positions in the

Figure 4: Staffing, 2005/06–2011/12
Prepared by the Office of the Auditor General of Ontario



government. These ranges remain uncompetitive with the salaries that both the not-for-profit and the private sectors offer. According to the most recent survey by the Canadian Institute of Chartered Accountants published in 2011, average salaries for CAs in government ($111,200) were 14% lower than those in the not-for-profit sector ($129,900) and, most importantly, 26% lower than those working for professional service CA firms ($150,400), which are our primary competitors for professional accountants. The salaries of our highest-paid staff in the 2011 calendar year are disclosed in Note 8 to our financial statements.

PROFESSIONAL AND OTHER SERVICES

These services include both contract professionals and contract CA firms and represent our next most significant area of expenditure at almost 11% of total expenditures. Such costs were higher than last year due to an increase in parental leaves requiring contract fill-ins as well as the purchase of IT consulting expertise to enhance the Office's IT infrastructure.

We continue to have to rely on contract professionals to meet our legislated responsibilities given more complex work and tight deadlines for finalizing the financial-statement audits of Crown agencies and the province. We also believe that using more contract staff to fill temporary needs, such as for parental leaves, is a prudent approach to staffing, particularly during uncertain economic times, in that it provides more flexibility and less disruption if significant in-year cuts to our budget are requested. Also, even during the economic downturn it has remained difficult for us to reach our approved full complement given our uncompetitive salary levels, particularly for professionals with several years of post-qualifying experience. Further, after four years of budget freezes we can no longer realistically afford to staff up to our approved complement of 117 staff.

We continue to incur higher contract costs for CA firms we work with because of the higher salaries they pay their staff and the additional hours required to implement ongoing changes to accounting and assurance standards. We continue to test the market for such services as contracts expire.

RENT

Our costs for accommodation were again slightly less than last year, owing primarily to a decline in building operating costs, particularly utilities. Accommodation costs declined as a percentage of total spending and will decline further because the Office aggressively negotiated a rent reduction as part of the lease renewal terms commencing in the fall of 2011.

TRAVEL AND COMMUNICATIONS

Our travel and communications costs declined more than 10% from last year. The value-for-money audits we selected generally required less travel than usual. Last year, three audits required extensive travel: Forest Management Program, Supportive Services for People with Disabilities, and Student Success Initiatives. In general, however, we have been incurring significantly more travel costs since the expansion of our mandate to audit broader-public-sector organizations.

OTHER

Other costs include asset amortization, supplies and equipment maintenance, training and statutory expenses. Such costs were 13.5% higher than last year, primarily due to contract staff and specialist expertise we hired to complete our statutory review of the 2011 *Pre-Election Report on Ontario's Finances*, which we reported on in June 2011. We also spent $70,000 more on supplies and equipment, primarily for additional IT support licences and audit software licences as we phase in the implementation of electronic working papers. Training expenses increased $35,000 to help our staff and the agencies we audit prepare for the transition to new financial reporting frameworks. These increases were partially offset by reductions in expert advisory services required to administer the *Government Advertising Act, 2004*, as the volume of ads requiring their review declined this year. Smaller changes in expenses for the Auditor General's salary, the transfer payment to CCAF and equipment amortization were largely offsetting.

FINANCIAL STATEMENTS

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 are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian public sector accounting principles.

Management maintains a system of internal controls that provides reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded, and the financial information contained in these financial statements is reliable and accurate.

The financial statements have been audited by the firm of Adams & Miles LLP, Chartered 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, FCA
Auditor General
August 17, 2012

Gary R. Peall, CA
Deputy Auditor General
August 17, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Internal Economy of
Legislative Assembly of Ontario

We have audited the accompanying financial statements of the Office of the Auditor General of Ontario, which comprise the statement of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010 and the statements of operations and accumulated deficit and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Auditor General of Ontario's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2012, March 31, 2011, and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Adams & Miles LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
August 17, 2012

