Office of the Auditor General of Ontario

The Public Accounts of the Province of Ontario

December 2023

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1.0 Summary

Based on our audit work, we have concluded that the Province's consolidated financial statements for 2022/23 are fairly presented and free of material errors. Again, this year, the audit opinion on the Province's consolidated financial statements is unqualified.

Items of note from our audit of the Province's consolidated financial statements and other financial statement work conducted this past year are as follows:

- We are required to report on certain government reporting deadlines under the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act). The government has met all reporting deadlines as of November 15, 2023. The Province is required under the Act to include in its debt burden reduction strategy specific objectives regarding the projected provincial net-debt-to-gross-domestic-product ratio as well as a progress report on actions supporting the implementation of the strategy from the prior year's budget. The Province has not met the second requirement.
- Key audit matters were included in the Auditor General's Independent Auditor's Report for the first time for the year ended March 31, 2023. Key audit matters are items that, based on the auditor's professional judgment, are of the most significance to the audit of the financial statements, and are required to be included in the auditor's report for publicly listed entities.
- In 2022/23, the Province implemented the new asset retirement obligation public-sector accounting standard. The Province identified that this primarily relates to asbestos within buildings it owns. During the audit, we and the expert we engaged observed that asbestos data was not available for a high percentage of buildings. With the implementation of PS 3280, *Asset Retirement Obligations*, the Province is required to assess if an asset retirement obligation exists and a liability should be recognized. Therefore, the Province should know whether asbestos exists or potentially exists in the buildings it owns.
- In 2022/23, iGaming Ontario launched the new regulated market for Internet gaming in Ontario. iGaming Ontario entered into operating agreements with 46 operators working as agents on behalf of iGaming Ontario and the Province. In this report, we provide an update on the developments in Internet gaming in Ontario. Our Office conducted an audit of iGaming Ontario's 2022/23 financial statements where we issued an unqualified opinion.
- In response to the COVID-19 pandemic, the Province established a procurement process for personal protective equipment (PPE). As part of our audit of the Province's consolidated financial statements, we identified accounting

risks relating to the manual tracking and completeness of these supplies, as well as issues with expiration dates and inconsistent inventory accounting policies between the responsible ministries. As of March 31, 2023, the Province held a significant inventory of PPE at an inventory cost of $1.6 billion, and $400 million in PPE had been written off during the year.

- The Province's growing debt burden also remains a concern this year, as it has been since we first raised the issue in 2011. This year, as in the past, we focus on the critical implications of the growing debt for the Province's finances. Holding a high level of debt with rising interest rates increases the risk that future funding available for programs could be negatively impacted. We maintain the view that the government should provide legislators and the public with long-term targets for addressing Ontario's current and projected debt levels.

This chapter contains four recommendations, consisting of seven actions, to address our observations.

2.0 Background

Ontario's Public Accounts are key financial documents issued annually by the government. For the fiscal year ended March 31, 2023, the Public Accounts were prepared under the direction of the Minister of Finance, as required by the *Financial Administration Act*, and the President of the Treasury Board. The Public Accounts consist of the Province's Annual Report, including the Province's consolidated financial statements and financial statement discussion and analysis; the Auditor General's Independent Auditor's Report on the consolidated financial statements; and two supplementary volumes of additional financial information.

The government is ultimately responsible for preparing the consolidated financial statements for the Province of Ontario and ensuring that this information, including many amounts based on estimates and judgment, is presented fairly. The Deputy Minister of Finance, the Deputy Minister of Treasury Board Secretariat and the Comptroller General, with support from the Office of the Provincial Controller Division, are responsible for ensuring that an effective system of internal controls, with supporting procedures, is in place to authorize transactions, safeguard assets and maintain proper records.

Our Office, under the *Auditor General Act*, is responsible for the annual audit of these consolidated financial statements. The objective of our audit is to obtain reasonable assurance that the statements are free of material misstatements—that is, free of significant errors or omissions. The Auditor General's Independent Auditor's Report is included in the Province's Annual Report.

The Province's 2022/23 Annual Report also contains a Financial Statement Discussion and Analysis section that provides additional information regarding the Province's financial condition and fiscal results for the year ended March 31, 2023. Providing such information is intended to enhance the fiscal accountability of the government to both the Legislative Assembly and the public.

The two supplementary volumes of the Public Accounts consist of the following:

- **Ministry Statements and Schedules**—unaudited statements from all ministries and a number of schedules providing details of the Province's revenue and expenses, its debts and other liabilities, its loans and investments, and other financial information; and
- **Detailed Schedule of Payments**—unaudited detailed schedules of ministry payments to vendors and transfer-payment recipients.

The Province also provides a website (**ontario.ca/page/financial-statements-government-organizations-and-business-enterprises-2022-23**) with links to the websites for individual financial statements of government organizations, trusts under administration, government business enterprises and other government organizations.

Our Office reviews the information in the Province's Annual Report, and in the Ministry Statements and Schedules of the Public Accounts, for consistency with the information presented in the Province's consolidated financial statements.

The *Financial Administration Act* requires that, except in extraordinary circumstances, the government deliver its Annual Report to the Lieutenant Governor in Council within 180 days of the end of the fiscal year. The two supplementary volumes must be submitted to the Lieutenant Governor in Council within 240 days of the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Legislative Assembly or, if the Assembly is not in session, make the information public and then lay it before the Assembly within 10 days of the time it resumes sitting.

This year, the deadline for submission was September 27, 2023. The government released the Province's 2022/23 Annual Report and Consolidated Financial Statements, along with the two Public Accounts supplementary volumes, on September 27, 2023, meeting the legislated deadline.

The Auditor General's audit opinion, contained in the Independent Auditor's Report, on the Province's consolidated financial statements was unqualified for the sixth consecutive year. An unqualified opinion means that the consolidated financial statements are free from material errors. An unqualified opinion in the public sector should be considered just as seriously as a qualified audit opinion. **Section 3.0** discusses the unqualified audit opinion on the Province's consolidated financial statements.

3.0 The Province's 2022/23 Consolidated Financial Statements

3.1 Auditor's Responsibilities

As the legislature's independent auditor of the Province's consolidated financial statements, the Auditor General aims to express an opinion on whether the consolidated financial statements are free of material misstatements and are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) so that they give a true and fair view of the financial position and operating results of the Province. It is this independence, combined with the professional obligation to comply with established Canadian Auditing Standards (CAS) and related ethical requirements, which allows the Auditor General to issue an opinion that provides users with confidence in the Province's consolidated financial statements.

To enable the Auditor General to form an opinion, our Office collects sufficient appropriate audit evidence and evaluates it to determine whether the consolidated financial statements are free of material misstatements. This includes assessing the government's preferred accounting treatment over certain transactions and investigating the appropriateness of those treatments under Canadian PSAS.

An assessment of what is material (significant) and immaterial (insignificant) is based primarily on our professional judgment. In making this assessment, we seek to answer the following question: "Is this error, misstatement or omission significant enough that it could affect decisions made by users of the Province's consolidated financial statements?" If the answer is yes, then we consider the error, misstatement or omission to be material.

To help us make this assessment, we determine a materiality threshold. This year, as in past years, and consistent with most other provincial legislated auditors, we set our threshold at 0.5% of the greater of government expenses or revenue for the year.

Our audit is conducted on the premise that management has acknowledged certain responsibilities that are essential to the conduct of the audit in accordance with CAS. These responsibilities are discussed below.

3.2 Management's Responsibilities

The auditor's report distinguishes between the responsibilities of management, those charged with governance, and those of the auditor with respect to a financial statement audit. Management is responsible for the preparation of the financial statements in accordance with Canadian PSAS. The auditor examines the financial statements in order to express an opinion as to whether the financial statements have been prepared in accordance with Canadian PSAS. The division of responsibility between management and the auditor is fundamental and preserves the auditor's independence, a cornerstone of the auditor's report.

In addition to preparing the financial statements and having the relevant internal controls, management is also required to provide the auditor with all information relevant to the preparation of the financial statements, additional information that the auditor may request, and unrestricted access to individuals within the entity who the auditor determines are necessary to communicate with to obtain audit evidence. The CAS are clear on these requirements, and the completion of these is formally communicated to the auditor in the form of a signed management representation letter at the end of the audit.

When a transaction occurs, it is management's responsibility to identify the applicable accounting standards, determine the implications of the standards for the transaction, decide on an accounting policy and ensure that the financial statements present the transaction in accordance with the applicable financial reporting framework (for example, Canadian PSAS for governments). The auditor must also be proficient in the applicable financial reporting framework in order to form an independent opinion on the financial statements, and may perform similar procedures in identifying the applicable standards and understanding the implications of the standards for the accounting transaction. However, unlike management, the auditor does not select an accounting policy or the bookkeeping entries for the organization. These decisions are in the hands of management—in Ontario's case, the Treasury Board Secretariat and the Ministry of Finance, both with support from the Comptroller General and the Provincial Controller.

When there are disagreements between an auditor and management on the application or adequacy of accounting policies, the auditor must assess the materiality or significance of the issue to the overall financial statements in forming the audit opinion. If the issue is material, it would result in a qualified opinion in which the auditor concludes that the financial statements are fairly presented except for the items described in the basis for the qualification. Again, this distinguishes the role of management from that of the auditor such that management prepares the financial statements, and the auditor independently examines the financial statements to express an opinion about them.

The Office of the Auditor General of Ontario may make suggestions about the consolidated financial statements, but this does not alter management's responsibility for the financial statements. Similarly, the government may seek external advice on accounting treatments of certain transactions. In these situations, the government still has the ultimate responsibility for the decisions made, and the use of external advisors does not diminish, change or substitute the government's accountability as the preparer of the Province's consolidated financial statements.

3.3 Responsibilities of Those Charged with Governance

The auditor's report also distinguishes the roles and responsibilities of those charged with governance from those of management. Those charged with governance have ultimate financial oversight. In a company, this is usually the board of directors. In the Province, this is the Treasury Board.

The Treasury Board ensures that management has established and maintains internal controls over the financial reporting process, oversees management's processes for identifying and mitigating risks, and reinforces management's efforts to create a culture of ethical behaviour in the ministries and provincial organizations.

3.4 The Independent Auditor's Report

The Independent Auditor's Report, which is issued at the conclusion of an audit engagement, comprises:

- an opinion paragraph containing an expression of opinion on the consolidated financial statements and a reference to the applicable financial reporting framework (for example, Public Sector Accounting Standards) used to prepare the financial statements;

- a basis for opinion paragraph that explains that the audit was conducted in accordance with Canadian generally accepted auditing standards;
- a section titled "Key Audit Matters" that describes the areas of most significance to the audit—refer to **Section 3.6** for further discussion;
- a section titled "Other Accompanying Information" that explains the responsibility of management and those charged with governance for including other information (the Province prepares other information such as the financial statement discussion and analysis) and the auditor's responsibilities for reading the other information. This section includes the auditor's conclusion about whether the other information is materially consistent with the financial statements or the knowledge obtained in the audit;
- a description of the responsibility of management and those charged with governance for the proper preparation and oversight of the financial statements in accordance with the applicable financial reporting framework;
- a description of the auditor's responsibility to express an opinion on the consolidated financial statements, a conclusion on the appropriateness of management's use of the "going concern" basis of accounting, and the scope of the audit; and
- additional paragraphs describing the group audit engagement (an audit with more than one component) and communication with those charged with governance, and an explicit statement that the auditor is independent of the Province and has fulfilled the auditor's other relevant ethical responsibilities.

The Independent Auditor's Report may also include:

- an "Emphasis of Matter" paragraph that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements (for example, it might highlight uncertainty relating to the future outcome of exceptional litigation); and
- an "Other Matter" paragraph that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. (For example, it might explain that the financial statements of the prior period were audited by a predecessor auditor.)

3.5 The Significance of an Unqualified Audit Opinion

The Independent Auditor's Report is the way the auditor communicates their opinion to the users of the financial statements as to whether the financial statements of an entity are presented fairly. After the audit of the financial statements is completed, the auditor can sign one of four possible opinions:

- **Unqualified, or clean, opinion:** The financial statements present fairly, in all material respects, the financial position and results of the entity.
- **Qualified opinion:** The financial statements contain one or more material misstatements or omissions.
- **Adverse opinion:** The financial statements do not fairly present the financial position, results of operations and changes in financial position, as per generally accepted accounting principles.
- **No opinion or disclaimer of opinion:** It is not possible to give an opinion on the financial statements because, for example, key records of the entity were destroyed and thus unavailable for examination.

An unqualified audit opinion indicates the financial statements are reliable. The importance of an unqualified opinion should not be understated. When an auditor issues a qualified opinion, they are expressing concern about the entity's compliance with the accounting standards issued by the standard setter (for example, the Public Sector Accounting Board), or about the auditor's ability to obtain sufficient and appropriate information on the financial statements. An audit qualification is generally a rare occurrence.

For the sixth year in a row, the Auditor General has issued an unqualified opinion on the Province's consolidated financial statements. The consolidated financial statements can be relied on to fairly and accurately present the Province's fiscal results for the year ended March 31, 2023, in all material respects.

3.6 Key Audit Matters

Key audit matters are items that, based on the auditor's professional judgment, are of the most significance to the audit of the financial statements. The inclusion of key audit matters in the auditor's reports is now required for all publicly listed entities for financial years ending on or after December 15, 2022. The Province is considered a listed entity, and therefore, the Auditor General reported key audit matters within the Independent Auditor's Report as part of the consolidated financial statements for the year ended March 31, 2023.

Key audit matters include:

- areas identified as significant risks or involving significant management or auditor judgment;
- areas in which the auditor encountered significant difficulty, for instance, in obtaining sufficient and appropriate audit evidence; and
- circumstances that required a modification to the auditor's planned audit approach, including as a result of a significant deficiency in internal control.

We have historically communicated key audit matters arising from our audit of the Province's consolidated financial statements in this chapter of our annual report, and during the audit process we have communicated them to those charged with governance.

Key audit matters reported in the Independent Auditor's Report for the March 31, 2023 consolidated financial statements included the following:

- personal income tax;
- corporations tax;
- pension and other employee future benefits;
- contaminated sites liabilities;
- asset retirement obligations;
- contingent liabilities associated with the court decision relating to the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*;
- iGaming Ontario; and
- financial instruments and foreign currency translation.

See **Appendix 1**, which reproduces the Independent Auditor's Report, for a description of each key audit matter and the audit work performed on each.

3.7 The 2022/23 Audit Opinion

The *Auditor General Act* requires that we report annually on the results of our examination of the Province's consolidated financial statements. The Independent Auditor's Report to the Legislative Assembly on the Province's consolidated financial statements for the year ended March 31, 2023 is reproduced in **Appendix 1.**

4.0 The *Fiscal Sustainability, Transparency and Accountability Act, 2019*

We are required to report annually on the Premier's and the Minister of Finance's compliance with the *Fiscal Sustainability Transparency and Accountability Act, 2019* (Act). The Auditor General has determined that the communication of the Minister's compliance with the Act will be through this report.

Under this Act, the government is required to:

- develop a debt burden reduction strategy, including setting out net debt-to-gross-domestic-product (GDP) objectives and plans for reducing the debt burden;
- incorporate sustainability into the Province's fiscal policies;
- release the annual budget by March 31 each year, except for years in which a general election takes place, to allow a new government

additional time to develop its first Multi-Year Fiscal Plan;
- provide a rationale for running deficits in the introductory section of the annual budget;
- impose monetary penalties on the Premier and the Minister of Finance (Minister) for missing reporting deadlines as required in the Act; and
- post a public statement to explain the rationale for any missed public reporting deadlines, and the revised deadline by which the affected report will be released.

Figure 1 shows the reports that are subject to the financial penalty and public statement requirements.

Figure 2 shows that, as of November 15, 2023, the Premier and the Minister had complied with all requirements of the Act.

The Act includes requirements that the budget must include certain components, such as a debt burden reduction strategy and a recovery plan (**Appendix 2** describes the recovery plan). We provide additional commentary on the debt burden reduction strategy in **Section 10** of this report. The debt burden reduction strategy as per the Act must include specific objectives regarding the projected net-debt-to-GDP ratio. As well, it must include a progress report on actions supporting the implementation of the debt burden reduction strategy included in the latest budget. The Province has not met the second requirement. In other words, the Province has not formally documented a long-term debt strategy, explained how it determined the net-debt-to-GDP target, or clearly demonstrated how debt will be managed.

In our follow-up report on the 2021 Public Accounts of the Province of Ontario in our *2023 Annual Report* (**Chapter 1, Section 1.01**), the Province indicated that it will not be implementing our recommendation relating to this issue and will continue to report on its debt burden reduction strategy as required by the *Fiscal Sustainability, Transparency and Accountability Act, 2019*. See **Section 10.6** in this report for more details.

Appendix 2 shows the requirements of the Act and whether they have been met by the documents issued by the Province in 2023.

