Chapter 1

Summaries of Value-for-Money Audits

3.01 Assessment Review Board and Ontario Municipal Board

Our audit focused on operations of the Assessment Review Board and the Ontario Municipal Board, both of which are part of Environment and Land Tribunals Ontario.

Assessment Review Board (Review Board)

The Review Board hears appeals mainly about residential and non-residential property assessments and classifications. The Municipal Property Assessment Corporation (MPAC) assesses and classifies all properties in Ontario, which affects how much property tax owners must pay to municipalities. If property owners want to dispute an MPAC assessment, they can appeal to the Review Board.

Our concerns related to the Review Board are as follows:

- Despite a decrease since 2009 in the total number of appeals it received, the Review Board still had a backlog as of March 2017 of about 16,600 unresolved appeals.
- Delays in resolving high-dollar assessment appeals impair small municipalities' ability to manage their fiscal affairs, because the property taxes generated from such properties account for a significant portion of their tax bases.
- Board members use their professional judgment, based on evidence presented, to render either an oral decision at the end of a hearing or a written decision at a later date. Oral decisions account for about 80% of the total and, unlike written ones, are not subject to peer quality-assurance review.
- The selection process of members to a tribunal should be competitive and merit-based as per the *Adjudicative Tribunals Accountability, Governance and Appointment Act, 2009*. However, we found that board members appointed in 2014 had ranked low during a recruitment competition.

Ontario Municipal Board (Municipal Board)

The Municipal Board hears appeals primarily related to land-use planning matters, such as amendments to municipalities' Official Plans and zoning bylaws, and minor variances.

Since June 2016, the Ontario Government has been reviewing the Municipal Board to make it more affordable and accessible to Ontarians. In May 2017, the government introduced Bill 139, which, if passed, would change the name of the Municipal Board to the Local Planning Appeal Tribunal (Appeal Tribunal).

One major concern expressed by municipalities was that the Municipal Board sometimes stepped outside of its jurisdiction to arbitrarily overturn sections of municipalities' Official Plans without proper interpretations of the *Planning Act*. Several municipalities told us that they spent millions of taxpayer dollars to defend their Official Plans, which had already been approved by their elected councils and the Province. While the proposed legislation bars the new Appeal Tribunal from hearing certain cases against municipal Official Plans, it does not address operational issues related to the hearing process.

Our audit identified operational issues that the Municipal Board should address before transitioning to the Appeal Tribunal. Among our findings:

- In a majority of cases, only one Municipal Board member was assigned to conduct hearings. As well, the Municipal Board does not provide audio-recording services at hearings for subsequent internal and/or external reviews that might be needed.
- In 2016/17, the Municipal Board scheduled only 44% of minor variance cases for a hearing within 120 days of the receipt of a complete package, well below its target of 85%. For complex cases that were closed in 2015/16 (the most recent year with available data), the appeal process took between 10 months and almost seven years from case received to case closed.
- The Municipal Board has done no analysis to determine whether it had a sufficient number of members to handle existing workloads and reduce delays in scheduling and resolving appeals. Despite 80% of decisions being issued within 60 days after the end of a hearing, many others took almost a year to get done.
- We found that documentation was incomplete to demonstrate how the board members were selected in 2016.

3.02 Cancer Treatment Services

Cancer, a group of more than 200 different diseases characterized by the uncontrolled spread of abnormal cells in the body, is the leading cause of death in Ontario. In 2016, an estimated 29,000 Ontarians died of cancer.

In 2015/16, Ontario spent about $1.6 billion to treat cancer, most of it for hospital procedures and treatment drugs.

The Ministry of Health and Long-Term Care (Ministry) has overall responsibility for cancer (or oncological) care in the province, and Cancer Care Ontario (CCO) is the provincial agency responsible under the Ministry for funding hospitals, collecting cancer data, developing clinical standards and planning cancer services to meet patient needs.

About 100 Ontario hospitals deliver cancer-treatment services across the province's 14 Local Health Integration Networks, and 14 of these hospitals are designated as regional cancer centres, meaning they can deliver the most complex cancer treatments. We found that CCO, in conjunction with the Ministry and hospitals, has effective procedures and systems in place to ensure that most—but not all—cancer patients receive treatment in a timely, equitable and cost-efficient manner.

We noted that Ontarians' needs were not being met in the areas of stem cell transplants, access to take-home cancer drugs, radiation treatment, PET scans, symptom management and psychosocial oncology services. Wait times for some urgent cancer surgeries and diagnostic services also needed improvement.

Among our findings:

- Urgent surgeries for 15 out of 17 types of cancer did not meet the Ministry's 14-day wait-time target, and we noted significant wait-time variations by region.
- The CCO has determined that 48% of cancer patients province-wide would benefit from radiation treatment, but only 39% actually received it in 2015/16.
- Ontario does not cover the full cost of take-home cancer drugs for all patients. In comparison, British Columbia, Alberta, Saskatchewan and Manitoba cover the costs of all government-approved cancer drugs for all patients.
- In 2015/16, actual wait times for stem cell transplants using the patient's own previously stored cells were about 1.5 times longer than CCO's target wait time. Actual wait times for transplants using stem cells

donated by someone else were almost seven times longer than the CCO target.