Office of the Auditor General of Ontario

Statement of Financial Position
As at March 31, 2012

	March 31, 2012 $	March 31, 2011 (Note 12) $	April 1, 2010 (Note 2) $
Financial assets			
Cash and cash equivalents	290,695	500,170	370,802
Harmonized sales taxes recoverable	122,604	128,927	–
Due from Consolidated Revenue Fund	237,316	49,194	754,098
Lease inducement receivable (Note 11)	322,225	–	–
	972,840	678,291	1,124,900
Liabilities			
Accounts payable and accrued liabilities (Note 2)	1,647,041	1,739,291	2,129,900
Deferred lease inducement (Note 11)	308,799	–	–
Accrued employee benefits obligation [Note 6(B)]	2,172,000	1,988,000	1,922,000
	4,127,840	3,727,291	4,051,900
Net financial debt	(3,155,000)	(3,049,000)	(2,927,000)
Non-financial assets			
Tangible capital assets (Note 4)	593,979	501,904	540,543
Accumulated deficit (Note 2)	(2,561,021)	(2,547,096)	(2,386,457)

Commitments (Note 7)
Measurement uncertainty (Note 3(E))

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

Jim McCarter, FCA
Auditor General

Gary Peall, CA
Deputy Auditor General

Office of the Auditor General of Ontario

Statement of Operations and Accumulated Deficit
For the Year Ended March 31, 2012 and March 31, 2011

	2012 Budget (Unaudited –Note 13) $	2012 Actual $	2011 Actual (Note 12) $
Expenses			
Salaries and wages	9,755,400	8,953,561	9,245,160
Employee benefits (Notes 2 & 6)	2,041,200	2,085,050	1,982,895
Office rent	1,062,400	1,016,280	1,035,522
Professional and other services	1,714,500	1,666,589	1,490,944
Amortization of capital assets	—	324,489	339,316
Travel and communication	418,800	303,072	337,301
Training and development	378,600	165,152	130,700
Supplies and equipment	377,500	208,311	136,574
Transfer payment: CCAF-FCVI Inc.	73,000	72,989	61,775
Statutory expenses: *Auditor General Act*	222,700	246,575	229,147
Government Advertising Act	30,000	10,942	65,060
Statutory services	150,000	187,582	108,434
Total expenses (Notes 9 & 10)	16,224,100	15,240,592	15,162,828
Revenue			
Consolidated Revenue Fund – Voted appropriation [Note 3(B)]	16,224,100	16,224,100	16,224,100
Excess of appropriation over expenses		983,508	1,061,272
Less: returned to the Province [Note 3(B)]		997,433	1,221,911
Net operations deficiency		(13,925)	(160,639)
Accumulated deficit, as restated, beginning of year (Note 2)		(2,547,096)	(2,386,457)
Accumulated deficit, end of year		(2,561,021)	(2,547,096)

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Cash Flows
For the Year Ended March 31, 2012 and March 31, 2011

	2012 $	2011 $
Net inflow (outflow) of cash related to the following activities:		
Operating transactions		
Net operations deficiency	(13,925)	(160,639)
Amortization of capital assets	324,489	339,316
Accrued employee benefits obligation	184,000	66,000
	494,564	244,677
Changes in non-cash working capital		
Decrease (increase) in due from Consolidated Revenue Fund	(188,122)	704,904
Increase in lease inducement receivable	(322,225)	—
Decrease (increase) in harmonized sales taxes recoverable	6,323	(128,927)
Decrease in accounts payable and accrued liabilities	(92,250)	(390,609)
Increase in deferred lease inducement	308,799	—
	(287,475)	185,368
Cash provided by operating transactions	207,089	430,045
Capital transactions		
Purchase of tangible capital assets	(416,564)	(300,677)
Investing transactions	—	—
Financing transactions	—	—
Increase (decrease) in cash and cash equivalents	(209,475)	129,368
Cash and cash equivalents, beginning of year	500,170	370,802
Cash and cash equivalents, end of year	290,695	500,170

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

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.

As required by the *Fiscal Transparency and Accountability Act, 2004*, in June 2011 the Auditor General also reported on the 2011 Pre-Election Report prepared by the Ministry of Finance.

2. Conversion to Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Office of the Auditor General of Ontario ("Office") has adopted Canadian public sector accounting ("PSA") standards. These financial statements are the first financial statements for which the Office has applied Canadian public sector accounting standards.

One adjustment to previously reported figures resulted from the adoption of these accounting standards. Previously, the Office did not record an obligation for future employee benefits related to compensated absences under the Management Compensation Option ("MCO"). PSA standards require that a liability and an expense be recognized for post-employment benefits and compensated absences earned in the period in which employees render services to the Office in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated unused MCO credits and has been applied retroactively with restatement of prior periods.