5.0 Asset Retirement Obligations

5.1 Background

The Public Sector Accounting Board introduced a new accounting standard, PS 3280, *Asset Retirement Obligations* (PS 3280), which became effective for the Province on April 1, 2022. This standard provides guidance on reporting of liabilities arising from legal obligations associated with the retirement of tangible capital assets (for example, removal of asbestos in buildings, closure of landfill sites, and decommissioning of power-generating facilities). A legal obligation can result from agreements or contracts, legislation of another government, a government's own legislation, or a promise that imposes a reasonable expectation of performance upon the person or entity that has made the promise (that is, the legal doctrine of promissory estoppel). The Province has legal

Figure 1: Reports Subject to Financial Penalty and Public Statement Requirements by the Premier and Minister of Finance

Source of data: *Fiscal Sustainability, Transparency and Accountability Act, 2019*

Report	Deadline
Budget	Mar 31
First Quarter Finances	Aug 15
Mid-Year Review (Fall Economic Statement)	Nov 15
Third Quarter Finances	Feb 15
Long-Term Report	Two years following a general election
Quarterly Ontario Economic Accounts	Within 45 days after each of Statistics Canada's Quarterly National Income and Expenditure Accounts

Figure 2: Compliance with Financial Penalty and Public Statement Requirements between December 2022 and November 2023

Prepared by the Office of the Auditor General of Ontario

Report	Deadline	Date Available	Requirement Met
2022/23 Third Quarter Finances	Feb 15, 2023	Feb 15, 2023	Yes
2023 Budget	Mar 31, 2023	Mar 23, 2023	Yes
2023/24 First Quarter Finances	Aug 15, 2023	Aug 14, 2023	Yes
2023/24 Mid-Year Review (Fall Economic Statement)	Nov 15, 2023	Nov 2, 2023	Yes
Long-Term Report	Jun 2, 2024 (to be issued two years following a general election)	n/a	n/a
Quarterly Ontario Economic Accounts	Within 45 days after each of Statistics Canada's Quarterly National Income and Expenditure Accounts		
Q3 2022	Jan 13, 2023 (Statistics Canada release date: Nov 29, 2022)	Jan 12, 2023	Yes
Q4 2022	Apr 14, 2023 (Statistics Canada release date: Feb 28, 2023)	Apr 13, 2023	Yes
Q1 2023	Jul 14, 2022 (Statistics Canada release date: May 31, 2023)	Jul 13, 2023	Yes
Q2 2023	Oct 15, 2023 (Statistics Canada release date: Sep 1, 2023)	Oct 13, 2023	Yes

obligations to retire certain tangible capital assets. As of March 31, 2023, this liability was estimated to be $4.1 billion ($3.8 billion in 2022).

5.2 Asbestos in Buildings

During our annual audit of the Public Accounts for the year ended March 31, 2023, we identified that the largest portion of asset retirement obligations within the Province resulted from asbestos in buildings owned by the Province (86% as of March 31, 2023). Asbestos is the common name given to several fibrous minerals that can be used to make products strong, long-lasting and fire-resistant. Before 1990, asbestos was mainly used for insulating buildings and homes against cold weather and noise, and for fireproofing. However, breathing in asbestos fibres can cause health complications, including lung cancer. As a result, a regulation was put in place in 1985 (O. Reg. 654/85), which was later replaced in 2007 by Ontario Regulation 278/05 Designated Substance—Asbestos on Construction Projects and in Buildings and Repair Operations (O. Reg. 278/05). This is discussed further in **Section 5.2.1.**

In order to estimate its asset retirement obligations, the Province developed two cost-measurement models. Model 1 was developed for buildings with known quantities of asbestos requiring future abatement. Model 2 was developed for buildings with unknown asbestos quantities or no existing asbestos data. Model 2 relies on aggregated known asbestos data from Model 1 buildings and extrapolates average abatement costs based on building size, age and category. Where better information is not available, all ministries, as well as consolidated agencies and broader-public-sector entities (BPS) have used Model 1 and Model 2 to estimate the asset retirement obligations associated with their buildings. To assess the completeness and accuracy of the asset retirement obligation estimates, we independently engaged an environmental engineer to assist with the technical assessment of the models and the reasonability of the assumptions, inputs and rates used.

In addition, we performed tests of details on a sample of properties to assess the completeness and accuracy of the liability balance for asset retirement obligations included in the consolidated financial statements.

5.2.1 Ontario Regulation 278/05 Designated Substances

During the audit, we and the expert we engaged observed that asbestos data was not available for a high percentage of buildings. With the implementation of PS 3280, the Province is required to assess if an asset retirement obligation exists and a liability should be recognized. Therefore, the Province should know whether asbestos exists or potentially exists in the buildings it owns.

Under O. Reg. 278/05, if the owner of a building knows or ought reasonably to know that asbestos-containing material has been used in a building for any purpose related to the building, including insulation, fireproofing and ceiling tiles, the owner is required to prepare and keep on the premises a record containing this information, inspect the material mentioned in the record at regular intervals in order to determine its condition, and to update the record at least once every 12 months.

An example of one type of record commonly obtained is referred to as a management-level asbestos survey. These types of surveys differ from a pre-construction, pre-renovation or project-specific asbestos survey, as management-level surveys are generally non-destructive (that is, they require observation only) and are primarily intended to identify and characterize accessible asbestos that needs to be managed to prevent disturbance and, thus, occupant or worker exposure.

By design, Model 1 produces more precise and accurate estimates since it relies on asbestos survey data gathered for individual buildings. The lack of asbestos data for a large portion of buildings owned by the Province precludes the use of Model 1, and increases reliance on Model 2, which introduces more estimation uncertainty into the consolidated financial statements. Gathering additional asbestos data to increase the proportion of buildings using Model 1 would help make the asset retirement obligations estimate more precise and accurate.

5.2.2 Consistency of Information

As part of our audit, we tested supporting documents used as volume inputs into Model 1. Each building was categorized into one of four regions (Central [Greater Toronto Area], East, North and Southwest). We noted inconsistences between the different regions in reporting information on the types of building materials that contained asbestos. For example, buildings in the North, Central and Southwest regions did not consistently include estimates for exterior building materials. These inconsistencies in data reduce the comparability of buildings in different regions, which can skew the asset retirement obligation estimate if a ministry has buildings concentrated in one particular region.

RECOMMENDATION 1

To increase the precision and accuracy of the Province's asset retirement obligation estimate, we recommend that the Office of the Provincial Controller Division work with the affected ministries to:

- develop standardized information requirements that must be present in the records (for example, management-level asbestos surveys), that would contain the required information in order to use Model 1; and
- collect and maintain these records for all provincially owned buildings with known or suspected asbestos within a reasonable time frame not exceeding five years.

OFFICE OF THE PROVINCIAL CONTROLLER DIVISION RESPONSE

The Office of the Provincial Controller Division agrees with the recommendation of the Auditor General and will work with impacted ministries and Infrastructure Ontario to:

- increase the consistency and functionality of asbestos records (including management-level asbestos surveys) to improve their use in financial reporting, while maintaining their primary purpose within the Province's Asbestos Management Program; and

- identify all provincially owned buildings that have known or suspected asbestos that creates financially material asset retirement obligations, in order to estimate the related liability using Model 1.

6.0 Financial Instruments

The Province adopted the following new Canadian Public Sector Accounting Standards (PSAS) in its consolidated financial statements for the year ended March 31, 2023:

- PS 1201, *Financial Statement Presentation*;
- PS 2601, *Foreign Currency Translation*; and
- PS 3450, *Financial Instruments*.

These new accounting standards established standards on the recognition, measurement and disclosure of financial instruments and the presentation of associated gains and losses in the Province's consolidated financial statements.

Figure 3 shows a summary of the financial statement impact of adopting these standards on the Province's 2022/23 consolidated financial statements.

6.1 Financial Statement Presentation

PS 1201, *Financial Statement Presentation*, introduces a new statement called the statement of remeasurement gains and losses, which reports the changes in the values of financial assets and financial liabilities arising from their remeasurement at their current exchange rates and/or fair values (referred to as "remeasurement gains or losses").

The statement of remeasurement gains and losses presents a reconciliation of the following items:

- the accumulated remeasurement gains and losses at the beginning of the period;
- remeasurement gains and losses during the period, distinguishing between:
  (1) amounts arising during the period; and
  (2) amounts reclassified during the period to the statement of operations;

Figure 3: Financial Statement Impact of the Adoption of PS 3450, PS 2601 and PS 1201 ($ billion)

Source of data: Province of Ontario Consolidated Financial Statements, 2022/23

Description of Adjustment	Opening Accumulated Operating Surplus (Deficit)	Opening Remeasurement Gains and (Losses)	Opening Net Assets (Debt) as of April 1, 2022
Reclassification of other comprehensive income from government business enterprises	(3.5)	3.5	–
Foreign currency denominated debt with PS 2601.19A election	1.3	–	1.3
Foreign currency denominated debt without PS 2601.19A election	–	2.0	2.0
Recognition of derivative assets at fair value	–	2.6	2.6
Recognition of derivative liabilities at fair value	(1.3)	(6.1)	(7.4)
Derecognition of unamortized gains relating to derivatives past their settlement or expiration date	0.1	–	0.1
Total	**(3.4)**	**2.0**	**(1.4)**

- any other comprehensive income that arises when a government includes the results of government business enterprises (GBEs) and business partnerships in its consolidated financial statements; and
- the accumulated remeasurement gains and losses at the end of the period.

As of March 31, 2023, the Province's consolidated statement of remeasurement gains and losses included amounts pertaining to certain portfolio investments, derivative assets and liabilities, foreign currency transactions, other comprehensive income relating to GBEs, and the Ontario Nuclear Funds.

The Province previously recorded other comprehensive income or losses from GBEs directly to its consolidated statement of accumulated deficit. Under PS 1201, the Province is required to record other comprehensive income from GBEs in its consolidated statement of remeasurement gains and losses. As a result, on April 1, 2022, the Province reclassified $3.5 billion in gains from the opening accumulated deficit to the opening balance of remeasurement gains and losses.

6.2 Foreign Currency Translation

Effective April 1, 2022, the Province adopted PS 2601, *Foreign Currency Translation*, which establishes the standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. In accordance with the transitional provisions, the Province adopted PS 2601 prospectively from the date of adoption and did not restate its 2021/22 comparative figures.

The Province's foreign currency transactions primarily consist of debt denominated in foreign currencies and derivatives, such as forward foreign exchange contracts and currency swaps. Changes in the foreign exchange rate between the transaction date and the Province's fiscal year-end give rise to exchange gains and losses that must be accounted for in the consolidated financial statements. Previously, the Province recognized all exchange gains and losses that arose prior to settlement in its consolidated statement of operations.

Under the new standard, the Province must recognize exchange gains and losses that arise prior to settlement in its consolidated statement of remeasurement gains and losses, unless the Province makes a specific election. Under paragraph PS 2601.19A, the Province may make an irrevocable election at the initial recognition of a financial instrument to recognize exchange gains and losses in its consolidated statement of operations. This election may only be made on an instrument-by-instrument basis.

On April 1, 2022, the Province used the election under paragraph PS 2601.19A for economically hedged groups of financial instruments where the underlying item is hedged by a series of shorter-term derivatives. This resulted in a $1.3 billion gain to the Province's opening accumulated operating deficit relating to unrealized exchange gains or losses that were previously deferred and amortized. For all other financial instruments where the election was not taken, the Province recorded $2 billion in gains to the opening balance of remeasurement gains and losses.

6.3 Financial Instruments

Effective April 1, 2022, the Province adopted PS 3450, *Financial Instruments*, which establishes the standards on how to account for and report financial instruments. In accordance with the transitional provisions, the Province adopted PS 3450 prospectively from the date of adoption and did not restate its 2021/22 comparative figures.

The Province's financial instruments include accounts receivables and payables, loans receivable, portfolio investments, debt, and derivatives such as currency swaps and foreign-exchange forward contracts. Under the new standard, the Province must record all financial instruments using one of two measurement categories: (1) fair value or (2) cost or amortized cost.

6.3.1 Fair Value Category

PS 3450 requires the Province to record equity instruments that are quoted in an active market, such as publicly traded shares of a private-sector corporation, and derivative assets and liabilities, at their fair value.

Except for the exchange gain or loss component of the change in fair value when the paragraph PS 2601.19A election is made, changes in the fair value of these financial instruments are recorded annually as remeasurement gains or losses in the Province's consolidated statement of remeasurement gains and losses. Accumulated remeasurement gains or losses are reversed from the consolidated statement of remeasurement gains and losses and reclassified to the consolidated statement of operations upon derecognition of these instruments.

The Province typically enters into derivative contracts as a tool to manage economic risks (for example, changes in interest rates or foreign exchange rates) related to its debt issuances. Previously, the Province did not recognize unrealized gains or losses for derivatives in its consolidated statement of financial position. In essence, derivatives were recorded at a carrying amount of nil, but their fair values were disclosed in the notes to the consolidated financial statements. Upon settlement or expiration of derivatives, the Province deferred and amortized the gains or losses on the derivatives over the remaining life of the debt issuance for which an economic risk was being managed.

On April 1, 2022, the Province recognized derivative assets of $2.6 billion, which was recorded as a gain to the opening balance of remeasurement gains and losses. The Province also recorded derivative liabilities of $7.4 billion, of which $6.1 billion was recorded as a loss to the opening balance of remeasurement gains and losses and $1.3 billion was recorded as a loss to the opening accumulated operating deficit where the Province made the election under PS 2601.19A. Lastly, the Province recorded a $0.1 billion gain to the opening accumulated operating deficit for unamortized gains or losses relating to derivative transactions past their settlement or expiration date.

6.3.2 Cost or Amortized Cost Category

Under PS 3450, financial instruments that are not recorded at fair value are instead recorded at cost or amortized cost. For example, the Province's debt is measured at amortized cost. The definition of amortized cost under PS 3450 requires the Province to use the effective interest rate method to amortize the difference between the initial amount and the maturity amount (commonly referred to as premiums or discounts) and to record interest expense. Previously, the Province used the straight-line method to amortize premiums or discounts and to record interest expense on its debt. This change did not result in a financial statement impact on the date of adoption (April 1, 2022) due to the prospective adoption of PS 3450.

7.0 iGaming Ontario

7.1 Background

In April 2019, the government of Ontario announced plans to establish a new market for Internet gambling (Internet gaming). The new model involves private gaming operators (operators) participating in a regulated market where they operate Internet gaming websites on behalf of iGaming Ontario, a newly created provincial agency.

iGaming Ontario is a board-governed agency that was established on July 6, 2021 as a legal subsidiary of the Alcohol and Gaming Commission of Ontario (AGCO). The AGCO is a regulatory board-governed agency of the Province of Ontario that reports to the Ministry of the Attorney General, and is responsible for regulating Internet gaming in Ontario. The AGCO is also responsible for overseeing iGaming Ontario's conduct and management of Internet gaming.

Under Ontario Regulation 722/21: Lottery Subsidiary—iGaming Ontario, iGaming Ontario's principal objects are to:

- develop, undertake and organize prescribed online lottery schemes;

- promote responsible online gaming; and
- conduct and manage prescribed online lottery schemes in accordance with the *Criminal Code of Canada and the Gaming Control Act, 1992*.

7.2 Relationship between iGaming Ontario and Operators

iGaming Ontario's business model involves offering Internet games through a network of operators who provide their games to players in Ontario. To participate in Ontario's new Internet gaming market, each operator must register with the AGCO and execute an operating agreement with iGaming Ontario.

Under the operating agreement, iGaming Ontario appoints each operator as its agent solely to operate websites that offer, on behalf of iGaming Ontario, Internet games to players in Ontario. Operators' key responsibilities as agents for iGaming Ontario include:

- accepting wagers on Internet games offered on their websites;
- paying all winnings to players; and
- remitting all wagers less winnings to iGaming Ontario.

iGaming Ontario's gaming revenue comprises wagers less winnings and eligible deductions. Eligible deductions are amounts claimed by operators for cashable payments to players derived from wagering promotional play funds (such as free bets or bonuses) up to a limit specified by iGaming Ontario. iGaming Ontario pays an amount equal to 80% of the gaming revenue it earns to each operator as compensation for operating its websites and offering Internet games to players in Ontario.

7.3 Launch of the New Market for Internet Gaming and iGaming Ontario's 2022/23 Financial Results

On April 4, 2022, iGaming Ontario launched the new market for Internet gaming in Ontario. On this date, 12 operators began offering Internet games on their websites to players in Ontario. **Figure 4** summarizes the major categories of gaming products offered by iGaming Ontario's operators.