- Limited capacity for stem cell transplants was first identified as an issue in Ontario in 2009. The Province sometimes sends patients to the United States for the procedure, at an average cost of $660,000 (Cdn)—almost five times the $128,000 average cost in Ontario.
- Ontario performed fewer positron emission tomography (PET) scans, which use injected radioactive tracers to create images of cancers, per 1,000 people than elsewhere in Canada or in other countries. Ontario has not updated eligibility criteria or OHIP coverage rules for PET scans since 2013, and has been slow to adopt new radioactive tracers.
- Just under half of biopsies performed in hospital operating rooms were done within the Ministry's targeted wait time of 14 days.
- Review of diagnostic-imaging results by a second radiologist has remained inadequate even though misinterpretation of some results in 2013 led to several incorrect diagnoses in Ontario.
- Psychosocial oncology services, which are provided by such specialists as psychiatrists, social workers and registered dieticians, were insufficient and varied from hospital to hospital. Support services were also insufficient to help ease patient symptoms and side effects during treatment. As a result, many patients visited hospital emergency rooms at least once during their treatment.

3.03 Community Health Centres

Ontario's 75 Community Health Centres (CHCs) provide health care and community programs and services designed specifically for their communities. CHCs are mandated to serve populations that have traditionally faced barriers in accessing health services, including the homeless, seniors, refugees, new immigrants and low-income individuals. CHCs are also mandated to provide services at no charge to people without a health card. In the 2016/17 fiscal year, CHCs received $401 million from the Ministry of Health and Long-Term Care (Ministry), through Ontario's 14 Local Health Integration Networks (LHINs).

CHCs offer a wide range of services, examples of which include check-ups, immunizations, diabetic foot care, nutrition counselling, needle exchange, youth leadership training and skills development, parent and child programs, and outreach to isolated seniors. CHC physicians and nurse practitioners are salaried and do not bill the Ontario Health Insurance Plan for health services they render.

While CHCs serve vulnerable populations and can contribute to reducing the strain on the health-care system and other provincial government programs, the Ministry and the LHINs lack critical information to make informed decisions on whether CHCs are cost-effective in providing quality care to their target population groups, and whether the Ministry should expand the network of CHCs or reallocate funding among existing CHCs.

The following are some of our other significant observations:

- Because there has not been a comprehensive assessment of all primary-care models in Ontario, it is difficult to know how CHCs fit strategically within the primary-care system and the overall health-care system, and how the various models, such as CHCs, Family Health Teams, and fee-for-service practitioners, can best be used to effectively deliver primary care to Ontarians.
- We found that 16% of the CHCs were responsible for more patients than their capacity allows; in contrast, about half of the CHCs were serving less than 80% of their targeted number of patients. We found that on a weekly basis in 2016/17, each CHC physician or nurse practitioner averaged 31 patient encounters, but some had as few as 16 encounters and some had almost 60 encounters. Without examining this data, the Ministry and the LHINs could not identify

areas where resources can be reallocated to make the best use of the investment in the CHC sector.

- Four LHIN sub-regions (smaller geographic areas located within existing LHIN boundaries) do not have a CHC or any other form of primary care that offers inter-professional care under one roof.
- Neither the Ministry nor the LHINs defined what professionals, at a minimum, should be included in each CHC, and what minimum services the inter-professional teams should provide to CHC clients. Defining the staffing model and the core services that should be offered at each CHC can increase the efficiency and effectiveness of inter-professional teams and improve clients' access to their services.
- The annual base funding that LHINs provide to CHCs is predominantly based on historical funding levels, and not tied to the number of clients the CHCs serve. The LHINs did not increase base funding to those CHCs that exceeded their targeted number of clients.

3.04 Emergency Management in Ontario

The Provincial Emergency Management Office (EMO) is a branch within the Office of the Fire Marshal and Emergency Management division of the Ministry of Community Safety and Correctional Services. It is responsible for overseeing and co-ordinating the Province's emergency management program as well as overseeing the emergency management programs of the various ministries and municipalities in Ontario.

The focus of emergency management is on protecting lives, infrastructure, property and the environment, and helping to ensure the continuity of government operations and critical assets.

Emergency management involves five interdependent components: prevention, mitigation (risk and damage reduction), preparedness, response and recovery. To determine the priorities for emergency management and identify the activities to undertake within these five components, the following must first be identified:

- potential hazards (such as floods, forest fires and severe weather events);
- critical infrastructure (such as roads and telecommunications); and
- time-critical government services (such as those that need to remain operational during an emergency or be restored quickly afterwards).

Although the Province has some measures in place to prepare for and respond to emergencies, there are weaknesses in the emergency management programs across the province and in EMO's oversight and co-ordination of emergency management programs.