The resulting increase to accounts payable and accrued liabilities at April 1, 2010 was $209,000. Employee benefits expense decreased by $5,000 for fiscal 2010/2011 and accounts payable and accrued liabilities recorded at March 31, 2011 decreased to $204,000. The impact of the conversion to PSA standards on the accumulated deficit at March 31, 2011 and the comparative accumulated deficit is presented below.

	2011 $	2010 $
Accumulated deficit as originally reported, beginning of year	(2,343,096)	(2,177,457)
Increase to accumulated deficit from recording unused MCO credits	(204,000)	(209,000)
Accumulated deficit as restated, beginning of year	(2,547,096)	(2,386,457)

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

3. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board. 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 voted appropriation is prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets, the deferral and amortization of lease inducements and the recognition of employee benefit costs earned to date but that will be funded from future appropriations.

(C) TANGIBLE CAPITAL ASSETS

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

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

(D) FINANCIAL INSTRUMENTS

The Office's financial assets and financial liabilities are accounted for as follows:

- Cash and cash equivalents is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Due from Consolidated Revenue Fund is recorded at cost.
- Accounts payable and accrued liabilities are recorded at cost.
- Accrued employee benefits obligation is recorded at cost based on the entitlements earned by employees up to March 31, 2012. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made as it is not expected that there would be a significant difference from the recorded amount.

It is management's opinion that the Office is not exposed to any interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

3. Significant Accounting Policies (Continued)

(E) MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of capital assets and accrued employee benefits obligation.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Tangible Capital Assets

	Computer hardware $	Computer software $	Furniture and Fixtures $	Leasehold Improvements $	Total $
Cost					
Opening balance, April 1, 2011	597,134	340,833	378,491	235,868	1,552,325
Additions	243,826	49,072	9,711	113,955	416,564
Disposals	(153,590)	(36,919)	(176,288)	—	(366,797)
Closing balance, March 31, 2012	687,370	352,985	211,914	349,823	1,602,092
Accumulated amortization					
Opening balance, April 1, 2011	397,966	147,169	294,185	211,101	1,050,421
Amortization	159,472	100,245	34,307	30,465	324,489
Disposals	(153,590)	(36,919)	(176,288)	—	(366,797)
Closing balance, March 31, 2012	403,848	210,495	152,204	241,566	1,008,113
Net Book Value, March 31, 2012	283,522	142,490	59,710	108,257	593,979

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

4. Tangible Capital Assets (Continued)

	Computer hardware $	Computer software $	Furniture and Fixtures $	Leasehold Improvements $	Total $
Cost					
Opening balance, April 1, 2010	585,915	230,634	364,666	235,868	1,417,083
Additions	106,293	180,559	13,825	—	300,677
Disposals	(95,074)	(70,361)	—	—	(165,435)
Closing balance, March 31, 2011	597,134	340,832	378,491	235,868	1,552,325
Accumulated amortization					
Opening balance, April 1, 2010	337,310	140,165	237,499	161,566	876,540
Amortization	155,730	77,365	56,686	49,535	339,316
Disposals	(95,074)	(70,361)	—	—	(165,435)
Closing balance, March 31, 2011	397,966	147,169	294,185	211,101	1,050,421
Net Book Value, March 31, 2011	199,168	193,663	84,306	24,767	501,904

5. Accounts Payable and Accrued Liabilities

	March 31, 2012 $	March 31, 2011 (restated – Note 2) $	April 1, 2010 (restated – Note 2) $
Accounts payable	254,757	308,990	351,607
Accrued salaries and benefits	409,284	369,301	773,293
Accrued severance, vacation and MCO credits	983,000	1,061,000	1,005,000
	1,647,041	1,739,291	2,129,900

Accounts payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accrued vacation, salaries and benefits are recorded based on employment arrangements and legislated entitlements.

6. 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:

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

6. Obligation for Future Employee Benefits (Continued)

(A) PENSION BENEFITS

The Office's employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Office's annual payments to the fund. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Office. The Office's required annual payments of $719,119 (2011 - $732,873), are included in employee benefits expense in the Statement of Operations and Accumulated Deficit.

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

Although the costs of any legislated severance, compensated absences 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 $274,000 (2011 – $225,000) and are included in employee benefits 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:

	2012 $	2011 (restated – Note 2) $
Total liability for severance, vacation and MCO credits	3,155,000	3,049,000
Less: Due within one year and included in accounts payable and accrued liabilities	983,000	1,061,000
Accrued employee benefits obligation	2,172,000	1,988,000

(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.