For the fiscal year ended March 31, 2023, iGaming Ontario had executed operating agreements with 46 operators. In its first year of market operations, iGaming Ontario earned gaming revenues of $1.3 billion, which is composed of $35.6 billion in wagers collected by operators from players, less $34.3 billion in winnings paid to players and eligible deductions. Refer to **Figure 5** for a breakdown of iGaming Ontario's gaming revenue by major gaming product category for the 2022/23 fiscal year.

iGaming Ontario's most significant expense was payments to operators of $1 billion, which is deducted from gaming revenue in iGaming Ontario's 2022/23 financial statements to arrive at net gaming

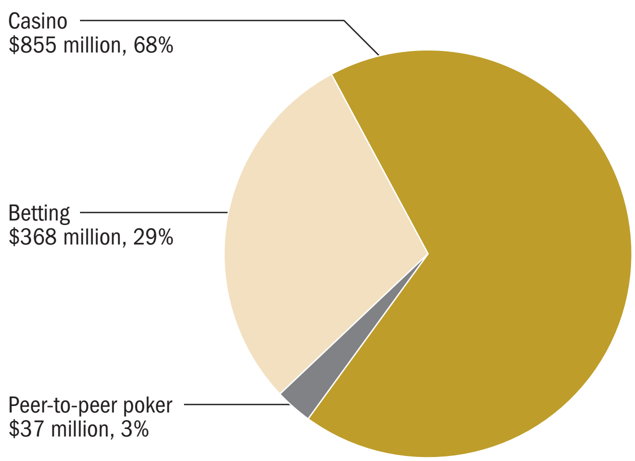
Figure 4: Major Categories of Gaming Products Offered by iGaming Ontario's Operators

Source of data: iGaming Ontario 2022/23 audited financial statements

Gaming Product	Description
Casino	Slots, live and computer-based table games, and peer-to-peer bingo
Betting	Betting on sports and esports, as well as proposition and novelty bets
Peer-to-peer poker	Cash games and tournaments where players play against each other

Figure 5: Breakdown of iGaming Ontario's Gaming Revenue by Category, 2022/23

Source of data: iGaming Ontario March 31, 2023 audited financial statements



revenues of $240 million. iGaming Ontario's other expenses totalled $149 million—most of which relates to GST/HST expenses ($134 million). As shown in **Figure 6**, iGaming Ontario's net income in 2022/23 was $96 million, which is about 8% of iGaming Ontario's gaming revenue.

On April 5, 2023, iGaming Ontario was directed by the Ministry of Finance and the Ministry of Indigenous Affairs to make monthly revenue-sharing payments to the Ontario First Nations Limited Partnership (OFNLP). The first monthly payment of $1.4 million was made in April 2023, and payments will continue to be made monthly until March 31, 2024, unless agreed to otherwise by iGaming Ontario and the OFNLP. At the time of our audit, iGaming Ontario, the Ministry of Finance and the Ministry of the Attorney General were in discussions with the OFNLP to negotiate a separate revenue-sharing agreement with respect to iGaming Ontario's gaming revenues.

7.4 Audit of iGaming Ontario's 2022/23 Financial Statements

Our Office completed an audit of iGaming Ontario's fiscal 2022/23 financial statements in August 2023. During the audit, we initially encountered challenges in obtaining timely information and co-ordinating with operators' auditors to audit the gaming revenues remitted to iGaming Ontario and reported in its financial statements.

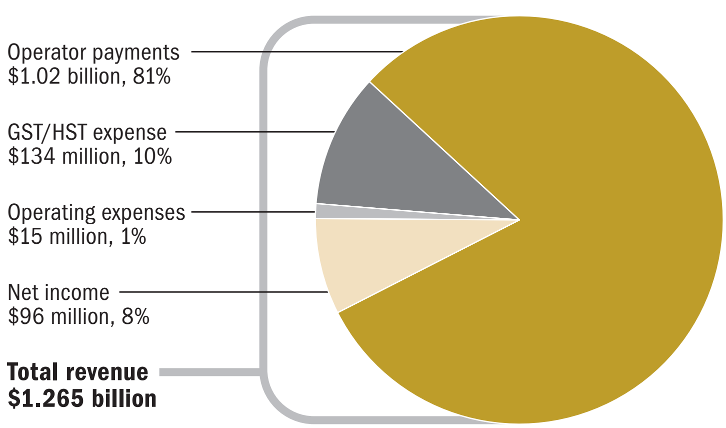
As the principal in wagering transactions with players, iGaming Ontario relies on operators to report the gross amounts of wagers collected by each operator from players less player winnings and eligible deductions. Under their operating agreements, operators are required to submit this financial information to iGaming Ontario in the form of schedules audited by an external auditor. Given that the financial information in these audited schedules forms part of iGaming Ontario's financial statements, it is critical that our Office be able to rely on the audit evidence obtained by operators' auditors for the purposes of our audit.

Our audit expended significant time and resources to co-ordinate with 46 operator auditors located in 10 international jurisdictions. While some operators are physically located in Canada, the majority of operators are headquartered outside of Canada in nine different international jurisdictions.

We ultimately received the financial information required from operators and their auditors and issued an unqualified opinion on iGaming Ontario's 2022/23 financial statements. Our independent auditor's report included an emphasis of matter paragraph to draw users' attention to the Mohawk Council of Kahnawa:ke's notice of application, which challenges the legality of Ontario's Internet gaming framework. This matter is also included in note 11a (Contingent Liabilities) to the Province's 2022/23 consolidated financial statements and is incorporated by reference in the key audit matter on iGaming Ontario.

Figure 6: Distribution of iGaming Ontario's Revenue, 2022/23

Source of data: iGaming Ontario March 31, 2023 audited financial statements



Note: Total revenue of $1.265 billion comprises $1.26 billion in gaming revenue and $5 million in interest income earned on bank account balances.

iGaming Ontario's management is in the process of enhancing their procedures to obtain timely audited financial information from their operators. We will work with iGaming Ontario's management and the operators' auditors to ensure that the public receives transparent and timely information on iGaming Ontario's audited financial results.

8.0 Personal Protective Equipment Inventory

The Province procured additional personal protective equipment (PPE) in response to the COVID-19 pandemic. PPE includes medical equipment, masks, face shields, face coverings, gloves, ventilators, beds, swabs, protective gowns, cleaning supplies and other equipment. This PPE was either procured by the Province or received from the federal government. The government of Ontario assigned the responsibility of purchasing PPE for the Province to the Ministry of Health and the Ministry of Public and Business Service Delivery. The Province recorded $1.56 billion of PPE as an asset in its consolidated financial statements for the year ended March 31, 2023.

A significant amount of time and effort was spent by the ministries to quantify and value the PPE to ensure that the PPE was recorded properly, and by our Office to audit the balances for the fiscal year ended March 31, 2023.

As in prior years, we identified accounting risks over the tracking and completeness of these supplies. The Province has been tracking the purchases of provincial PPE for accounting purposes through manual spreadsheets, a process that is prone to human error and can result in inaccuracies.

During our audit work, we found that the reports used to track PPE were not able to differentiate the transfer of PPE between warehouses from the inbound shipments of newly acquired PPE into the system, which could result in inaccuracies in recording quantities of PPE held during the year. Furthermore, we also found that the report of outbound shipments did not agree with other PPE reports provided to us. This weakness in internal controls over the transfer of products between warehouses leaves the Province susceptible to inventory theft that could be difficult to detect. Nevertheless, we found that the amounts recorded as of the fiscal year end were accurate, as a result of the Province's performance of inventory counts.

To address these risks, we separately tested opening inventory, purchases and valuation of ending inventory. We also reconciled quantities from the warehouses to provincial records and performed inventory counts at a sample of locations that stored PPE.

Although quantities were generally accurate, we identified significant variances in expiration dates between the warehouse inventory lists and the PPE that was in storage. For example, inventory expiration dates for many of the samples tested did not match the expiration dates on the actual product. This was primarily driven by inventory standard procedures adopted by warehouse operators managing the Ministry of Health PPE:

- The date the PPE was received was used as a proxy for the manufacturing date, and five years were added to establish the expiration date if an expiration date was not present on the PPE. This procedure was primarily performed during the initial months of the COVID-19 pandemic when a significant amount of PPE was being purchased or received from the federal government. During our inventory counts, we noted that five years were not added consistently; sometimes only three or four years were added.
- If an item received in multiple boxes had a range of expiry dates, then the latest date was chosen for the warehouse inventory record, increasing the risk of shipping out expired items.

As well, the expiry dates for some products were extended.

Finally, we found multiple instances of manual input errors where the expiration dates had been incorrectly input in the warehouse inventory system.

We also noted several inconsistences between ministries' recognition and accounting of PPE and their operational policies. For example, the Ministry of Health recorded items such as thermometers as expenses, whereas the Ministry of Public and Business Service Delivery recorded them as inventory assets. We also identified that the Ministry of Public and Business Service Delivery considered PPE expired 90 days before its actual expiration dates and removed it from active inventory, while the Ministry of Health chose 15 to 30 days as its standard. This could result in the same type of PPE with the identical expiry date being recorded as expired by one ministry but designated as active inventory by the other ministry.

We noted that $400 million worth of PPE was written off during 2022/23 due to expiration, obsolescence and damage. This represents an increase of over 500% when compared to the prior year. As we recommended in our *2022 Annual Report*, given that the Province holds a significant amount of PPE, it would be prudent to establish a process through which the inventory is actively monitored and distributed to key stakeholders in need, such as hospitals, prior to its expiration date.

RECOMMENDATION 2

Given the value of PPE inventory maintained by the Province, we recommend that the Ministry of Health, the Ministry of Public and Business Service Delivery and Treasury Board Secretariat implement an appropriate integrated perpetual inventory control system for PPE that integrates the Ministry of Health's and Ministry of Public and Business Service Delivery's warehouse inventories of PPE in quantity and value.

RECOMMENDATION 3

Pending the implementation of an integrated perpetual inventory control system for the Province's PPE supply, in the interim, we recommend that the Office of the Provincial Controller Division work with the Ministry of Health, and the Ministry of Public and Business Service Delivery, and Treasury Board Secretariat to put into effect an inventory system that, at a minimum:

- tracks both the quantity and value of inventory held and transferred;
- reconciles inbound and outbound inventory transfers between warehouses for both quantities and inventory costs; and
- is operated by warehouse and bookkeeping staff for the Ministry of Health and the Ministry of Public and Business Service Delivery that are trained to adequately use and reconcile the system.

RECOMMENDATION 4

We recommend that the Ministry of Health and the Ministry of Public and Business Service Delivery implement consistent inventory policies between the two ministries on expiry dates, frequency of inventory counts and naming conventions for PPE products held and that move between the ministries.

MINISTRY OF HEALTH, MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY, TREASURY BOARD SECRETARIAT, AND OFFICE OF THE PROVINCIAL CONTROLLER DIVISION RESPONSE TO THE RECOMMENDATIONS

The Ministries of Health, Public and Business Service Delivery, and Treasury Board Secretariat agree with the Auditor General's recommendations for the Province to implement and maintain sustainable systems, standards and adequate internal controls over the provincial Personal Protective Equipment (PPE) and Critical Supplies and Equipment (CSE) inventory. The government has established Supply Ontario as the Province's supply chain agency, and its accountability includes the ongoing management of Ontario's PPE/CSE stockpile. To date, significant progress to transition this function from the Ministry of Public and Business Service Delivery and the Ministry of Health to the agency has been made, with the transfer of Supply Chain Ontario from the Ministry of Public and Business Service Delivery to Supply Ontario on July 31, 2023. This included the management and oversight of the PPE/CSE program. Effective April 1, 2024, financial reporting and accounting for the operating asset and expenses for the provincial PPE/CSE inventory will be transferred to Supply Ontario. At that point, the inventory will no longer be segregated, and accordingly it will be reported on a consolidated basis. Supply Ontario will continue to build capabilities and systems to support accounting and reporting for the Province's stockpile.

9.0 Entities That Were to Be Consolidated into the Public Accounts of Ontario in the 2022/23 Fiscal Year

In the normal course of our annual audit of the consolidated financial statements of the Province and our value-for-money work, we may identify accounting entities that need to be assessed for potential accounting consolidation into the Public Accounts of Ontario. In each case, we work with the Office of the Provincial Controller Division and the responsible ministry to perform control and accounting classification assessments in accordance with Canadian Public Sector Accounting Standards. In the past fiscal year ended March 31, 2023, the following entities were to be consolidated by the Province and reported as part of the Public Accounts.

9.1 Non-Indigenous Children's Aid Societies

As reported in our *2022 Annual Report* (and in prior years), we found that the non-Indigenous Children's Aid Societies were controlled by the government, and recommended that their financial results be consolidated into the Public Accounts. The Ministry of Children, Community and Social Services concluded that Children's Aid Societies were controlled by the Province, except for the Indigenous Societies. The Office of the Provincial Controller Division agreed with that conclusion. The Ministry of Children, Community and Social Services consolidated the 37 non-Indigenous Societies, and their financial information was included in the Public Accounts as of March 31, 2023. Approximately $80 million in net assets and $77 million in annual surplus were added to the Province's consolidated statement of financial position and consolidated statement of operations, respectively.

9.2 Ontario School Boards' Insurance Exchange (OSBIE)

In our *2022 Annual Report*, we highlighted the anticipated consolidation of the Ontario School Board Insurance Exchange (OSBIE) into the Province's 2022/23 consolidated financial statements. This overall consolidation of OSBIE was agreed to by the Ministry of Education, Office of the Provincial Controller Division, Ministry of Finance, and in turn the Comptroller General and the President of the Treasury Board, the Deputy Minister and the Minister of Finance.

During our audit work, we found that OSBIE's financial results have not yet been consolidated into the Province's 2022/23 consolidated financial statements. In our follow-up report on the 2021 Financial Reporting of School Boards in Ontario in our *2023 Annual Report* (**Chapter 1**, **Section 1.06**), we noted that the financial information to enable the consolidation of OSBIE by school boards—and ultimately the Province—is not yet available. The Ministry of Education is working with OSBIE to supply the financial information for school boards to proportionately consolidate their share of OSBIE's results as part of their 2023/24 fiscal year financial statements, which will be reported in the consolidated financial statements of the Province for the year ending March 31, 2025.

The consolidation of OSBIE will add approximately $112 million of net assets to the consolidated statement of financial position of the Province, based on OSBIE's 2022 audited financial statements.

9.3 Motor Vehicle Accident Claims Fund

The Motor Vehicle Accident Claims Fund (MVACF) is a fund administered by the Ministry of Public and Business Service Delivery (Ministry) that earns a fee of $15 on the issuance or renewal of each driver's five-year licence. The MVACF provides compensation for eligible losses resulting from automobile accidents involving uninsured or unidentified drivers when no insurance coverage is available. In the past, the Province had not consolidated the MVACF, but had reported the MVACF as a trust under administration in the notes to the consolidated financial statements. Our Office performed an independent analysis and determined that the MVACF is a government component (that is, a fund) within the Ministry and does not meet the definition of a trust under administration. The Office of the Provincial Controller Division agreed with our conclusion. In 2022/23, the MVACF was consolidated into the Ministry of Public and Business Services Delivery.

10.0 Ontario's Debt Burden

We have consistently commented in previous Annual Reports on Ontario's growing debt burden, attributable to Ontario's large deficits and its spending on capital assets such as infrastructure. As part of the commitments made by the Province to combat COVID-19, the Province continued to incur additional debt in 2022/23.

We noted that the Province has relied on historically low interest rates to keep its debt-servicing costs relatively stable, but the debt itself, measured as net debt, continues to grow each year to $449.3 billion by 2025/26, as illustrated in **Figure 7**. Total debt is expected to increase from $421.8 billion to $431 billion in 2023/24 and then decrease to $426 billion in 2024/25 and $426.3 billion in 2025/26. The Province projects that the accumulated deficit will also increase over the short term. The three measures of debt are defined as follows:

- *Total debt* is the amount of borrowed money the government owes to external parties, and consists of bonds issued in public capital markets, non-public debt, treasury bills and US commercial paper. Total debt provides the broadest measure of a government's debt load.
- *Net debt* is the difference between the government's total liabilities and its financial assets. Liabilities consist of all amounts the government owes to external parties, including total debt, accounts payable, pension and retirement obligations, and transfer-payment obligations. Financial assets are those that theoretically can be used to pay off liabilities or finance future operations, and include cash, accounts receivable, temporary investments and investments in government business enterprises. Net debt provides a measure of the amount of future revenues required to pay for past government transactions and events.
- *Accumulated deficit* represents the sum of all past annual deficits and surpluses of the government. Accumulated deficit can also be derived by deducting the value of the government's non-financial assets, such as its tangible capital assets, from its net debt.

10.1 Debt Issuances

As part of the Province's borrowing program, it issues debt in both domestic and international markets. Debt issued in the domestic market comprises Canadian dollar medium-term notes (including Canadian dollar Green Bonds) and treasury bills. International issuances include US dollar bonds, US commercial paper, euro medium-term notes in various currencies, and Australian issues.

The Ontario Green Bond program consists of debt securities where the proceeds from bond issuances are used to fund projects with specific environmental benefits in accordance with the Ontario Green Bond Framework, which sets out the types of projects that may be eligible for proceeds from Green Bonds. Our Office audits the Schedule of Use of Green Bond

Figure 7: Total Debt, Net Debt and Accumulated Deficit, 2016/17–2025/26 ($ million)

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

	Actual							Estimated		
	2016/17	2017/18[1]	2018/19[1]	2019/20[1]	2020/21[1]	2021/22[2]	2022/23[2]	2023/24[3,4]	2024/25[3,4,5,6]	2025/26[3,4,5,6]
Total debt	325,128	337,411	354,264	372,790	405,012	425,863	421,799	430,972	425,924	426,267
Net debt	314,077	323,068	337,623	352,382	372,501	382,842	400,484	416,079	435,672	449,289
Accumulated deficit	205,939	208,257	215,770	224,814	238,231	238,160	246,804	252,416	257,763	257,269

1. Net debt and accumulated deficit for the 2017/18 to 2020/21 fiscal years were recast in the 2023 Ontario Economic Outlook and Fiscal Review to reflect the consolidation of the Pension Benefits Guarantee Fund.
2. March 31, 2023 Province of Ontario Consolidated Financial Statements. Total debt, net debt and accumulated deficit were restated due to the implementation of PS 3280 *Asset Retirement Obligations*.
3. Net debt and accumulated deficit include the reserve, as reported in the 2023 Ontario Economic Outlook and Fiscal Review.
4. Estimate of total debt is based on the total debt reported in the 2023 Ontario Budget, adjusted for the change in the funding requirement reported in the 2023 Ontario Economic Outlook and Fiscal Review compared to the 2023 Ontario Budget.
5. Total debt assumes a reduction of the same amount of holdings of Ontario bonds and treasury bills as 2022/23.
6. Total debt assumes the same amount of net unamortized discounts and premiums as 2022/23.