The following are some of our significant observations:

- The current governance structure for emergency management in Ontario is not effective for overseeing a province-wide program. The Cabinet Committee on Emergency Management is responsible for the oversight of emergency management, but has not met for several years.
- Emergency management is given lower-than-expected priority in Ontario. EMO competes with its Ministry's other priorities. EMO has not fared well in this environment in the past, and has experienced significant cuts to its program, staff and budget.
- The latest provincial risk assessment was done in 2012 based on emergencies experienced in Ontario up to 2009. Therefore, the current provincial emergency management program has not considered emergencies that have occurred over the past eight years, or the latest information on climate change and other developing risks, such as cyberattacks and terrorism.
- The provincial emergency management program does not focus on all five components of emergency management: prevention,

mitigation, preparedness, response and recovery. The provincial emergency management program focuses mainly on just two of these—preparedness and response—with the Ministry of Municipal Affairs also undertaking activities related to recovery through the disaster financial assistance programs. Although there was a plan in 2003 to expand the provincial emergency management program to include all five components by 2006, this has not yet been done.

- The two provincial emergency response plans that are prepared by EMO, the Provincial Emergency Response Plan and the Provincial Nuclear Emergency Response Plan, have not been updated since 2008 and 2009, respectively. As a result, these plans may not reflect current operations or events.
- Approaches for practicing for emergencies were insufficient to ensure the Province is ready to respond to emergencies, as approximately 80% of the practice tests undertaken during the past five years were basic practice tests (such as discussions and seminars) and generally did not include a simulation of an actual emergency.
- The Province's overall state of readiness to respond to emergencies needs significant improvement. For example, numbers of trained staff are not sufficient for a lengthy emergency, and agreements are not in place for resources that may be needed in an emergency response.

3.05 Farm Support Programs

Ontario's 49,600 farms account for one-quarter of the Canadian total. In 2016, the province's agricultural sector contributed $4.4 billion to the Ontario economy and employed almost 78,000 people.

Farmers face two broad categories of operating risks: *production risks* relate primarily to such issues as weather, disease and pests, and *price risks* relate to fluctuations in the cost of goods and services farmers must buy, and in the selling prices for their commodities.

The federal, provincial and territorial governments share responsibility for developing programs to help farmers manage these risks. In Ontario, the Ministry of Agriculture, Food and Rural Affairs (Ministry) is responsible for farm-support policy decisions. Agricorp, an Ontario Crown agency, delivers most programs in this province.

From 2012/13 to 2016/17, the federal government and the Ministry spent a total of $2.3 billion on farm-support programs in Ontario. Four business-risk-management programs provide most of the financial assistance to farmers:

- **Production Insurance** compensates crop farmers for lower yield due to adverse weather, wildlife, pest infestation or disease.
- **AgriStability** compensates farmers for significant drops in their farm income.
- **AgriInvest** is a savings program in which the federal and provincial governments match farmers' deposits to help farmers manage small decreases in income.
- **Ontario Risk Management Program** compensates livestock, grains, and oilseed farmers when the cost of producing their commodities exceeds their market value. The Program serves fruit and vegetable farmers in a similar way to AgriInvest.

Our audit found that the programs are not fully effective in ensuring support for farmers to manage their risks. Production Insurance appears to provide timely and sufficient support to help crop farmers manage production risks, but we found that weaknesses in the design of the other programs limit the ability of the entire suite of farm-support programs to provide appropriate support. Specifically:

- The Ontario Risk Management Program often pays farmers with little regard to their individual needs because payments are based on the industry-average production cost instead of farmers' actual costs. The Program's design also benefits large farms, which receive payments based on higher industry-average production costs rather than on their actual—usually lower—costs due to economies of scale.

- AgriStability's ability to provide support is limited by low farmer participation. Farmers have cited reasons for not participating, such as delays in payments, recent changes that have resulted in lower payments, and inequities across sectors.
- Existing programs would likely be insufficient during a market-related crisis, and the Ministry's existing plans are inadequate to provide support during such crises because they do not say how support would be provided and are not designed to deal with long-term or market-related crises.
- Agricorp systems and processes need to improve to reduce overpayments due to incorrect and misleading information from farmers. In 31% of the audits conducted in the last five years, Agricorp's program auditors identified $5.6 million in over- and underpayments to farmers resulting from incorrect or false information provided to Agricorp.
- Agricorp uses over 30 IT systems to administer programs, but one of its four main systems is 25 years old while another is over 10 years old. In the last five years, there have been 31 system-related errors that led to farmers either receiving incorrect information about their program participation, or incorrect payments totalling over $2.7 million.

3.06 Independent Electricity System Operator—Market Oversight and Cybersecurity

Ontario's electricity market determines the wholesale (market) price of electricity, which is one of the two components of the electricity charge on ratepayers' electricity bills. The other component is the "global adjustment," which in 2016 made up about 85% of the electricity charge.

The Independent Electricity System Operator (IESO) administers the market, in which generators offer to supply electricity at prices to recover their marginal costs for producing electricity, and large consumers and out-of-province electricity importers indicate how much electricity they are willing to consume and at what price.