7. Commitments

The Office has an operating lease to rent premises which expires on October 31, 2021. The minimum rental commitment for the remaining term of the lease is as follows:

	$
2012–13	483,000
2013–14	488,400
2014–15	495,900
2015–16	501,300
2016–17	508,800
2017–18 and beyond	2,412,000

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

8. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of the salary and benefits paid to all Ontario public-sector employees earning an annual salary in excess of $100,000. This disclosure for the 2011 calendar year is as follows:

Name	Position	Salary $	Taxable Benefits $
McCarter, Jim	Auditor General	219,397	4,871
Peall, Gary	Deputy Auditor General	167,076	250
Bell, Laura	Director	114,606	171
Bordne, Walter	Director	131,000	196
Chagani, Gus	Director	114,606	171
Chiu, Rudolph	Director	131,000	196
Fitzmaurice, Gerard	Director	131,000	196
Gotsis, Vanna	Director	106,218	160
Klein, Susan	Director	131,000	196
Mazzone, Vince	Director	131,000	196
McDowell, John	Director	131,000	196
Pelow, William	Director	107,644	162
Allan, Walter	Audit Manager	105,986	159
Amodeo, Paul	Audit Manager	100,542	169
Carello, Teresa	Audit Manager	105,986	159
Chan, Sandy	Audit Manager	105,986	159
Cumbo, Wendy	Audit Manager	105,986	159
Herberg, Naomi	Audit Manager	105,986	159
MacNeil, Richard	Audit Manager	105,986	159
Rogers, Fraser	Audit Manager	105,986	159
Stavropoulos, Nick	Audit Manager	105,986	159
Tsikritsis, Emanuel	Audit Manager	105,986	159
Young, Denise	Audit Manager	105,986	159
Pedias, Christine	Manager, Corporate Communications and Government Advertising Review	100,658	145
Wiebe, Annemarie	Manager, Human Resources	105,986	159

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

9. 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 preparation of the Estimates submitted for approval to the Board of Internal Economy, 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 and deferred lease inducement recognized in these financial statements. A reconciliation of total expenses reported in Volume 1 to the total expenses reported in these financial statements is as follows:

	2012 $	2011 (restated – Note 2) $
Total expenses per Public Accounts Volume 1	15,240,093	15,002,189
purchase of capital assets	(416,564)	(300,677)
amortization of capital assets	324,489	339,316
change in accrued future employee benefit costs	106,000	122,000
amortization of deferred lease inducement	(13,426)	—
	499	160,639
Total expenses per audited financial statements	15,240,592	15,162,828

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

10. Expenses by Activity

2012

	Salaries & Benefits	Other Operating Expenses	Statutory Expenses	Total	%
Value for money and special audits	7,417,946	2,233,192	265,415	9,916,553	65.1
Financial Statement audits	3,355,738	1,445,314	24,657	4,825,709	31.7
Pre Election Report	143,502	46,781	131,756	322,039	2.1
Government Advertising	121,425	31,595	23,271	176,291	1.1
	11,038,611	3,756,882	445,099	15,240,592	100.0
%	72.4	24.7	2.9	100	

2011

	Salaries & Benefits	Other Operating Expenses	Statutory Expenses	Total	%
Value for money and special audits	7,837,182	2,076,615	284,827	10,198,624	67.3
Financial Statement audits	3,222,451	1,414,654	22,915	4,660,020	30.7
Pre Election Report	33,684	6,330	18,382	58,396	.4
Government Advertising	134,737	34,534	76,517	245,788	1.6
	11,228,054	3,532,133	402,641	15,162,828	100.0
%	74.0	23.3	2.7	100	

Expenses have been allocated to the Office's four main activities based primarily on the hours charged to each activity as recorded by staff in the Office's time accounting system, including administrative time and overhead costs that could not otherwise be identified with a specific activity. Expenses incurred for only one activity, such as most travel costs and professional services, are allocated to that activity based on actual billings.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

11. Deferred Lease Inducement and Receivable

As part of the lease arrangements for its office premises, the Office negotiated a lease inducement of $322,225 to be applied to future accommodation costs. This deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced November 1, 2011.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Budgeted Figures

Budgeted figures were approved by the Board of Internal Economy. It is presented for information purposes only and has not been audited.