Proceeds, which tracks on a cash basis the use of funds generated by the issuance of Green Bonds for the selected projects approved under the Ontario Green Bond Framework.

We review the Province's Form 18-K Annual Report, filed annually with the United States Securities and Exchange Commission, which includes the Province's Annual Report and the consolidated financial statements.

We also review certain offering documents for foreign bond issuance programs, such as new US shelf registration statements, which are filed by the Province periodically, the annual euro medium-term note program offering circular, and any new offering documents that include or incorporate by reference the Independent Auditor's Report.

10.2 Main Contributors to the Increase in Net Debt

The Province's net debt has been growing over many years. This growth is attributable to its annual operating deficits, along with its expenditures on capital assets such as buildings and other infrastructure and equipment, whether acquired directly or through public-private partnerships. This extends to assets acquired for the government or its consolidated organizations, such as public hospitals, as illustrated in **Figure 8.**

Based on the 2023 budget, the Province projects deficits to continue until 2023/24 and return to a surplus in 2024/25. In the 2023 Fall Economic Statement, the Province revised the projected surplus/deficit for the medium term, from a deficit of $1.3 billion to $5.6 billion for 2023/24, a surplus of $0.2 billion to a deficit of $5.3 billion for 2024/25, and a surplus of $4.4 billion to $0.5 billion for 2025/26. When deficits are sustained over time, the government will need to borrow more money in order to finance its operations, which increases the net debt.

Based on the 2023 budget, the Province projects net debt to continue increasing in the medium term to 2025/26. Compared to the 2023 budget, the 2023 Fall Economic Statement revised the projected net debt, increasing the net debt by $9.7 billion to $416.1 billion for 2023/24, by $15.3 billion to $435.7 billion for 2024/25, and by $19.4 billion to $449.3 billion in 2025/26.

In the 2023 Fall Economic Statement, the Province presents three alternative economic growth scenarios, which have been revised from the amounts initially reported in the 2023 budget, that could impact the amount of long-term debt borrowing required. We have used these alternative scenarios for the projections in **Figures 9**, and **11–13**. Under the planning projection, the Province estimates it will need to borrow $37 billion and will have an annual surplus of $0.5 billion by 2025/26. Under the faster growth

Figure 8: Net Debt Growth Factors, 2016/17–2025/26 ($ million)

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

	Restated Net Debt Beginning of Year[1]	Deficit/ (Surplus)[1]	Net Investment in Tangible Capital Assets[2]	Miscellaneous Adjustments[1,3]	Restated Net Debt End of Year[1]	Increase/ (Decrease)
Actual						
2016/17	306,357	2,435	4,752	533	314,077	7,720
2017/18	314,077	3,679	6,584	(1,272)	323,068	8,991
2018/19	323,068	7,328	7,000	227	337,623	14,555
2019/20	337,623	8,595	5,592	572	352,382	14,759
2020/21	352,382	16,290	6,366	(2,537)	372,501	20,119
2021/22[4]	376,042	(2,025)	7,587	1,238	382,842	6,800
2022/23[4]	384,176	5,863	8,780	1,665	400,484	16,308
Estimated						
2023/24[5]	400,484	5,612	9,983	–	416,079	15,595
2024/25[5]	416,079	5,347	14,246	–	435,672	19,593
2025/26[5]	435,672	(494)	14,111	–	449,289	13,617
Total over 10 years	**n/a**	**52,630**	**85,001**	**426**	**n/a**	**138,057**

1. Restated for the net pension assets and the Fair Hydro Plan for 2016/17 to 2017/18 and for the consolidation of the Pension Benefits Guarantee Fund for 2017/18 to 2020/21, and adjustment to opening net debt for receivables of corporations tax and other revenue adjustments in 2019/20.
2. Includes expenditures on government-owned and broader-public-sector land, buildings, machinery and equipment, and infrastructure assets capitalized during the year, less annual amortization and net gains reported on sale of government-owned and broader-public-sector tangible capital assets for 2016/17 to 2022/23.
3. Unrealized fair value losses/(gains) on the Ontario Nuclear Funds Agreement (ONFA) funds held by Ontario Power Generation Inc., other comprehensive income and International Financial Reporting Standards adjustments from government business enterprises, and prepaid expenses and other non-financial assets.
4. Restated due to the implementation of PS 3280 *Asset Retirement Obligations.*
5. Net debt and deficit/(surplus) includes the reserve, as reported in the 2023 Ontario Budget.

scenario, it will require $27 billion in long-term borrowings ($10 billion less than the planning projection) and will incur an annual surplus of $10.5 billion by 2025/26. Under the slower growth scenario, it will require $45.8 billion in long-term borrowings ($8.8 billion more than the planning projection) and will incur an annual deficit of $8.3 billion by 2025/26.

In the last 10 years, Ontario's net debt has increased by 54.1%, from $260 billion at the end of 2012/13 to $400.5 billion at the end of 2022/23. It is expected to increase by an additional $48.8 billion, or 12.2%, in the next three years, resulting in an overall increase of 72.8%. It is estimated that the net debt will be $449.3 billion by 2025/26.

To put this in perspective, the amount of net debt owed by each resident of Ontario on behalf of the government will have increased from about $19,413 per person at the beginning of 2013/14 to about $27,168 per person in 2025/26. In other words, it would cost every Ontarian $27,168 to eliminate the Province's net debt in 2025/26. As of March 31, 2023, the amount of net debt owed by each resident of Ontario was $26,195.

10.3 Ontario's Ratio of Net Debt to Gross Domestic Product

A key indicator of the government's ability to carry its debt is the level of debt relative to the size of the economy, or more specifically to the market value of goods and services produced by the economy (known as the gross domestic product, or GDP). This ratio of net-debt-to-GDP measures the relationship between a government's obligations and its capacity to raise the funds needed to meet them. It is an indicator of the burden of government debt on the provincial economy.

If the amount of debt that must be repaid relative to the value of the GDP is rising—in other words, if the ratio is rising—it means the government's net debt is growing faster than the provincial economy and is becoming an increasing burden.

Figure 9 shows the Province's net-debt-to-GDP ratio. Prior to the 2008/09 recession, this ratio remained fairly constant between 26% and 28%. However, it has been trending upward since then, reflecting factors such as significantly increased borrowing to fund annual deficits and infrastructure spending. Ontario's net-debt-to-GDP ratio rose from 26.6% before the 2008/09 recession to 43% in 2020/21, and decreased to 38.3% in 2022/23 as a result of strong economic growth and tax revenues. In the 2023 Fall Economic Statement, the Province projects Ontario's net debt will increase by $48.8 billion over the next three years and the net-debt-to-GDP ratio will increase to 38.7%. Compared to the projections in the 2023 budget, which projected it to reach 36.9% by 2025/26, the revised net-debt-to-GDP ratio is expected to remain fairly constant over the next three years at an average of approximately 38.7%.

We noted in our previous Annual Reports that many experts believe when a jurisdiction's net-debt-to-GDP ratio rises above 60%, that jurisdiction's fiscal health is at risk and is vulnerable to unexpected economic shocks.

We also noted that it is an oversimplification to rely on just one measure to assess a government's borrowing capacity, because that measure does not consider that government's share of federal and municipal debts. In Ontario's case, if the Province's share of those debts was included in its indebtedness calculations, the net debt would be considerably higher. However, consistent with debt-measurement methodologies used by most jurisdictions, we have focused throughout our analysis predominantly on the provincial government's direct net debt.

Figure 10 shows the net debt of Ontario compared to that of other provinces and the federal government, along with their respective net-debt-to-GDP ratios for the 2021/22 and 2022/23 fiscal years. For the year ended March 31, 2023, Ontario had one of the highest net-debt-to-GDP ratios compared to other Canadian jurisdictions that had issued their financial information. The latest 2022/23 financial information for Quebec was not yet available as at November 15, 2023.

10.4 Other Measures Used to Assess Government Debt Levels

10.4.1 Ratio of Net Debt to Total Annual Revenues

Another useful measure of government debt is net debt as a percentage of total annual revenue, an indicator of how much time it would take to eliminate the

Figure 9: Ratio of Net Debt to Gross Domestic Product (GDP), 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review

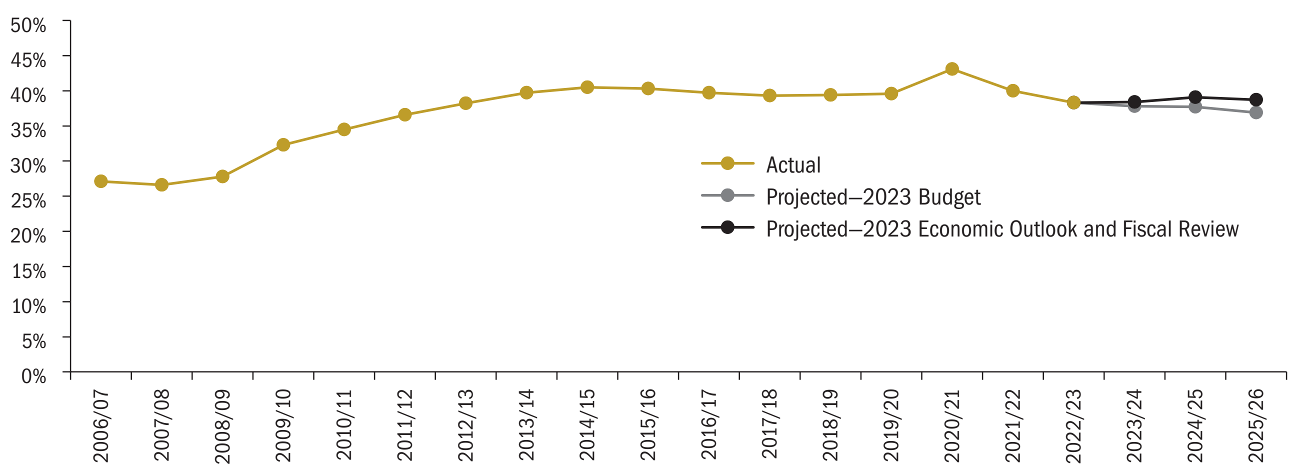


Figure 10: Net Debt and Net-Debt-to-GDP Ratios of Canadian Jurisdictions, 2021/22 and 2022/23

Source of data: Province of Ontario Annual Report and Consolidated Financial Statements, Annual Reports, budgets and consolidated financial statements of other provinces, and federal budgets and budget updates

	2021/22		2022/23	
	Net Debt ($ million)	Net Debt to GDP (%)	Net Debt ($ million)	Net Debt to GDP (%)
AB	58,993	15.2	45,614	9.8
SK	15,488	17.5	14,598	13.8
BC	57,464	16.5	60,679	15.6
NB	12,784	30.0	12,425	26.8
PE	2,347	27.2	2,451	27.2
NS	17,176	33.1	17,771	31.7
MB	29,198	36.6	30,263	34.4
QC*	192,208	38.1	206,845	37.4
ON	**382,842**	**40.0**	**400,484**	**38.3**
NL	16,915	44.6	16,511	39.3
Canada	1,244,744	49.6	1,282,757	46.1

* As 2022/23 data was not available, the most recent projected data was used.

debt if the Province spent all of its revenues only on debt repayment. For instance, a percentage of 250% indicates that it would take 2.5 years to eliminate the provincial debt if all revenues were devoted exclusively to it.

As shown in **Figure 11**, this percentage declined from about 162% in 2005/06 to about 146% in 2007/08, reflecting the fact that the Province's net debt grew at a slower pace than the annual provincial revenue. Since then, the percentage has increased steadily. In 2022/23, the percentage increased by 0.8% to 207.6% compared to the prior year. However, as reported in the 2023 Fall Economic Statement, the percentage is expected to increase to 210.8% in 2024/25 and then decrease to 204.2% in 2025/26. The decrease in this ratio in 2025/26 is due to projected annual revenue growing faster than the Province's net debt burden.

10.4.2 Ratio of Interest Expense to Revenue

Interest expense is the cost of servicing total debt. Increases in interest expense can directly affect the quantity and quality of programs and services that the government can provide; the higher the proportion of government revenues used to pay interest costs on past borrowings, the lower the proportion available for spending in other areas. In the 2023 Fall Economic Statement, the government forecasts that in 2023/24 it will spend $13.4 billion in interest payments to service the Province's debt.

The interest-expense-to-revenue ratio illustrates the extent to which servicing past borrowings takes a greater or lesser share of total revenues.

As **Figure 12** shows, the actual interest-expense-to-revenue ratio held steady at around 9% from 2010/11 to 2014/15. This is due to historically low and steady interest rates during those years. In 2016/17, the government began consolidating the broader public sector (organizations such as colleges, hospitals and school boards) on a line-by-line basis, which increased both interest expense and revenue reported in the Province's consolidated financial statements. The ratio declined to 6.4% in 2022/23 due to the strong tax revenue growth, and is projected to be 6.9% in 2025/26. This means approximately 6.9 cents of every dollar in government revenue will go toward paying interest on debt by 2025/26.

The debt exposes the Province to further risks, the most significant being interest-rate risk. If interest rates increase, the government will have considerably less flexibility to provide public services, such as health

Figure 11: Net Debt as a Percentage of Total Annual Revenue, 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

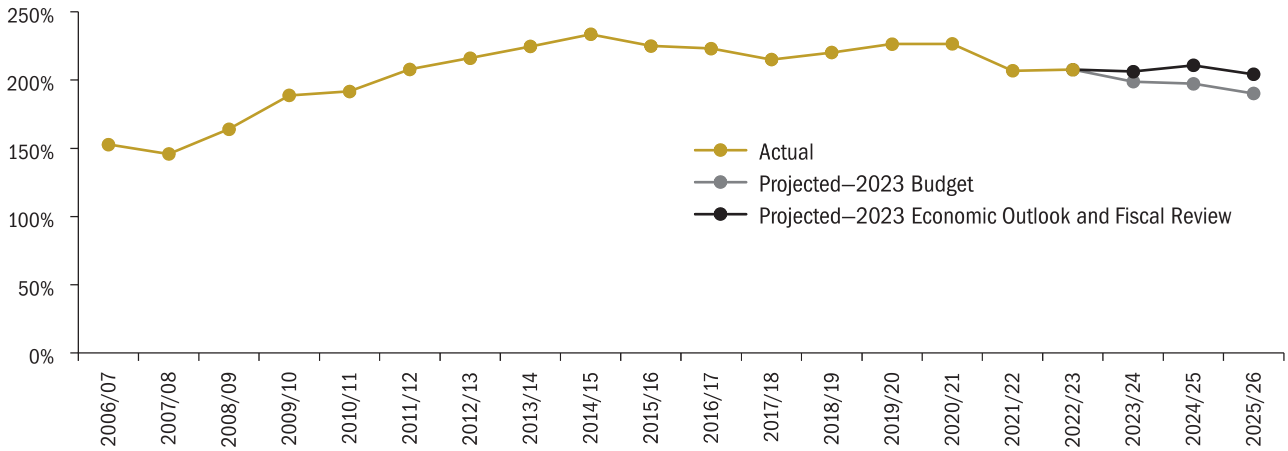
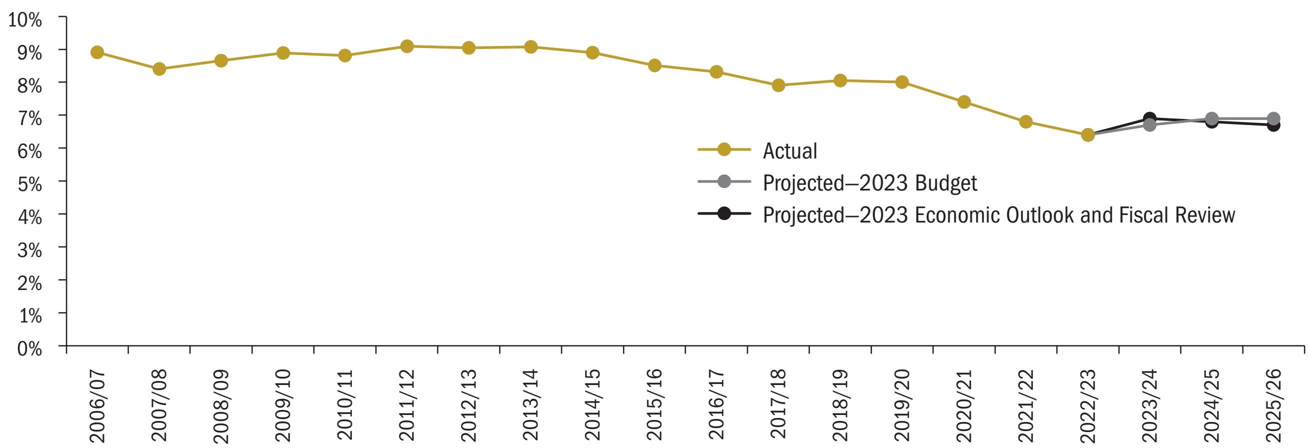


Figure 12: Interest Expense as a Percentage of Total Annual Revenue, 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance



care and education, because a higher proportion of revenues will be required to pay interest on the Province's outstanding debt. More money will go toward interest expense, contributing to increasing the annual deficit.