Overseeing the market are a surveillance panel working for the Ontario Energy Board (OEB Panel), which monitors the market, and investigates and reports on ways that the market is vulnerable to being inappropriately manipulated because of weaknesses and flaws in its design; and a division of the IESO (IESO Oversight Division), which is responsible for monitoring, investigating and fining market participants that may be breaking market rules. The IESO is responsible for fixing weaknesses and flaws in market design; however, the Ontario Energy Board has the authority to revoke the changes and refer them back to the IESO for further consideration.

Among our findings:

- The OEB Panel has been effective in monitoring and reporting inappropriate market conduct, and recommending that the IESO fix problems with market design. However, the Ontario Energy Board itself could have done more to protect ratepayers' interests by requesting the IESO to further review and reconsider a market rule change to address the OEB Panel's repeated recommendations to fix certain weaknesses and flaws in the design of Ontario's electricity market.
- One program that the OEB Panel has recommended for years that the IESO scale back continues to pay gas generators an average of about $30 million more per year than necessary. In addition, nine gas and coal generators claimed as much as $260 million in ineligible costs under this program between 2006 and 2015. The IESO has recovered about two-thirds of this amount.
- There is little representation of ratepayers' interests on the working group that is helping to determine the future design of the

electricity market through the IESO's Market Renewal Initiative. Some members of this group have been, or are being, investigated for benefitting financially from existing market design problems.

- According to the OEB Panel and our own review, the process at the IESO to change market rules is influenced by gas generators and others that have a direct and substantial financial interest in the current market design.
- Three investigations by the IESO's oversight division between 2015 and 2017 uncovered significant problems resulting in over $30 million in fines and settlement recoveries, yet this division has limited resources and lacks explicitly legislated investigative powers to do more and timelier work.
- The government has several times broadened industry participation in the Industrial Conservation Initiative (ICI), a program that allows industrial ratepayers to reduce their electricity charges by shifting their global-adjustment costs to residential and small-business ratepayers. The OEB Panel reported that the ICI's impact in its first 10 months (it was launched in January 2011) was a reduction in the global-adjustment charges of about 65 large industrial ratepayers of about $245 million, which was added to the electricity bills of residential and small-business ratepayers. Since the initial launch, the ICI was further expanded three times (in July 2015, January 2017 and July 2017), shifting an even more significant amount of the global-adjustment charge from large industrial ratepayers to residential and small-business ratepayers. Before the initiative launched in January 2011, all ratepayers were paying about 7 cents per kilowatt hour (cents/kWh). After six-and-a-half years (as of June 2017), residential and small-business payers were paying 12 cents/kWh and large industrial ratepayers were paying 6 cents/kWh.

We also audited how well the IESO protects its critical IT assets and infrastructure, and found the IESO's cybersecurity system complies with power grid reliability standards. However, the IESO could be better equipped to defend itself from an advanced cyberattack should one occur.

3.07 Laboratory Services in the Health Sector

Laboratory services involve the collection, testing and analysis of a patient's specimen (such as blood, urine or stool) for health-care professionals to make decisions on the diagnosis and treatment of their patients. Various studies note that laboratory tests inform and guide over 70% of medical decisions.

Ontario has about 540 specimen collection centres where specimens are collected from patients, and about 200 laboratories where the collected specimens are analyzed. In 2015/16, the Ministry of Health and Long-Term Care (Ministry) spent about $2 billion funding 260 million tests performed by:

- community laboratories (operated by private companies);
- hospital laboratories;
- health-care professionals (mainly physicians) who perform tests in their own offices; and
- Public Health Ontario laboratories.

Health-care professionals are responsible for ordering laboratory tests for their patients. Once the specimens are collected from patients, they are sent to a laboratory for analysis. In addition to community and hospital laboratories, Public Health Ontario laboratories also perform testing for infectious diseases, such as HIV and hepatitis.

Our audit found that laboratory services are generally provided to Ontarians safely, and accurate laboratory tests results are generally provided to health-care professionals in a timely manner. However, there are several areas relating to cost-effectiveness, accessibility, and performance measurement and reporting of laboratory services that need improvement.

The following are some of our significant observations:

- The Ministry has not made any major updates to its price list (which is the price it pays to community laboratories for each test they perform) since 1999. It plans to implement a new price list only in 2017/18. If this new price list had been in effect in 2015/16, the Ministry would have paid community laboratories $39 million less that year.
- The Ministry has not regularly evaluated whether currently uninsured tests, such as CA 125, used to measure the amount of protein cancer antigen in a patient's blood, should be funded, even though many of these tests have become more widely accepted as medically necessary and are often funded by other provinces.
- The Ministry's actions to reduce unnecessary testing, such as Vitamin D testing, did not result in effective or sustainable long-term reductions in testing.
- The Ministry's strategy for genetic testing resulted in costly out-of-country testing. Between 2011/12 and 2015/16, the Ministry paid over US$120 million related to over 54,000 specimens sent out of the country. While the cost to perform some genetic tests would be cheaper if these tests were done in the province instead of out of country, the Ministry's current strategy to increase in-province genetic testing is still preliminary.
- The Ministry has not regularly reviewed billings by physicians who perform laboratory tests on their patients. We identified 120 family and general practice physicians with large test volumes and billings. The 15 with the highest billings each performed between about 75,000 and 182,000 tests, and billed between about $600,000 and $1.4 million in 2015/16 (about 128 to 300 times the average billings of a typical family and general practice physician). The Ministry has performed only a limited number of reviews to verify the accuracy of these billings.
- Physicians do not require a licence to perform in-office laboratory testing and are not required to participate in the Province's quality management program. This was raised as a concern in our 1995 and 2005 audits, as well as in external studies, but the Ministry has taken no action over the past two decades.