Interest rates were at record low levels before the 2021/22 fiscal year, enabling the government to keep its annual interest expense relatively steady even as its total borrowing has increased significantly. Interest rates remained relatively unchanged for the majority of the 2021/22 fiscal year until March 2022 when the prime rate increased from 2.45% to 2.70%; it further increased to 7.20% as of September 2023. Government of Canada 10-year bond yields ranged from 2.76% to 3.37% during the 2022/23 fiscal year. Bond yields continued to increase, from 2.80% at the start of 2022/23 to 3.57% as of August 2023, and are projected to be 3.2% in 2026. The prime rate and bond yields are anticipated to hold steady to 2024, as the Organisation for Economic Co-operation and Development (OECD, an intergovernmental organization with 38 member countries) expects the Bank of Canada to maintain its policy interest rate at the current level. Changes in the policy interest rate will influence the prime rate and bond yields.

As we noted in our Office's previous Annual Reports, the government mitigated its interest-rate risk to some extent by increasing the weighted average term of its annual borrowings in order to take advantage of the low rates in those years. Over the next three years the government has projected earning revenues at a faster rate than the increase in the rate of net debt but at a slower rate than the increase in the rate of interest expense. In the 2023/24 fiscal year, year-over-year revenues are projected to increase by 4.6% ($8.9 billion), while net debt is projected to grow by 3.9% ($15.6 billion). Interest expense is projected to increase by 8.6% ($1.1 billion). By the 2025/26 fiscal year, revenues are projected to grow by 14.1% ($27.1 billion), the net debt by 12.2% ($48.8 billion) and interest expense by 22.4% ($2.8 billion), when compared with the 2022/23 fiscal year.

The ratio of interest expense to revenue is expected to increase from 6.4% in 2022/23 to 6.9% in the near future, with the estimates of net debt, interest and revenues reported in the 2023 Fall Economic Statement. As interest rates have climbed significantly during 2022/23 and, according to the OECD, are expected to sustain current levels until target inflation is reached, more interest will be paid on the accumulated debt relative to prior years. This means that the government will have less flexibility to respond to changing economic circumstances until the Province's debt burden is reduced. Past governments' borrowing and debt-servicing decisions mean that a growing portion of revenues will not be available for other current and future government programs.

10.4.3 Ratio of Debt Maturities to Net Debt

When debt (such as treasury bills or bonds) matures, the Province must either settle or roll over the debt. Typically, the Province will choose to roll over the debt, which involves settling the maturing debt by issuing new debt. An increase in the amount of debt maturities, particularly relative to the existing net debt, indicates that the Province will need to issue more debt with potentially unfavourable interest rates. The expected sustained levels of current interest rates in the medium term projected by the OECD will increase the pressure on this ratio. Increases in interest expense can affect the quality and quantity of programs and services provided by governments. Significant amounts of debt maturing at or around the same time also represents a risk, though remote, of defaulting, if the Province is unable to issue new debt on account of economic or other circumstances.

In the 2022 budget, the Province introduced a new debt measure, debt maturities to net debt, that represents the ratio of long-term debt maturing in the year as a percentage of net debt in that year. A lower ratio would generally indicate that the Province is rolling over debt at a slower pace and a higher capacity to service its debts. A planned upper limit of 10% was set in prior years based on consultation with underwriters, economists, the academic community and credit rating agencies. It has since been removed, as the Province indicated that it does not effectively supplement the other measures.

10.5 Consequences of High Indebtedness

Our commentary in prior years highlighted the consequences the Province might face if carrying a large debt load—and the same observations continue to be relevant this year. They include the following:

- **Debt-servicing costs cut into funding for other programs:** As debt grows, so do interest costs. As interest costs consume a greater proportion of government resources, there is less to spend on other things. To put this "crowding-out" effect into perspective, interest expense is currently the Province's fourth-largest annual expenditure behind health, education, and children's and social services. As shown in **Figure 13**, because interest rates have been at historic lows in the last few years, actual interest-expense-to-total-expense percentages have ranged from 6.2% to 7.7% in the last five years. In the 2023 budget, the Province forecasts that interest expense will increase to $15.1 billion by 2025/26, resulting in a projected interest-expense-to-total-expense percentage of 6.9%.

In the 2023 Fall Economic Statement, this was revised to $15.2 billion and 7%, due to an increase in the anticipated amount of financing needed from what was previously budgeted.

- **Greater vulnerability to interest rate increases:** Ontario has been able to keep its annual interest expense relatively steady, even as its total borrowing has increased significantly. For example, it was paying an average effective interest rate of about 8.4% in 1999/2000, but that dropped to 3.2% in 2022/23. However, as interest rates rise, the government will have considerably less flexibility in providing public services because it will have to devote more revenue to making interest payments.
- **Credit-rating downgrades could lead to higher borrowing costs:** Prepared by specialized agencies, credit ratings assess a government's creditworthiness based largely on its capacity to generate revenue to service its debt. The four main credit-rating agencies in Ontario are Moody's Investors Service (Moody's), Standard and Poor's Global Ratings (S&P), DBRS Morningstar (DBRS), and Fitch Ratings (Fitch). To assign a rating, agencies consider such factors as a government's economic resources and prospects, industrial and institutional strengths, financial health, financial management and debt management practices, liquidity, access to capital, and susceptibility to major risks.

Figure 14 shows Ontario's credit ratings for the last five years. In 2018, Moody's downgraded its rating for Ontario's debt from Aa2 to Aa3, and Fitch revised its rating outlook from stable to negative—both assessments indicate the Province's increased credit risk. In 2019, Fitch revised its rating outlook to stable. The four main agencies' ratings and outlooks remained unchanged from 2019 to 2022. In 2023, Moody's, S&P and DBRS assessed improved outlooks, moving the outlook on the credit rating from stable to positive in light of the improved fiscal performance and outlook, and lower debt burden. However, the credit rating remains the same.

A credit rating can affect the cost of future borrowing, with a lower rating indicating that an agency believes there is a relatively higher risk that a government will default on its debt. Generally, investors will lend to that government only in return for a greater risk premium in the form of higher interest rates. A significant rating downgrade could also shrink the potential market for a government's debt, because some investors will not hold debt below a certain rating.

Figure 13: Interest Expense as a Percentage of Total Annual Expense, 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

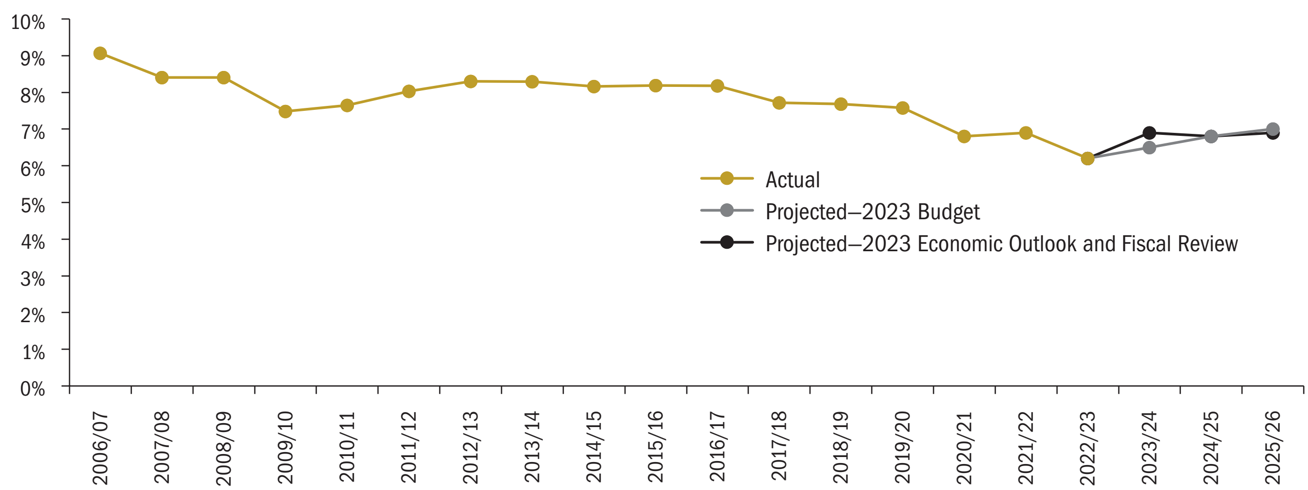


Figure 14: Summary of the Province of Ontario's Default/Long-Term Credit Ratings for the Last Five Years

Source of data: Standard and Poor's Global Ratings (S&P), Moody's Investors Services, DBRS Morningstar, and Fitch Ratings

Year	S&P	Moody's	DBRS Morningstar	Fitch
2019	A+ (stable)	Aa3 (stable)	AA (low) (stable)	AA– (stable)
2020	A+ (stable)	Aa3 (stable)	AA (low) (stable)	AA– (stable)
2021	A+ (stable)	Aa3 (stable)	AA (low) (stable)	AA– (stable)
2022	A+ (stable)	Aa3 (stable)	AA (low) (stable)	AA– (stable)
2023	A+ (positive)	Aa3 (positive)	AA (low) (positive)	AA– (stable)

Credit Rating Actions

– rating downgrade.

– rating outlook decline.

– rating outlook improvement.

10.6 Debt Burden Reduction Strategy

In the 2019 budget, the government introduced the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act). The Act includes a requirement for the Minister of Finance to set out an annual debt burden reduction strategy in the annual budget (**Appendix 2**). This strategy requires the Province to consider its net-debt-to-GDP ratio in its plans for reducing the debt burden and to monitor its progress. In this budget, the Province set the target to reduce the net debt by 2022/23 to less than 40.8%, and has updated this ratio's target each year as part of the budget. In the 2022 budget, the Province also introduced targets for its net-debt-to-revenue and interest on debt-to-revenue ratios as part of its debt burden reduction strategy. In the 2023 budget, the Province stated that it was on the path to balance three years earlier than projected and lowered the targets for all three ratios compared to the 2022 budget. The net-debt-to-GDP target was lowered from 42% to 40%, the net-debt-to-revenue was lowered from 250% to 200%, and the interest on debt-to-revenue was lowered from 8% to 7.5%. Since the targets were introduced, the Province has not outlined specific details on how it planned to manage Ontario's growing debt burden, such as setting evidence-based debt sustainability targets, and has not communicated a strategy to reduce its debt over the long term. In the 2023 Fall Economic Statement, the Province projected it will not achieve the net-debt-to-revenue target in the medium term, noting only that the ratio will be monitored leading up to the 2024 budget.

The government, legislators and the public need to be mindful of Ontario's debt level and the relationship of net debt to GDP and revenue, and the relationship between interest on debt to revenue.

In our report The Public Accounts of the Province of Ontario, which was included in our *2021 Annual Report*, we recommended the Province implement a debt reduction strategy (which focuses on the reduction of the Province's debt balance) and provide additional information on how it sets its debt burden targets (in 2021 only the net-debt-to-GDP ratio had a target) and details of how it will meet its objectives. The debt burden reduction strategy included in the 2023 budget has not been fully implemented due to the following reasons:

- the Province has not formally documented, publicly communicated, and implemented a long-term debt reduction strategy;
- the 2023 budget did not clearly explain how the net-debt-to-GDP target of 40% was determined; and
- the Province has not clearly demonstrated how debt will be managed (for example, by prioritizing investments, making trade-offs or delaying other investments).

In our follow-up report on the 2021 Public Accounts of the Province of Ontario in our *2023 Annual Report* (**Chapter 1**, **Section 1.01**), the Province has decided it will not implement the recommendation to formally document, publicly communicate and implement a long-term debt reduction strategy as part of its debt burden reduction strategy. We continue to support the implementation of this recommendation. As well, the Province has not explained how the net-debt-to-GDP target was determined in the 2023 budget or the 2023 Fall Economic Statement, nor how the actions taken by the Province during the year have impacted the debt burden reduction strategy.

10.7 Final Thoughts on Ontario's Debt Burden

Ultimately, decisions about how much debt the Province should carry, and the strategies to pay down that debt, are questions of government policy and thus the sole prerogative of the government.

Government debt has been described as a burden on future generations, especially debt used to finance annual operating deficits (in contrast to debt used to finance infrastructure, which is more likely to leave behind tangible capital assets that benefit future generations). With the net debt increases expected over the medium term, sustained higher interest rates, and a net-debt-to-GDP ratio projected to average 38.7% over the next three years, the government will need to consider how it will implement its debt burden reduction strategy going forward.

11.0 Canadian Public Sector Accounting Updates

Canadian Public Sector Accounting Standards (PSAS) continue to be the most appropriate standards for the Province to use in preparing its consolidated financial statements. Following Canadian PSAS ensures that information provided by the government about the annual deficit or surplus is fair, consistent and comparable to previous years, allowing legislators and the public to assess the government's management and stewardship of the public purse.

The Public Sector Accounting Board (PSAB) is responsible for developing and issuing new Canadian PSAS or amendments to existing accounting standards. New standards or amendments can have a significant impact on the Province's consolidated financial statements and Ontario's provincial budget, which is prepared on the same basis. In the following sections, we discuss the upcoming changes to Canadian PSAS and PSAB's Employee Benefits project.

11.1 Upcoming Changes to Canadian Public Sector Accounting Standards

11.1.1 Revenue

In June 2018, PSAB approved a new standard on the recognition, measurement and presentation of revenues. The new standard, PS 3400, *Revenue*, addresses revenues that arise in the public sector but fall outside the scope of PS 3410, *Government Transfers*, and PS 3510, *Tax Revenues*. Specifically, the standard differentiates between revenue arising from transactions with a payor that include performance obligations ("exchange transactions") and those that do not ("non-exchange transactions").

PS 3400, *Revenue*, is effective for the fiscal years beginning on or after April 1, 2023, although earlier adoption is permitted. Upon adoption, the Province has the option of applying this standard retroactively or prospectively.

Revenues from exchange transactions are recognized as or when a public-sector entity satisfies a performance obligation by providing promised goods or services to a payor. Performance obligations may be satisfied at a point in time or over a period of time, depending on which method best depicts the transfer of goods or services to the payor. Examples of exchange transactions include driver and vehicle registration fees, which will be affected by the new standard.

Revenues from non-exchange transactions, such as fines or penalties, are recognized when a public-sector entity has the authority to claim or retain an inflow of economic resources or an event that gives rise to an asset. For example, in the case of a parking ticket, the date of an alleged infraction may not necessarily be the past event because the fine or penalty may not be enforceable until a future date, such as the date of a court decision.

The Office of the Provincial Controller Division is working with our Office, ministries and governmental agencies to adopt the new standard for the Province's consolidated financial statements beginning on April 1, 2023.

11.1.2 Purchased Intangible Assets

In September 2020, PSAB approved a new guideline on the recognition of purchased intangibles acquired through an exchange transaction. The new guideline, Public Sector Guideline 8, *Purchased Intangibles*, was approved in November 2020, in conjunction with narrow-scope amendments to PS 1000, *Financial Statement Concepts*, which removed the recognition prohibition on purchased intangibles.

The first-time recognition of purchased intangibles will be a significant change for the public sector, and may result in an increase in the Province's total reported assets and annual amortization expense.

The Office of the Provincial Controller Division is working with our Office, ministries and governmental agencies to adopt the new guideline for the Province's consolidated financial statements beginning on April 1, 2023.

11.1.3 Public-Private Partnerships

In our 2019 and 2020 Annual Reports, we discussed public-private partnerships (P3), an alternative financing and procurement model for infrastructure projects that allows public-sector entities to transfer project risks to private-sector entities. Under the P3 model, project sponsors in the public sector—such as provincial ministries, agencies, or broader-public-sector entities such as hospitals and colleges—establish the scope and purpose of the project, while the project's construction is financed and carried out by the private sector. Payments for most projects are made either when the projects are substantially completed or at regular agreed-upon intervals. In some cases, the private sector will also be responsible for the maintenance and/or operation of a project for up to 30 years after its completion.

PSAB approved a new standard, PS 3160, *Public Private Partnerships*, in December 2020 that provides guidance on the recognition, measurement, presentation and disclosure of P3s. The standard is effective for the fiscal years beginning on or after April 1, 2023.

Under the new standard, a public-sector entity recognizes an infrastructure asset when the public-sector entity controls the purpose and use of the infrastructure, access to the future economic benefits and risks of the infrastructure, and any significant residual interest in the infrastructure. Upon recognition of an infrastructure asset, a liability is recognized equal to that asset, less any amounts previously paid to the private-sector partner.

The Office of the Provincial Controller Division is currently in the process of assessing what impact the new standard may have on the Province's existing accounting policy for P3s.

11.1.4 The Conceptual Framework for Financial Reporting to the Public Sector

In December 2022, PSAB issued its new Conceptual Framework for Financial Reporting in the Public Sector (the "Conceptual Framework"), which replaces the conceptual aspects of PS 1000, *Financial Statement Concepts*, and PS 1100, *Financial Statement Objectives.*

The Conceptual Framework is a coherent set of interrelated concepts underlying PSAB's accounting and financial reporting standards. It also serves as the foundation for PSAB's development of new standards on which preparers and auditors of financial statements apply their professional judgment.

The Conceptual Framework includes:

- characteristics of public-sector entities;
- objective of financial reporting;
- primary users of financial reporting and their expectations;
- role of financial statements;

- foundations and objectives of financial statements;
- qualitative characteristics of information in financial statements and related considerations;
- definitions of elements;
- criteria of general recognition and derecognition; and
- concepts of general measurement and presentation.

The Conceptual Framework builds on the previous framework by retaining and providing additional guidance and clarity on existing concepts, such as recognition and measurement, and introducing new concepts. Some of the key features and differences in the Conceptual Framework include:

- introducing the term "service capacity," which is an entity's capacity to serve the public and underlies the measurement of financial position and performance;
- adding the concept of control, which is the basis for associating economic resources with the reporting entity, and the connection with the powers and rights of some public-sector entities;
- distinguishing between financial and non-financial liabilities and excluding non-financial liabilities from the calculation of net financial assets or net financial liabilities (formerly known as "net debt");
- removing conservatism as a qualitative characteristic of financial statements and including a focus on neutrality as a component of faithful representation;
- adding general derecognition criteria and guidance, which mirrors the revised general recognition criteria;
- expanding the discussion on how the longevity of governments affects the going concern assumption; and
- relocating recognition prohibitions relating to developed or non-purchased intangibles, Crown lands and natural resources, and art and historic treasures from the Conceptual Framework to PS 1202, *Financial Statement Presentation*.

The Conceptual Framework will be effective for the fiscal years beginning on or after April 1, 2026, with earlier adoption permitted.

11.1.5 PS 1202, *Financial Statement Presentation*

In October 2023, PSAB issued PS 1202, *Financial Statement Presentation* (the "Reporting Model"), which replaced PS 1201, *Financial Statement Presentation*, and a series of consequential amendments to various standards in the Public Sector Accounting Handbook.

Some of the key features and differences in the new Reporting Model include:

- adding guidance on the applicability of the going concern assumption that builds on the discussion in the new Conceptual Framework;
- presenting separately financial and non-financial liabilities, consistent with the changes in the Conceptual Framework;
- relocating the calculation of the net financial liabilities or net financial assets indicator, from the statement of financial position to its own statement;
- adding a third component of net assets or net liabilities called "accumulated other";
- adding a statement of changes in net assets or net liabilities, which includes a reconciliation of each component of net assets or net liabilities (for example, accumulated surplus or deficit, accumulated remeasurement gains and losses, and accumulated other);
- permitting the presentation of an amended budget for comparison with actual results only when there is an election or when the majority of the governing body of a government organization has been newly elected or appointed; and
- providing guidance in various appendices in the form of application guidance, decision trees, illustrative examples and illustrative financial statements.

The Reporting Model and the related consequential amendments will be effective for fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time. Prior period amounts need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

11.2 Employee Benefit Project

In July 2021, PSAB released its first exposure draft for comment in which it proposes to issue a new standard, PS 3251*, Employee Benefits*, that would replace the existing Sections PS 3250, *Retirement Benefits*, and PS 3255, *Post-employment, Compensated Absences and Termination Benefits*. This exposure draft outlines the proposed principles for the first of several phases of PSAB's revised employee benefits standard. If approved, the new standard would become effective for the fiscal years beginning on or after April 1, 2026, and would require retroactive application.

In this first release, PSAB focused its efforts on the topics of deferral provisions and discount rates guidance, which we discuss below.

11.2.1 Use of Deferral Provisions for Actuarial Gains and Losses

The new standard, PS 3251, accounts for actuarial gains and losses differently from the existing Sections PS 3250 and PS 3255 in that these amounts will no longer follow a deferral and amortization approach. Instead, revaluations of the net defined benefit liability (asset), which include actuarial gains and losses, are recognized immediately on the statement of financial position within the asset and "accumulated other"—a new component of net assets (liabilities) proposed by PSAB in its exposure draft for PS 1202, *Financial Statement Presentation*. For greater clarity, revaluations of the asset are not reclassified to the surplus or deficit in subsequent periods.

This immediate recognition of actuarial gains and losses would have a significant impact on the Province's consolidated financial statements. As of March 31, 2023, the Province reported about $24.6 billion of unrecognized net actuarial gains related to its employee pension plans and other employee future benefits. Under the proposed standard, the Province would recognize this entire amount as a decrease in liabilities and accumulated deficit within its consolidated statement of financial position. In addition, the Province would no longer defer and amortize future actuarial gains and losses in its consolidated statement of operations.

While we support the immediate recognition of actuarial gains and losses on the statement of financial position, we do not agree with the use of the proposed "accumulated other" category to record the revaluations of net defined benefit liabilities (assets). By using this approach, revaluations will not be reported in the statement of operations and are not reclassified from "accumulated other" to the surplus or deficit in subsequent periods. In other words, this allows public sector entities to bypass the annual surplus or deficit by directly recognizing gains and losses in net assets or liabilities. In our view, this presentation compromises the transparency and faithful representation of an entity's annual financial performance.

11.2.2 Discount Rate Guidance

In its exposure draft, PSAB proposes that a public-sector entity would assess the funding status of a post-employment benefit plan to determine the appropriate discount rate. Under the proposed standard, plans fall under one of three funding statuses: fully funded, partially funded, or unfunded.

Public-sector entities would use a discount rate based on the expected market-based return on plan assets for fully funded plans (that is, where the balance of plan assets is actuarially projected to be greater than or equal to the benefit payments expected to fulfill the obligations for all subsequent reporting periods). In contrast, the rate used to discount unfunded plans is determined by reference to the market yields of provincial government bonds. This proposed discount rate guidance is consistent with the Province's existing practices of discounting its funded and unfunded postemployment benefit plans.

With respect to partially funded plans, public-sector entities would use a single discount rate that reflects both a fully funded rate—for years where the balance of plan assets is projected to be sufficient to cover projected benefit payments—and an unfunded rate for all other periods beyond the funded period. This proposed approach adds complexity and requires professional judgment in determining what rate to use.

As we stated in our response to PSAB's exposure draft on discount rate guidance, we believe that the market yield of high-quality debt instruments is the most appropriate basis for determining the discount rate. The market yield is based on verifiable, observable third-party data, effectively reducing subjectivity and facilitating comparability among public-sector entities' post-employment benefit plans. With that being said, we are generally supportive of PSAB providing additional discount rate guidance to reduce the variability in practice.

PSAB is currently deliberating the feedback it received on its first Employee Benefits exposure draft. We will continue to monitor the development of standards impacting the accounting for employment benefits.

12.0 Statutory Matters

Under section 12 of the *Auditor General Act*, the Auditor General is required to report on any Special Warrants and Treasury Board Orders issued during the year. In addition, section 91 of the *Legislative Assembly Act* requires that the Auditor General report on any transfers of money between items within the same vote in the Estimates of the Office of the Assembly.

12.1 Legislative Approval of Expenditures

Shortly after presenting its budget, which must be tabled by March 31 to meet the deadline included in the *Fiscal Sustainability, Transparency and Accountability Act, 2019* as described in **Section 4.0** of this report, the government tables detailed Expenditure Estimates (referred to as Main Estimates). Typically, the Main Estimates are tabled in the Legislative Assembly in April or May, outlining, on a program-by-program basis (referred to as vote and item), each ministry's planned spending. Relevant standing committees (per the Standing Orders of the Legislative Assembly of Ontario, Standing Order 113(b)) review selected ministry estimates and report on their review to the Legislature. The Standing Committee on Procedure and House Affairs is responsible for deciding at the beginning of each Parliament, or more frequently, if necessary, which ministries' estimates will be assigned for consideration and potential review to which of six committees: Finance and Economic Affairs; Heritage, Infrastructure and Cultural Policy; Interior; Justice Policy; Procedure and House Affairs; or Social Policy.

Following reports by the committees, Orders for Concurrence for each of the estimates selected by the committees are debated in the Legislature for a maximum of two hours before being voted on. The estimates of those ministries that are not selected are deemed to be passed by the committees, reported to the Legislature, and approved by the Legislature. Once the estimates are tabled for the ministries, the Main Estimates for the legislative offices are typically tabled. This generally occurs in the months of November or December, but it can take place up to March 31 of the following year.

After the Orders for Concurrence are approved, the Legislature still needs to provide its final approval for legal spending authority by approving a Supply Act, which stipulates the amounts that can be spent by ministries and legislative offices, as detailed in the estimates. Once the Supply Act is approved, the expenditures it authorizes are considered to be Voted Appropriations. The *Supply Act, 2023*, which pertained to the fiscal year ended March 31, 2023, received royal assent on March 22, 2023.

Since the Supply Act does not receive royal assent until after the start of the fiscal year—and sometimes even after the related fiscal year is over—the government usually requires interim spending authority prior to its passage. For the 2022/23 fiscal year, the Legislature passed two acts allowing interim appropriations—the *Interim Appropriation for 2022–2023 Act, 2021* (Interim Act) and the *Supplementary Interim Appropriation for 2022–2023 Act, 2022*

(Supplementary Act). These two acts received royal assent on December 9, 2021, and December 8, 2022, respectively. Both acts were made effective as of April 1, 2022, and provided the government with sufficient authority to allow it to incur expenditures from April 1, 2022, to when the *Supply Act, 2023* received royal assent on March 22, 2023.

Figure 15 shows the timelines for the legislative approvals for the 2022/23 expenditures.

Figure 16 shows the total amounts authorized.

Because the legal spending authority under the Interim Act and the Supplementary Act was intended to be temporary, both were repealed when the *Supply Act, 2023* received royal assent. The *Supply Act, 2023* decreased authorized public-service investments from $5.595 billion to $5.568 billion, and increased total authorized expenditures of the legislative offices from $298 million to $311 million.

Where it is necessary to seek the Legislature's approval for additional expenditures after the tabling of the Main Estimates, Supplementary Estimates may be tabled. There were no Supplementary Estimates tabled in 2022/23.

12.2 Special Warrants

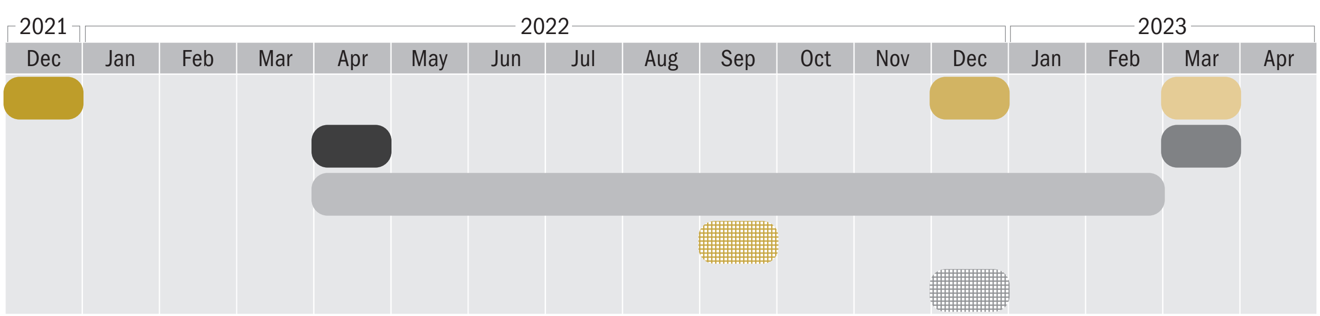
If the Legislature is not in session, section 1.0.7 of the *Financial Administration Act* allows for the issuance of Special Warrants that authorize expenditures for which there is no appropriation by the Legislature or for which the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council and approved by the Lieutenant Governor on the recommendation of the government. No Special Warrants were issued for the fiscal year ended March 31, 2023.

12.3 Treasury Board Orders

Section 1.0.8 of the *Financial Administration Act* allows the Treasury Board to make an order authorizing expenditures to supplement the amount of any voted appropriation that is expected to be insufficient to carry out the purpose for which it was made. The order may be made only if the amount of the increase is offset by a corresponding reduction of expenditures to be incurred from other voted appropriations not fully spent in the fiscal year. The order may be made at any time before the government closes the books for the fiscal year. The government considers the books to

Figure 15: Timeline for the Legislative Approvals for the 2022/23 Expenditures

Prepared by the Office of the Auditor General of Ontario



Interim Appropriation for 2022–2023 Act, 2021 receives royal assent.
2022 Ontario Budget is tabled.
Interim Appropriation for 2022–2023 Act, 2021 and *Supplementary Interim Appropriation for 2022–2023 Act, 2022* are effective.
Expenditure estimates (referred to as "Main Estimates") for ministries are tabled in the Legislative Assembly.
Main Estimates for the Legislative offices are tabled.
Supplementary Interim Appropriation for 2022–2023 Act, 2022 receives royal assent.
Supply Act, 2023 receives royal assent.
2023 Ontario Budget is tabled.

Figure 16: Total Amounts Authorized by Appropriation and by the *Supply Act, 2023* for 2022/23 ($ million)

Source of data: *Interim Appropriation for 2022–2023 Act*, *Supplementary Interim Appropriation for 2022–2023 Act*, and *Supply Act, 2023*

Appropriation Type	*Interim Appropriation for 2022–2023 Act, 2021*	*Supplementary Interim Appropriation for 2022–2023 Act, 2022*	Total Interim Appropriation	*Supply Act, 2023**
Expenses of the public service	164,884	10,948	175,832	175,832
Investments of the public service	5,595	–	5,595	5,568
Expenses of the legislative offices	284	14	298	311
Total	**170,763**	**10,962**	**181,725**	**181,710**

* Amounts may not add due to rounding.

be closed when any final adjustments arising from our audit have been made and the Public Accounts have been published and tabled in the Legislature.

Even though the *Treasury Board Act, 1991* was repealed in 2009, a provision equivalent to the subsection 5(4) was retained and enacted as subsection 1.0.4(5) of the *Financial Administration Act* in 2009. This provision allows the Treasury Board to delegate any of its duties or functions to any member of the Executive Council or to any public servant employed under the *Public Service of Ontario Act, 2006*. Such delegations continue to be in effect until replaced by a new delegation. Since 2006, the Treasury Board has delegated its authority for issuing Treasury Board Orders to ministers to make transfers between programs within their ministries, and to the Chair of the Treasury Board for making Treasury Board Orders that result in program transfers between ministries as well as those orders that result in supplementary appropriations offset from contingency funds.

Figure 17 summarizes the total value of Treasury Board Orders issued for the past five fiscal years.

Figure 18 summarizes Treasury Board Orders for the fiscal year ended March 31, 2023, by month of issue.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be posted online in *The Ontario Gazette*, together with explanatory information. Orders issued for the 2022/23 fiscal year are expected to be published in *The Ontario Gazette* in December 2023. **Exhibit 4** of this report shows a detailed listing of 2022/23 Treasury Board Orders, including the amounts authorized and expended.

12.4 Transfers Authorized by the Board of Internal Economy

When the Board of Internal Economy authorizes the transfer of money from one item of the Estimates of the Office of the Assembly to another item within the same vote, section 91 of the *Legislative Assembly Act* requires that we make special mention of the transfer(s) in our Annual Report. No transfers were made with respect to the 2022/23 estimates.

12.5 Uncollectible Accounts

Under section 5 of the *Financial Administration Act*, the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order-in-Council to delete from the accounts any amounts due to the Crown that are the subject of a settlement or deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2022/23 fiscal year, receivables of $197 million due to the Crown from individuals and non-government organizations were written off. (The comparable amount in 2021/22 was $657 million.) The write-offs in the 2022/23 fiscal year primarily related to the following:

- $13.7 million for Business Property Tax Rebate Grant program payments ($nil in 2021/22)

Figure 17: Total Value of Treasury Board Orders Issued, 2018/19–2022/23 ($ billion)

Source of data: Treasury Board

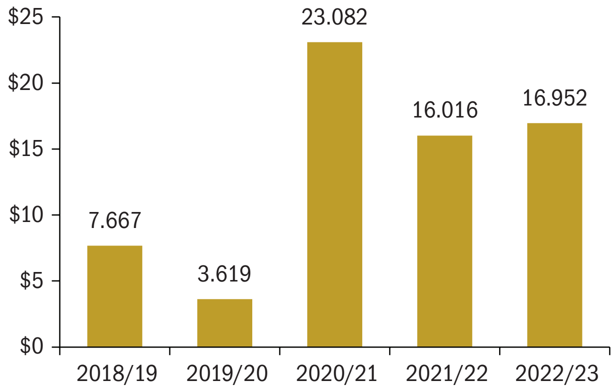


Figure 18: Total Value of Treasury Board Orders by Month, 2022/23

Source of data: Treasury Board

Month of Issue	Treasury Board Orders (#)	Authorized ($ million)
Apr 2022–Feb 2023	62	12,828
Mar 2023	27	1,509
Apr 2023	0	–
May 2023	0	–
Jun 2023	2	1,324
Jul 2023	2	1,292
Total	**93**	**16,952**

Note: Numbers may not add up due to rounding.