3.08 Ministry Funding and Oversight of School Boards

The Ministry of Education (Ministry) funds 72 district school boards to provide elementary and secondary education to about 2 million students (as of the 2016/17 school year). The school boards comprise 31 English public boards, 29 English Catholic boards, four French public boards and eight French Catholic boards. Collectively, there are approximately 4,590 schools, 113,600 teachers and 7,300 administrators in the system.

The Province shares responsibility with municipalities for funding school boards. In the 2016/17 school year, the Ministry and municipalities combined provided school boards with $23 billion in operating funding.

With respect to oversight of school boards' use of operating funds, the Ministry is responsible for the development and implementation of policy for funding the boards.

We noted that the Ministry receives considerable information from school boards to monitor student performance and the boards' financial situation. In addition, we found that the Ministry has processes to check financial data submitted to the Ministry electronically.

However, we found the Ministry needs to improve its oversight of school boards in certain areas. Most significantly, we found that the Ministry does not ensure that students with similar needs receive the same level of support no matter where they live in the province. Also, we noted that the Ministry gives school boards considerable discretion in how they spend the funding they receive despite some funding being provided for specific education priorities.

Our more significant audit findings are as follows:

- In 2002, an independent task force reviewed the Ministry's complex formula for determining school boards' funding. The task force recommended that the Ministry annually review and update the benchmarks used in the formula and conduct a more comprehensive overall review every five years. Fifteen years later, the Ministry has not commissioned another independent review of the funding formula.
- Grants for specific education priorities are not always allocated to school boards according to actual student needs. For example, half of the special-education funding is allocated based on a school board's average daily enrolment of all its students, instead of the number of students who are receiving special-education programs and services. We found that if the Ministry had allocated this half of the special-education funding based on the actual number of students receiving special-education programs and services, $111 million would have been allocated differently across the boards.
- The Ministry is not ensuring that funding for specific education priorities is being spent as intended. In 2016/17, only 35% of $10.9 billion in special purpose funding was restricted in use. Except for restricted funding, the Ministry does not require boards to report how the individual grants that comprise the overall Grants for Student Needs were spent, even if those grants were provided for certain reasons.
- The Ministry does not compare and analyze actual expenses of school boards on a per-student or per-school basis. Our analysis showed significant differences in expenses per student by region, but also between boards in the same region. Such analysis could help the Ministry identify boards that are not operating efficiently or highlight where further review is necessary.
- Students have been performing below the provincial standard in Grades 3 and 6 math and Grade 9 applied math since at least 2008/09. Root causes identified through Ministry consultation included the need to increase educators' knowledge of the mathematics curriculum, effective teaching strategies, and effective assessment and evaluation practices.
- Although the amount of funding allocated to each school board is based to a large extent on overall student enrolment, over the six-year period from 2011 to 2016, enrolment was audited at only 6% of schools—3% of all elementary schools and 18% of all secondary schools.

3.09 Ontario Public Drug Programs

About 4 million Ontarians receive drug coverage through the Ontario Public Drug Programs (Programs) annually. The Ministry of Health and Long-Term Care (Ministry) is responsible for administering the Programs, which cover most of the cost of over 4,400 drug products listed on the Ontario Drug Benefit Formulary (Formulary), over 1,000 drugs through the Exceptional Access Program (non-Formulary), certain disease-specific programs, as well as various professional pharmacy services, received by eligible Ontarians.

In 2016/17, the Programs' total expenditure was $5.9 billion (before rebates from drug manufacturers); the expenditure of the Ontario Drug Benefit Program alone amounted to $5.4 billion when co-payments and deductibles were included. According to the most recent data available, brand-name drugs accounted for about two-thirds of the total expenditures under the Ontario Drug Benefit Program, and generic drugs accounted for the remaining one-third. One of the Ministry's key responsibilities is to negotiate with drug manufacturers to achieve the best price possible for drugs covered by the Programs.

For brand-name drugs, over the last decade, the Ministry has taken initiatives to negotiate contracts with drug manufacturers that often resulted in receiving rebates from the manufacturers. However, we noted the following:

- The Ministry received $1.1 billion in rebates from drug manufacturers in 2016/17. However, the Ministry is not able to determine how the confidential discounted prices of the brand-name drugs compared to prices paid by other countries because pricing information is confidential globally.
- The Ministry took over six months on average to invoice drug manufacturers after the date when rebates could be recovered, which would equate to about $2.2 million interest income lost in 2016/17. Further, the Ministry has made some errors in calculating the rebates—in one case, this led to a failure to invoice over $10 million. The Ministry recovered the amount when the drug manufacturer informed it of the error.

For generic drugs, we noted:

- Generic drug prices in Ontario have dropped significantly in the last 10 years, but the Province still pays more than foreign countries. For example, our analysis shows that, in 2015/16, Ontario paid roughly $100 million (or about 70%) more for the same drugs as New Zealand.
- We compared a sample of common generic drugs used in both community and hospital settings, and found that the Ministry paid $271 million (or 85%) more than some Ontario hospitals. Opportunities exist for more discounts on generic drugs.

Among other findings:

- We found that, in general, the Ministry pays for eligible recipients' drug costs in a timely manner when their prescribed drugs are listed on the Formulary. However, delays are common with people who require approval through the Exceptional Access Program on a case-by-case basis. For example, in 2016/17, the overall time for the two most requested biologic drugs (over 7,800 total requests) was approximately seven to eight weeks.
- In 2016/17, out of the more than 4,260 pharmacies, the Ministry inspected 286 pharmacies and recovered $9.1 million in inappropriate claims. However, our audit identified many other inappropriate claims, leading to about $3.9 million of inappropriate payments not inspected and/or recovered by the Ministry. Also, the Ministry did not refer several potentially fraudulent billings to the Ontario Provincial Police in a timely manner.
- The Ministry spent $157 million through the Ontario Drug Benefit Program on opioids for about 720,000 recipients in 2016/17. Despite numerous initiatives taken by the Ministry in dealing with the recent opioid crisis, it does not know whether individuals overdosed or died from using prescribed or illicit opioids. Having this information would let the government know where to devote resources.

3.10 Public Health: Chronic Disease Prevention

Public health works to promote healthy lifestyle behaviours and prevent the spread of disease. One of public health's functions is to prevent chronic diseases, defined as those that last a long time and generally cannot be prevented by vaccines or cured by medication.

Major chronic diseases include cardiovascular and respiratory diseases, cancer and diabetes. In Ontario, the number of people living with these diseases has been on the rise.

Research from the Institute for Clinical Evaluative Sciences, an Ontario-based not-for-profit research institute, shows that chronic diseases place a significant cost burden on the health system. According to its 2016 report, physical inactivity, smoking, unhealthy eating and excessive alcohol consumption cost Ontario almost $90 billion in health-care costs between 2004 and 2013.

Limiting these modifiable risk factors can prevent or delay most chronic diseases. Ontario has had some success in reducing smoking. However, the Province has not placed a similar focus on the other modifiable risk factors to reduce the burden of chronic diseases.

There are opportunities for the Ministry of Health and Long-Term Care (Ministry), Public Health Ontario (a provincial agency that provides scientific and technical advice to government on public health issues) and the 36 public health units (organizations mostly funded by the Ministry that plan and deliver programs and services to reduce the burden of chronic diseases) to work better together to address the key modifiable risk factors of chronic diseases.

Our audit found that significant inefficiencies exist across the public health units because there are no formal systems in place to co-ordinate their activities and share best practices. As well, the Ministry does not ensure public health units' performance in chronic disease prevention. Consequently, it cannot fully confirm that public health units and all other recipients of considerable provincial funding on chronic disease prevention are making progress in helping Ontarians live longer and healthier lives.

Our other significant concerns are as follows:

- The Province has no overarching policy framework on chronic disease prevention to guide overall program planning and development.
- While the public health units have a mandate to work with schools, the lack of co-ordination at the provincial level has resulted in public health units having to individually spend resources to build relationships and persuade schools to participate in effective public health programs instead of on service delivery to influence healthy living behaviours in young children.
- Public health units have undertaken research and developed local solutions independently. We noted significant duplication of effort and instances of variation in the depth of the research and type of information gathered.
- We found that public health units have not all been able to access complete and current epidemiological data to study the patterns, causes and effects of health and disease within populations. Even in instances where the data is available, some public health units did not have the required time and/or staff expertise to review and analyze epidemiological data.
- We noted cases where some public health units did not evaluate new programs, or measure the programs' effectiveness, as required by the Ministry.

3.11 Real Estate Services

The Ontario Infrastructure and Lands Corporation (Infrastructure Ontario) is a Crown agency under the Ministry of Infrastructure (Ministry). One of Infrastructure Ontario's responsibilities is to manage real estate owned and leased by Ontario Government ministries and some agencies (government properties).

Infrastructure Ontario is responsible for helping its client ministries and agencies find space by either matching their needs to available space in government properties or leasing other space within the private sector. It is also responsible for managing these properties, including the costs of cleaning, repairs and maintenance, security, utilities, property taxes, and, for government-owned land and buildings, their sale or demolition.

Further, Infrastructure Ontario is responsible for overseeing capital projects, namely the construction, rehabilitation and renovation of government properties.

About 9% of government properties, based on rentable square feet as of March 31, 2017, were procured through the Alternative Financing and Procurement (AFP) model. A number of hospitals are maintained through AFP agreements, and, while Infrastructure Ontario is not directly involved in managing hospitals' AFP agreements, it offers guidance to the hospitals when requested.