- $9.4 million for uncollectible Victim Fine Surcharges ($191.1 million in 2021/22)
- $4.7 million for Ontario Small Business Support Grant Program payments ($210.3 million in 2021/22)
- $1.6 million for Energy Cost Rebate Grant program payments ($nil in 2021/22)
- $52.7 million for student loans ($42.4 million in 2021/22)
- $47.8 million for Ontario Disability Support Program receivables, outstanding five or more years ($23.4 million in 2021/22)
- $46.8 million for bankrupt/insolvent entities with unpaid tax amounts ($65.2 million in 2021/22)
- $8 million for cost recovery (forest fires) ($3.3 million in 2021/22)
- $5.9 million for Criminal Code fines ($13 million in 2021/22)
- $4.4 million for the Motor Vehicle Accident Claims Fund ($2.1 million in 2021/22)

The remaining $1.8 million relates to various ministry write-offs ($4.8 million in 2021/22).

The Ministry Statements and Schedules of the 2022/23 Public Accounts summarizes the write-offs by ministry. Under the accounting policies followed in the preparation of the Province's consolidated financial statements, a provision for doubtful accounts is recorded against accounts receivable balances. Most of the write-offs had already been expensed in the government's consolidated financial statements. However, the actual write-off in the accounts required Order-in-Council approval.

The Province's consolidated financial statements include allowances for doubtful accounts of $1.7 billion (the 2021/22 allowance was $1.6 billion).

Appendix 1: Independent Auditor's Report

Source of data: Office of the Independent Auditor

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of the Province of Ontario

Opinion

I have audited the accompanying Consolidated Financial Statements of the Province of Ontario, which comprise the Consolidated Statement of Financial Position as at March 31, 2023, and the Consolidated Statements of Operations, Change in Net Debt, Change in Accumulated Operating Deficit, Remeasurement Gains and Losses and Cash Flow for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Province of Ontario as at March 31, 2023, and the consolidated results of its operations, the consolidated changes in its net debt, the consolidated change in its accumulated operating deficit, the consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of this report. I am independent of the Province of Ontario in accordance with the ethical requirements that are relevant to my audit of the Consolidated Financial Statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Consolidated Financial Statements of the Province of Ontario for the year ended March 31, 2023.

These matters were addressed in the context of my audit of the Consolidated Financial Statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

The Key Audit Matters are as follows:

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Key Audit Matter	Audit Work to Address
Personal Income Tax	
Personal Income Tax has been identified as a key audit matter because of the magnitude of this revenue and because the estimate is complex and includes several inputs and assumptions. Personal Income Tax is the Province of Ontario's largest revenue stream, providing approximately $44.2 billion (2022 – $46.8 billion) in revenue in 2022-23. Note 1d (Measurement Uncertainty) provides disclosure on measurement uncertainty related to personal income tax revenues. Personal Income Tax revenue in a fiscal year is derived from the Ministry of Finance's estimates of personal income taxes from two calendar years. For the fiscal year ended March 31, 2023, the Province of Ontario records nine months of revenue from the calendar year 2022 and the first three months of revenue from calendar year 2023. However, tax assessments for the 2022 calendar year will not be finalized until December 2023, and 2023 tax assessments will not be finalized until December 2024. As a result, precise revenue figures cannot be determined until 21 months after the fiscal year-end date. As a result, the Ministry of Finance estimates these revenues based on the best information available.	Audit work to address this key audit matter included: • assessing the appropriateness of the method used to make the estimates; • performing a retrospective review to assess the accuracy of prior year estimates; • testing the completeness and accuracy of underlying data and management's calculations; • evaluating the sufficiency of the measurement uncertainty disclosures in the Consolidated Financial Statements; and • engaging an econometric specialist to assist with the evaluation of the Ministry of Finance's personal income tax estimation model.
Corporations Tax	
Corporations Tax has been identified as a key audit matter because of the magnitude of this revenue and because the estimate is complex and includes several inputs and assumptions. Corporations Tax is a large revenue stream, providing approximately $27.8 billion (2022 – $25.2 billion) in revenue in 2022-23. Note 1d (Measurement Uncertainty) provides disclosure on measurement uncertainty related to Corporations Tax revenue. Corporations Tax revenue is based on tax returns assessed by the Canada Revenue Agency (CRA) up to June 30, 2023 and includes estimates of corporate income tax from two calendar years. For the fiscal year ended March 31, 2023, the Province of Ontario records nine months of revenue from the calendar year 2022 and the first three months of revenue from calendar year 2023. Corporations' tax assessments for the 2022 calendar year will not be finalized until December 2023, and the 2023 tax assessments will not be available until December 2024. This means precise revenue figures cannot be determined until 21 months after the fiscal year-end date. As a result, the Ontario Ministry of Finance estimates these revenues based on the best available information.	Audit work to address this key audit matter included: • assessing the appropriateness of the method used to determine the Corporations Tax estimate; • performing a retroactive review to assess the accuracy of prior year estimates; • testing the completeness and accuracy of underlying data and management's calculations; • developing a range estimate to compare to the Ministry of Finance's estimate; • evaluating the sufficiency of the measurement uncertainty disclosures in the Consolidated Financial Statements; and • engaging an econometric specialist to assist with the evaluation of the Ministry of Finance's corporations tax model.

<table>
<tr><th colspan="2">Pension and Other Employee Future Benefits</th></tr>
<tr><td>The Province of Ontario sponsors several pension plans, both as sole and joint sponsor. In addition, the Province reports in its Consolidated Financial Statements pension benefits for employees in the hospital and colleges sectors. The estimated plan assets and accrued benefit obligations of these plans exceed $14.1 billion (2022 – $14.4 billion). Information related to Pension and Other Employee Future Benefits are disclosed in notes 1d (Measurement Uncertainty) and 6 (Pensions and Other Employee Future Benefits).

The Province of Ontario relies on third-party actuarial specialists to estimate the accrued benefit obligation and other information for financial statement note disclosures. These calculations rely on management’s best estimate for significant economic and demographic assumptions.

Plan assets are valued at market-related value for funded plans. Market-related value is based on the fair value of plan assets reported in the pension plans’ financial statements over the last five years. Where observable market data is not available for investments, fair value estimates requiring significant management judgment are used.</td>
<td>Audit work to address this key audit matter included:
assessing pension plan auditors’ work over the reliability of the market-related value of plan assets used in the estimates, as well as their work over the plan member data provided by management to an actuarial expert for preparing the estimate of pension obligations;
assessing the qualifications of management’s actuarial experts;
obtaining an understanding of the assumptions and methods used by these experts in determining the accrued benefit obligation for pension benefits and the appropriateness of the assumptions and methods used and testing the underlying employee data used in the valuation of the accrued benefit obligation; and
working with an independent actuarial expert to assess management’s significant economic and demographic assumptions.</td></tr>
<tr><th colspan="2">Contaminated Sites Liabilities</th></tr>
<tr><td>Activities in the natural resources sector may lead to contamination of sites that exceeds environmental standards. When the Province has either taken over responsibility for remediation for sites or is directly responsible for sites, an estimate of the expected costs is prepared and recorded as liabilities on the consolidated statement of financial position. As at March 31, 2023, this remediation liability is estimated to be $1.9 billion (2022 – $1.8 billion).

The nature of the liability and the challenges around its estimation are discussed in notes 1d (Measurement Uncertainty), 7 (Other Liabilities) and 11a (Contingent Liabilities).

The estimate for contaminated sites liabilities is complex and includes several inputs and assumptions and, as such, has been identified as a key audit matter.</td>
<td>Audit work to address this key audit matter included:
testing the completeness and accuracy of the Province’s contaminated sites inventory along with supporting information;
developing a range of estimates to assess the reasonability of key assumptions supporting the estimate; and
engaging an independent specialist with expertise in environmental contamination remediation to assess the reasonableness of the Province’s estimation methods.</td></tr>
</table>

Asset Retirement Obligations	
The estimate for asset retirement obligations is complex and includes several inputs and assumptions and, as such, has been identified as a key audit matter. The Public Sector Accounting Board introduced a new accounting standard, *PS 3280, Asset Retirement Obligations*, that provides guidance on reporting of liabilities arising from legal obligations associated with the retirement of tangible capital assets. This standard became effective for the Province on April 1, 2022. The Province has legal obligations to retire certain tangible capital assets. As at March 31, 2023, this liability is estimated to be $4.1 billion (2022 – $3.8 billion). The Province adopted the standard using the modified retroactive method with restatement of 2021-22 balances as shown in note 17 (Accounting Changes and Reclassifications). The nature of the liability and the challenges around its estimation are discussed in notes 1d (Measurement Uncertainty), 1f (Changes in Accounting Policy by Adopting New Standards), and 7 (Other Liabilities).	Audit work to address this key audit matter included: • assessing the completeness and accuracy of tangible capital assets with legal obligations for asset retirement; • evaluating the appropriateness of valuation methods used to estimate the obligations; • verifying the completeness and accuracy of the information considered in the estimation process; • testing the accuracy of management's calculations by developing a range of estimates to assess the reasonability of key assumptions supporting the estimates; and • engaging an independent environmental specialist with expertise in asset retirement obligations.

Contingent Liabilities Associated with the Court Decision Related to the Protecting a Sustainable Public Sector for Future Generations Act, 2019	
The estimates for the contingent liabilities associated with the court decision related to the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* are complex and include several inputs and assumptions and, as such, have been identified as a key audit matter. As at March 31, 2023, this liability is estimated to be $2.5 billion. The nature of the liabilities and the challenges around its estimation are discussed in notes 1d (Measurement Uncertainty), and 11a (Contingent Liabilities).	Audit work to address this key audit matter included: • reviewing legal claims assessments; • evaluating management's calculations and assumptions for estimating the liabilities; • assessing the completeness of the liabilities and the underlying data; and • evaluating a sample of agreements and memoranda of understanding supporting the measurement of the liability.

iGaming Ontario	
iGaming Ontario's launch of the regulated Internet gaming market in Ontario was a significant event during the year and, as such, has been identified as a key audit matter. The Province has consolidated iGaming Ontario as a government business enterprise as described in Schedule 9 (Government Business Enterprises). Additional details about iGaming Ontario are discussed in note 11a (Contingent Liabilities).	Audit work to address this key audit matter included: • assessing the completeness and accuracy of the single line consolidation; • performing tests to verify that gross gaming revenue agrees to audited revenues reported and remitted by iGaming Ontario operators; • reviewing legal claims assessments; • evaluating management's calculations and assumptions for estimating the liabilities; • assessing the completeness of the liabilities; and • performing substantive procedures.

Financial Instruments and Foreign Currency Translation	
The Province adopted new accounting standards for financial instruments and foreign currency translation in *PS 1201, Financial Statement Presentation, PS 2601, Foreign Currency Translation* and *PS 3450, Financial Instruments*. These standards are implemented on a prospective basis as of April 1, 2022. The adoption of the standards resulted in the addition of derivative assets and liabilities, recognized at fair value. Previously, derivative transactions were only recorded upon settlement. In addition, portfolio investments managed on a fair value basis are recognized at fair value. Previously, these investments were recorded at cost. Unrealized foreign currency gains and losses and unrealized gains and losses on investments and derivatives are recorded in the new consolidated statement of remeasurement gains and losses. Previously, these transactions were recorded in the consolidated statement of operations or in the notes to the consolidated financial statement for items such as the notional and fair value of derivatives. The Province is recognizing debt at amortized cost and uses the effective interest method, which requires the Province to recognize unamortized discounts, premiums and transaction costs as part of the amortized cost. Previously, the Province recognized debt at amortized cost and used the straight-line method to record interest. Finally, additional quantitative and qualitative information is disclosed in note 3 (Derivatives and Risk Management) to the consolidated financial statements about the nature and extent of risks associated with portfolio investments, loans, debt and derivatives. The disclosures for financial instruments and foreign currency translation are discussed in notes 1f (Change in Accounting Policy by Adopting New Standards), 2 (Debt), 3 (Derivatives and Risk Management), 8 (Investments), Schedule 5 (Accounts Payable and Accrued Liabilities) and Schedule 6 (Accounts Receivable).	Audit work to address this key audit matter included: • examining the opening and closing balances for the consolidated remeasurement gains and losses and the calculation of unrealized gains and losses on translation of foreign debt, valuation of derivatives and portfolio investments; • evaluating the Province's processes for valuing and disclosing derivatives and embedded derivatives on the consolidated statement of financial position; • verifying the existence, completeness and accuracy of derivative contracts and debt issuances; • evaluating and assessing inputs used in valuation calculations, assessing discount rates and counterparty balances; • reviewing the appropriateness and accuracy of quantitative and qualitative disclosures of the nature and extent of risks associated with debt, derivatives and portfolio investments; and • verifying the appropriate implementation of the standards' transitional provisions by management.

Other Accompanying Information

The Government of Ontario is responsible for the information in the 2022-23 Public Accounts of Ontario Annual Report.

My opinion on the Consolidated Financial Statements does not cover the other information accompanying the Consolidated Financial Statements and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Consolidated Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or my knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the Consolidated Financial Statements, management is responsible for assessing the Province of Ontario's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Government either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of Ontario's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Province of Ontario's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province

of Ontario's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions could cause the Province of Ontario to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

The audit of the Consolidated Financial Statements is a group audit engagement. As such, I also obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Consolidated Financial Statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Toronto, Ontario
August 29, 2023

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Appendix 2: Budget Requirements under the *Fiscal Sustainability, Transparency and Accountability Act, 2019*

Prepared by the Office of the Auditor General of Ontario

Act Requirement	Met Requirement	Did Not Meet Requirement	If Not Met, How and Why
Balanced budget[1] 3 (1) For each fiscal year, the Executive Council shall plan for a balanced budget.		✓	2022 Budget is not balanced in the medium term (see **Exception, extraordinary circumstances** below).
Exception, extraordinary circumstances (2) Despite subsection (1), if, as a result of extraordinary circumstances, the Executive Council determines that it is consistent with the principles governing Ontario's fiscal policy for the Province to have a deficit for one or more fiscal years, the Executive Council may plan accordingly, in which case the following requirements must be met:			The Province has assessed the ongoing economic uncertainty related to elevated inflation, supply chain challenges and rising interest rates as extraordinary circumstances.
1. The introductory summary of the budget must include the rationale for the Executive Council's determination.	✓		
2. If the multi-year fiscal plan included in the budget does not project a balanced budget for the last fiscal year in the plan period, the budget must include a recovery plan that meets the requirements of section 8.	✓		
Annual budget[2] 4 (1) On or before March 31 of each fiscal year, the Minister shall lay before the Legislative Assembly and release a budget in respect of the following fiscal year commencing on April 1.	✓		
Contents of the budget 5 The budget required by section 4 must include the following information:			
1. An introductory summary of the key fiscal, economic and debt information contained in the budget.	✓		
2. The macroeconomic forecasts and assumptions used to prepare the budget.	✓		
3. A multi-year fiscal plan that meets the requirements of section 6.	✓		
4. A comprehensive discussion of the risks that, in the Minister's opinion, may have a material impact on the economy or the public sector during the period of the plan.	✓		
5. A description of the intended effects of the plan on the Province.	✓		
6. Information about the projected ratio of provincial net debt to Ontario's gross domestic product for the period of the plan.	✓		

Act Requirement	Met Requirement	Did Not Meet Requirement	If Not Met, How and Why
Multi-year fiscal plan 6 (1) A multi-year fiscal plan must meet the requirements set out in this section.	✓		
Period of the fiscal plan (2) The fiscal plan must address the fiscal year of the budget and the following two fiscal years, and it may address a longer period.	✓		
Contents of the fiscal plan (3) The fiscal plan must include the following information:			
1. An estimate of Ontario's revenues and expenses for the period of the plan, including estimates of the major components of the revenues and expenses.	✓		
2. The forecasts and assumptions used to prepare the revenue and expense estimates for the period of the plan.	✓		
3. A reserve to provide for unexpected adverse changes in revenues and expenses, in whole or in part, and the details of the reserve.	✓		
4. A comprehensive discussion of the risks that, in the Minister's opinion, may have a material impact on the economy or the public sector during the period of the plan.	✓		
5. A description of the intended effects of the plan on the Province.	✓		
6. Information about the projected ratio of provincial net debt to Ontario's gross domestic product for the period of the plan.	✓		
Debt burden reduction strategy 7 (1) A debt burden reduction strategy must meet the requirements set out in this section.		✓	See explanation below.
Contents of the strategy (2) The debt burden reduction strategy must include the following information:			
1. Ontario's specific objectives for the projected ratio of provincial net debt to Ontario's gross domestic product.	✓		
2. A progress report on supporting actions and the implementation of the debt burden reduction strategy included in the last budget.		✓	Debt burden reduction strategy not fully implemented due to the Province not formally documenting a long-term debt strategy, not explaining how it determined the net-debt-to-GDP target of 37.8%, and not clearly demonstrating how debt will be managed.