Our audit determined that Infrastructure Ontario's management of government properties was impacted in part by weaknesses in the Enterprise Realty Service Agreement (Agreement) between Infrastructure Ontario and the Ministry of Infrastructure. The Agreement does not set out any mandatory, minimum standard of performance for managing the costs of capital projects. It also does not set out timelines for meeting the accommodation standard for office space designed to ensure that existing government properties are used efficiently, and timelines for maintaining the state of government-owned properties to the Agreement's standard.

Overall, our audit found the following concerns:

- Deferred maintenance of government buildings has more than doubled from $420 million as of March 31, 2012, to $862 million as of March 31, 2017. Over the last six years, the condition of government properties has deteriorated from excellent to almost a poor level of condition as measured by the industry standard.
- The design of a Request for Proposals (RFP) in 2014 attracted only three bids for the management of 7,500 capital projects worth $900 million over five years. The RFP divided the province into two areas, which could only be handled by large companies.
- Infrastructure Ontario does not obtain enough information from its two project managers to assess whether procurements of vendors for client ministry and agency capital projects are done in a competitive and fair manner.
- Infrastructure Ontario informed us that its initial cost estimates for capital projects are limited as they do not factor in the additional costs that might be incurred to address actual site conditions. However, it uses these estimates for prioritizing which projects to do for the current year and the next two years. Since subsequent estimates and the actual cost of the projects tend to be significantly higher than the initial cost estimates, Infrastructure Ontario is not prioritizing projects based on complete cost estimates. This could increase the risk of selecting projects that do not yield the highest cost-benefit.
- Project managers are not held accountable for meeting the original project completion dates. Project managers can revise project completion dates while the project is ongoing and Infrastructure Ontario does not track these dates.
- Over $170 million in office accommodation costs could be saved annually if effective steps are taken to reduce the space occupied per government staff person to comply with the 2012 Office Accommodation Standard of 180 rental square feet per person set by the Ministry of Infrastructure. Neither the Ministry nor Infrastructure Ontario has set a goal for when this standard should be met.
- Almost $19 million was spent in 2016/17 on operating and maintaining 812 vacant buildings. We found that about 600 of the 812 buildings had been vacant for an average of almost eight years. For the other 212 buildings, Infrastructure Ontario could not readily determine when the building became vacant.
- Management at hospitals we spoke to are involved in long-term, ongoing disputes with private-sector companies over interpretations of the maintenance portion of their AFP agreements.

3.12 School Boards' Management of Financial and Human Resources

There are 72 publicly funded district school boards in Ontario responsible for overseeing elementary and secondary education for about 2 million students. In the 2016/17 school year, school boards were allocated $23 billion by the Ministry of

Education, of which the majority was used at the discretion of individual boards.

For the purpose of this audit, we visited four school boards in southern Ontario—Toronto Catholic District School Board, Hamilton-Wentworth District School Board, Halton Catholic District School Board, and Hastings and Prince Edward District School Board.

We found that the boards we visited used funding restricted by legislation for the purposes for which it was provided. However, funding provided for specific purposes, but not restricted by legislation, was not always used for the specific purposes intended. School boards often used a portion of this money for teacher salaries and benefits and special-education program costs. From the 2011/12 to the 2015/16 school year, boards experienced added financial pressures because of an increase in sick days by employees.

The following are some of our specific concerns regarding school boards' management of financial and human resources:

- From the 2011/12 school year to the 2015/16 school year, three of the four boards we visited noted an increase in employee sick days ranging from 11% to 40%. Over the same five-year period, for three boards for which information was readily available, salary costs paid to employees while they were off sick increased by 32% to $42.7 million in the 2015/16 school year.
- The Ministry provides funding for students at risk of low academic achievement through the Learning Opportunities Grant. The boards have discretion on how they can spend much of this funding. We noted that one school board used only 50% of the $46.5 million it received for at-risk students, while the remaining funds were used to support shortfalls in teacher salaries and special-education funding.
- The Ministry provides funding to all English school boards for English as a second language/English literacy development. For the 2015/16 school year, one school board used 58% of the $23.9 million it received for English as a second language students, and the remainder was used to alleviate cost pressures in other areas.
- The *Education Act, 1990* (Act) requires that boards allocate resources to improve student achievement in areas where students are performing below provincial benchmarks. We found that only one of the boards we visited attempted to create smaller classes in schools with lower student achievement. The other boards allocated teaching positions based on meeting provincial class size restrictions.
- All four boards we visited had long lists of students waiting to be assessed or served by professionals in the areas of psychology and speech and language. For three of the four boards, 24% or more of the students on the psychological services wait lists had been waiting for more than a year. In addition, two boards had students waiting more than a year for speech and language assessments.
- None of the four boards we visited completed the two mandatory appraisals for all new teachers within 12 months of being hired, as required under the Act. The lack of timely appraisals impacts the new teachers' ability to receive feedback and seek the timely professional development required to be successful in the profession.

3.13 Settlement and Integration Services for Newcomers

In the last five years, more than 510,000 immigrants settled in Ontario as permanent residents. Many of them need help getting settled—everything from finding housing and work to accessing health care.

The federal government is the primary funder of newcomer settlement services in this province, but the Ontario Ministry of Citizenship and

Immigration (Ministry) also has a mandate to successfully settle and integrate newcomers.

The Ministry funds settlement and integration services that include language training, and bridge training programs to help internationally trained immigrants obtain certification and employment in regulated and highly skilled occupations.

Ministry services are primarily delivered by contracted service providers that include, for example, public and Catholic school boards, universities, colleges and non-profit community organizations.

In 2016/17, the Ministry paid service providers about $100 million to deliver services to over 80,000 individuals who accessed settlement services, over 68,000 people who took language training, and almost 6,000 individuals in bridge training programs.

We noted that the Ministry did not have effective systems and procedures in place to ensure that its service providers consistently provided effective services, although we found that its bridge training program did help many internationally trained newcomers get jobs.

The following are some of our significant findings:

- We found there has been limited co-ordination between the Ministry and the federal government, which is the primary funder of settlement services in Ontario, to avoid duplication of services. We estimate that in 2016/17, about $30 million in Ministry-funded newcomer services were provided to individuals also eligible for services funded by the federal government. The extent to which the Ministry also needs to fund these services is unclear.
- We noted that Ministry funding allocations to each of its settlement and integration services are not determined based on a comparison of the relative need for each service by newcomers. We found funding is not always allocated to the services most needed by newcomers. For example, we noted a decline in the average enrolment for Ministry-funded language training in the last five years, and the amount spent on the program during this period was $24 million less than budgeted. At the same time, funding for the Ministry's bridge training program has decreased over the last five years, from $34.4 million to just $23 million in 2016/17, even though the majority of people who completed bridge training programs found jobs.
- We found that the Ministry did not establish minimum scores that service-provider applicants were required to achieve to qualify for bridge training and newcomer settlement funding. As a result, the Ministry approved and funded several proposals to which it had assigned scores of less than 50%.
- We found that the actual cost per client visit in the newcomer settlement program, and the cost per client employed in the bridge training program, differed significantly among service providers. However, the Ministry does not compare service and financial data reported by providers to assess whether differences are reasonable and providers are operating in a cost-effective manner.
- While the average employment rate among all bridge training program contracts completed in the last three years was 71%, we noted significant differences between programs. For example, many reported that fewer than 40% of their graduates found jobs.

3.14 Social and Affordable Housing

According to Statistics Canada, 1.9 million low-income individuals lived in Ontario in 2016. Low-income individuals are defined as those living in a household whose take-home income is less than half of the median after-tax income of comparably sized households.

Low-income Ontarians who have to pay market rates for rental housing often can have little money left for other essentials such as food, forcing some of them to live in shelters or housing inadequate for their family's needs.

In response, the Province developed a variety of programs over many years to help these Ontarians attain affordable housing, defined as costing no more than 30% of a household's total pre-tax income.

The biggest such program, governed by the *Housing Services Act* (Act), requires municipalities to provide social housing to about 187,000 households in the province, operated mainly by not-for-profit organizations, co-ops, and municipal housing corporations for which tenants receive benefits so that their rent is equal to 30% of their gross income.

About another 78,000 units, not covered by the Act, offer rents geared to income or at lower-than-market rates. Since 2002, the federal and provincial governments have also jointly funded additional initiatives aimed at increasing the availability of housing for low-income households.

Our audit found that there is no provincial strategy to address growing social housing wait lists or the housing needs of growing numbers of low-income Ontarians. Some specific observations in this audit include:

- Ontario has the largest social housing wait list in the country. There are more people on wait lists for social housing than there are currently occupying social housing. As of December 2016, Ontario's wait list is 185,000 households, representing about 481,000 people, or 3.4% of the province's total population. This represents the highest proportion of any province.
- Wait times are lengthy and growing even longer. Applicants on wait lists can only get a social housing subsidy when a vacancy arises. However, only about 5% of people on wait lists get housing in any given year. Wait times at the service providers we visited ranged from about two years to over nine years.
- Housing is provided on a first-come, first-served basis, not on assessed need. Apart from victims of abuse, who receive priority, there are no other provincial priorities, and thus housing is provided based largely on when an applicant joined the wait list. We noted that British Columbia, for example, assesses factors such as income level, rent paid, and adequacy of current housing conditions. In Ontario, most applicants receive a subsidy generally based on when they joined the wait list; applicants have been known to own assets such as a home, or be living and working in other provinces, while being on Ontario's wait lists.
- Few affordable units have been built since 1996. Despite an increase in demand, only 20,000 below-market units have been built in the last two decades. Governments have not made the building of affordable rental units a priority. Since 1996, 1.3 million new condominium units and houses have been built in the province, but only 71,000 market-rate rental units and 20,000 affordable rentals.
- Affordability challenges are likely to increase over the next 15 years. Contracts with housing providers to offer affordable rents for 83,000 units are beginning to expire (about 50% will have expired by the end of 2020, and the last by 2033). Some housing providers have already increased rents and are converting affordable units (about 20% below-market rent) to market-rent units. The Ministry of Housing does not have complete information on how many affordable units have been lost and what the impact has been on tenants.