Act Requirement	Met Requirement	Did Not Meet Requirement	If Not Met, How and Why
Recovery plan 8 (1) A recovery plan must meet the requirements set out in this section.	✓		
Period of the recovery plan (2) The recovery plan must address the period from the first fiscal year after the end of the current multi-year fiscal plan to the projected fiscal year in which the budget will be balanced.	✓		
Contents of the recovery plan (3) The recovery plan must be consistent with the principles governing Ontario's fiscal policy and must include the following information:			
1. The projected fiscal year in which the budget will be balanced.	✓		
2. An estimate of Ontario's revenues and expenses for the period of the plan, including estimates of the major components of the revenues and expenses.	✓		
3. The forecasts and assumptions used to prepare the revenue and expense estimates for the period of the plan.	✓		
4. A reserve to provide for unexpected adverse changes in revenues and expenses, in whole or in part, and the details of the reserve.	✓		
5. Information about the projected ratio of provincial net debt to Ontario's gross domestic product for the period of the plan.	✓		
Mid-year review 9 On or before November 15 of each fiscal year, the Minister shall release a mid-year review that includes the following information:			
1. An introductory summary of the key fiscal, economic and debt information contained in the review.	✓		
2. Updated information about Ontario's revenues and expenses for the current fiscal year or a longer period, including updated information about the major components of the revenues and expenses.	✓		
3. Information about the estimated cost of expenditures that are made through the tax system.	✓		

Act Requirement	Met Requirement	Did Not Meet Requirement	If Not Met, How and Why
4. For the purpose of pre-budget consultations with the public: i. A description of the key issues that, in the Minister's opinion, should be addressed in the next budget. ii. Details about how to participate in the pre-budget consultations.	 ✓ ✓		
Interim updates about revenues and expenses 10 On or before August 15 and on or before February 15 of each fiscal year, the Minister shall release updated information about Ontario's revenues and expenses for the current fiscal year, including updated information about the major components of the revenues and expenses.	✓		
Quarterly information about Ontario's economic accounts 11 Within 45 days after Statistics Canada publishes quarterly national income and expenditure accounts, the Minister shall release Ontario's economic accounts for the same quarter.	✓		
Long-range assessment of economic and fiscal environment 12 (1) Within two years after the most recent general election, as defined in section 1 of the *Election Act*, the Minister shall release a long-range assessment of Ontario's economic and fiscal environment.	✓		
Contents of assessment (2) The long-range assessment must include the following information: 1. A description of anticipated changes in the economy and in population demographics during the following 20 years. 2. A description of the potential impact of these changes on the public sector and on Ontario's fiscal policy during that period. 3. An analysis of key issues of fiscal policy that, in the Minister's opinion, are likely to affect the long-term sustainability of the economy and of the public sector.	 ✓ ✓ ✓		

Note: If the Minister does not meet a deadline under this Act, the Minister shall release a statement on or before the deadline explaining why the deadline was not met and set a new deadline. In addition, the Minister shall pay into the Consolidated Revenue Fund a penalty equal to 10% of the annual salary payable to the Minister under subsection 3(1) of the *Executive Council Act*, and the Premier shall pay into the Consolidated Revenue Fund a penalty equal to 10% of the annual salary payable to the Premier under subsection 3(1) and (2) of the *Executive Council Act*. The payments are required within 30 days of the deadline that was not met, and cannot be paid or reimbursed from the Consolidated Revenue Fund.

1. A balanced budget means, for a fiscal year, a budget in which the sum of expenses and a reserve does not exceed revenues.
2. This does not apply if a general election, as defined in the *Election Act*, has occurred in the fiscal year.

Exhibit 1: Accounts Audited by the Auditor General

1. Agencies, Government Organizations and Offices of the Legislature whose accounts are audited by the Auditor General

Agricorp

Alcohol and Gaming Commission of Ontario

Algonquin Forestry Authority

Centennial Centre of Science and Technology (Ontario Science Centre)

Centralized Supply Chain Ontario (Supply Ontario)

Chief Electoral Officer, *Election Act*

Deposit Insurance Reserve Fund, Financial Services Regulatory Authority of Ontario

Election Fees and Expenses, *Election Finances Act*

Financial Accountability Office of Ontario

Financial Services Regulatory Authority of Ontario

Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans, Wheat and Canola

iGaming Ontario

Intellectual Property Ontario

Invest Ontario

Legal Aid Ontario

Liquor Control Board of Ontario

Livestock Financial Protection Board, Fund for Livestock Producers

Northern Ontario Heritage Fund Corporation

Office of the Assembly

Office of the Children's Lawyer

Office of the Information and Privacy Commissioner

Office of the Ombudsman

Ontario Cannabis Retail Corporation

Ontario Clean Water Agency (Dec 31)*

Ontario Educational Communications Authority (TVO)

Ontario Electricity Financial Corporation

Ontario Energy Board

Ontario Financing Authority

Ontario Food Terminal Board

Ontario Health

Ontario Heritage Trust

Ontario Immigrant Investor Corporation

Ontario Media Development Corporation (Ontario Creates)

Ontario Northland Transportation Commission

Ontario Place Corporation (Dec 31)*

Ontario Securities Commission

Pension Benefits Guarantee Fund, Financial Services Regulatory Authority of Ontario

Province of Ontario Council for the Arts (Ontario Arts Council)

Provincial Judges Pension Plan

Public Guardian and Trustee for the Province of Ontario

Species Conservation Action Agency

2. Agencies and government organizations whose accounts are audited by another auditor under the direction of the Auditor General

Education Quality and Accountability Office

Higher Education Quality Council of Ontario

Metropolitan Toronto Convention Centre Corporation

Niagara Parks Commission

Ontario Tourism Marketing Partnership Corporation

Ottawa Convention Centre Corporation

St. Lawrence Parks Commission

Toronto Island Residential Community Trust Corporation

Walkerton Clean Water Centre

Workplace Safety and Insurance Board (Dec 31)*

* Dates in parentheses indicate fiscal years ending on a date other than March 31.

Exhibit 2: Accounts Audited by Other Auditors with Full Access by the Auditor General

Agencies and Crown-controlled corporations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers and other related documents as required

Agricultural Research Institute of Ontario

Fair Hydro Trust (Dec 31)[1]

Forest Renewal Trust

General Real Estate Portfolio

Home and Community Care Support Services Central East

Home and Community Care Support Services Central

Home and Community Care Support Services Central West

Home and Community Care Support Services Champlain

Home and Community Care Support Services Erie St. Clair

Home and Community Care Support Services Hamilton Niagara Haldimand Brant

Home and Community Care Support Services Mississauga Halton

Home and Community Care Support Services North East

Home and Community Care Support Services North Simcoe Muskoka

Home and Community Care Support Services North West

Home and Community Care Support Services South East

Home and Community Care Support Services South West

Home and Community Care Support Services Toronto Central

Home and Community Care Support Services Waterloo Wellington

Human Rights Legal Support Centre

Hydro One Limited (Dec 31)[1]

Independent Electricity System Operator (Dec 31)[1]

Investment Management Corporation of Ontario (Dec 31)[1]

McMichael Canadian Art Collection

Metrolinx

Municipal Property Assessment Corporation

Ontario French-language Educational Communications Authority (TFO)

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)

Ontario Lottery and Gaming Corporation

Ontario Pension Board (Dec 31)[1]

Ontario Power Generation (Dec 31)[1]

Ontario Trillium Foundation

Ornge

Owen Sound Transportation Company Limited

Ontario Agency for Health Protection and Promotion (Public Health Ontario)

Royal Ontario Museum

Science North

Skilled Trades Ontario

Toronto Waterfront Revitalization Corporation (Waterfront Toronto)

Venture Ontario (Dec 31)[1, 2]

1. Dates in parentheses indicate fiscal years ending on a date other than March 31.
2. Ontario Capital Growth Corporation was renamed to Venture Ontario on September 8, 2022 when amendments to the *Venture Ontario Act, 2008* came into force.

Exhibit 3: Organizations in the Broader Public Sector with Full Access by the Auditor General

Broader-public-sector organizations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers and other related documents as required*

PUBLIC HOSPITALS (MINISTRY OF HEALTH)

Alexandra Hospital Ingersoll
Alexandra Marine & General Hospital
Almonte General Hospital
Anson General Hospital
Arnprior Regional Health
Atikokan General Hospital
Baycrest Centre for Geriatric Care
Bingham Memorial Hospital
Blanche River Health
Bluewater Health
Brant Community Healthcare System
Brockville General Hospital
Bruyère Continuing Care Inc.
Cambridge Memorial Hospital
Campbellford Memorial Hospital
Carleton Place and District Memorial Hospital
Casey House Hospice
Chatham-Kent Health Alliance
Children's Hospital of Eastern Ontario—Ottawa Children's Treatment Centre
Clinton Public Hospital
Collingwood General and Marine Hospital
Cornwall Community Hospital
Deep River and District Hospital Corporation
Dryden Regional Health Centre
Erie Shores Healthcare
Espanola General Hospital
Four Counties Health Services
Georgian Bay General Hospital
Geraldton District Hospital
Grand River Hospital
Grey Bruce Health Services
Groves Memorial Community Hospital
Guelph General Hospital
Haldimand War Memorial Hospital
Haliburton Highlands Health Services Corporation
Halton Healthcare Services Corporation
Hamilton Health Sciences Corporation
Hanover and District Hospital
Headwaters Health Care Centre
Health Sciences North
Holland Bloorview Kids Rehabilitation Hospital
Hôpital Général de Hawkesbury and District General Hospital Inc.
Hôpital Glengarry Memorial Hospital
Hôpital Montfort
Hôpital Notre Dame Hospital (Hearst)
Hornepayne Community Hospital
Hospital for Sick Children
Hôtel-Dieu Grace Healthcare
Humber River Regional Hospital
Joseph Brant Hospital
Kemptville District Hospital
Kingston Health Sciences Centre
Lady Dunn Health Centre
Lady Minto Hospital, Cochrane
Lake of the Woods District Hospital
Lakeridge Health
Lennox and Addington County General Hospital
Listowel Memorial Hospital
London Health Sciences Centre
Mackenzie Health
Manitoulin Health Centre
Mattawa General Hospital
Muskoka Algonquin Healthcare
Niagara Health System

* This exhibit includes only the more financially significant organizations in the broader public sector.

Nipigon District Memorial Hospital
Norfolk General Hospital
North Bay Regional Health Centre
North Shore Health Network
North of Superior Healthcare Group
North Wellington Health Care Corporation
North York General Hospital
Northumberland Hills Hospital
Oak Valley Health
Orillia Soldiers' Memorial Hospital
Ottawa Hospital
Pembroke Regional Hospital Inc.
Perth and Smiths Falls District Hospital
Peterborough Regional Health Centre
Providence Care Centre (Kingston)
Queensway Carleton Hospital
Quinte Healthcare Corporation
Red Lake Margaret Cochenour Memorial Hospital Corporation
Religious Hospitallers of St. Joseph of Cornwall, Ontario
Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines
Renfrew Victoria Hospital
Riverside Health Care Facilities Inc.
Ross Memorial Hospital
Royal Victoria Regional Health Centre
Runnymede Healthcare Centre
Salvation Army Toronto Grace Health Centre
Santé Manitouwadge Health
Sault Area Hospital
Scarborough Health Network
Seaforth Community Hospital
Sensenbrenner Hospital
Services de santé de Chapleau Health Services
Sinai Health System
Sioux Lookout Meno Ya Win Health Centre
Smooth Rock Falls Hospital
South Bruce Grey Health Centre
South Huron Hospital Association
Southlake Regional Health Centre
St. Francis Memorial Hospital
St. Joseph's Care Group
St. Joseph's Continuing Care Centre of Sudbury
St. Joseph's General Hospital, Elliot Lake
St. Joseph's Health Care, London
St. Joseph's Health Centre Guelph
St. Joseph's Healthcare Hamilton
St. Mary's General Hospital
St. Marys Memorial Hospital
St. Thomas Elgin General Hospital
Stevenson Memorial Hospital
Stratford General Hospital
Strathroy Middlesex General Hospital
Sunnybrook Health Sciences Centre
Temiskaming Hospital
Thunder Bay Regional Health Sciences Centre
Tillsonburg District Memorial Hospital
Timmins and District Hospital
Toronto East Health Network
Trillium Health Partners
Unity Health Toronto
University Health Network
University of Ottawa Heart Institute
Weeneebayko Area Health Authority
West Haldimand General Hospital
West Nipissing General Hospital
West Park Healthcare Centre
West Parry Sound Health Centre
William Osler Health System
Winchester District Memorial Hospital
Windsor Regional Hospital
Wingham and District Hospital
Women's College Hospital
Woodstock Hospital

SPECIALTY PSYCHIATRIC HOSPITALS (MINISTRY OF HEALTH)

Centre for Addiction and Mental Health
Ontario Shores Centre for Mental Health Sciences
Royal Ottawa Health Care Group
Waypoint Centre for Mental Health Care

CHILDREN'S AID SOCIETIES (MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES)

Bruce Grey Child and Family Services

Catholic Children's Aid Society of Hamilton

Children and Family Services for York Region

Children's Aid Society of Algoma

Children's Aid Society of Hamilton

Children's Aid Society of London and Middlesex

Children's Aid Society of the City of Sarnia and the County of Lambton

Children's Aid Society of Toronto

Dufferin Child and Family Services

Durham Children's Aid Society

Family and Children's Services of Frontenac, Lennox and Addington

Family and Children's Services of Lanark, Leeds and Grenville

Family and Children's Services of Renfrew County

Family and Children's Services of St. Thomas and Elgin

Family and Children's Services of the Waterloo Region

Halton Children's Aid Society

Highland Shores Children's Aid Society

Huron-Perth Children's Aid Society

Jewish Family and Child Service of Greater Toronto

Kawartha-Haliburton Children's Aid Society

Kenora-Rainy River Districts Child and Family Services

LINCK, Child Youth and Family Supports

North Eastern Ontario Family and Children's Services

Simcoe Muskoka Child, Youth and Family Services

The Catholic Children's Aid Society of Toronto

The Child and Family Services of Grand Erie

The Children's Aid Society of the City of Guelph and County of Wellington

The Children's Aid Society of Ottawa

The Children's Aid Society of Oxford County Inc.

The Children's Aid Society of the District of Nipissing and Parry Sound

The Children's Aid Society of the District of Thunder Bay

The Children's Aid Society of the Districts of Sudbury and Manitoulin

The Children's Aid Society of the Niagara Region

The Children's Aid Society of the Region of Peel

The Children's Aid Society of the United Counties of Stormont, Dundas and Glengarry

Valoris pour enfants et adultes de Prescott-Russell/Valoris for Children and Adults of Prescott-Russell

Windsor-Essex Children's Aid Society

SCHOOL BOARDS (MINISTRY OF EDUCATION)

Algoma District School Board

Algonquin and Lakeshore Catholic District School Board

Avon Maitland District School Board

Bloorview MacMillan School Authority

Bluewater District School Board

Brant Haldimand Norfolk Catholic District School Board

Bruce-Grey Catholic District School Board

Campbell Children's School Authority

Catholic District School Board of Eastern Ontario

Children's Hospital of Eastern Ontario School Authority

Conseil des écoles publiques de l'Est de l'Ontario

Conseil scolaire catholique MonAvenir

Conseil scolaire catholique Providence

Conseil scolaire de district catholique de l'Est ontarien

Conseil scolaire de district catholique des Aurores boréales

Conseil scolaire de district catholique des Grandes Rivières

Conseil scolaire de district catholique du Centre-Est de l'Ontario

Conseil scolaire de district catholique du Nouvel-Ontario

Conseil scolaire de district catholique Franco-Nord

Conseil scolaire de district du Nord-Est de l'Ontario

Conseil scolaire public du Grand Nord de l'Ontario

Conseil scolaire Viamonde

Consortium Centre Jules-Léger

District School Board of Niagara

District School Board Ontario North East

Dufferin-Peel Catholic District School Board

Durham Catholic District School Board

Durham District School Board
Grand Erie District School Board
Greater Essex County District School Board
Halton Catholic District School Board
Halton District School Board
Hamilton-Wentworth Catholic District School Board
Hamilton-Wentworth District School Board
Hastings and Prince Edward District School Board
Huron-Perth Catholic District School Board
Huron-Superior Catholic District School Board
James Bay Lowlands Secondary School Board
John McGivney Children's Centre School Authority
Kawartha Pine Ridge District School Board
Keewatin-Patricia District School Board
Kenora Catholic District School Board
KidsAbility School Authority
Lakehead District School Board
Lambton Kent District School Board
Limestone District School Board
London District Catholic School Board
Moose Factory Island District School Area Board
Moosonee District School Area Board
Near North District School Board
Niagara Catholic District School Board
Niagara Peninsula Children's Centre School Authority
Nipissing-Parry Sound Catholic District School Board
Northeastern Catholic District School Board
Northwest Catholic District School Board
Ottawa Catholic District School Board
Ottawa-Carleton District School Board
Peel District School Board
Penetanguishene Protestant Separate School Board
Peterborough Victoria Northumberland and Clarington Catholic District School Board
Rainbow District School Board
Rainy River District School Board
Renfrew County Catholic District School Board
Renfrew County District School Board
Simcoe County District School Board
Simcoe Muskoka Catholic District School Board
St. Clair Catholic District School Board
Sudbury Catholic District School Board
Superior North Catholic District School Board
Superior-Greenstone District School Board
Thames Valley District School Board
Thunder Bay Catholic District School Board
Toronto Catholic District School Board
Toronto District School Board
Trillium Lakelands District School Board
Upper Canada District School Board
Upper Grand District School Board
Waterloo Catholic District School Board
Waterloo Region District School Board
Wellington Catholic District School Board
Windsor-Essex Catholic District School Board
York Catholic District School Board
York Region District School Board

COLLEGES (MINISTRY OF COLLEGES AND UNIVERSITIES)

Algonquin College of Applied Arts and Technology
Cambrian College of Applied Arts and Technology
Canadore College of Applied Arts and Technology
Centennial College of Applied Arts and Technology
Collège Boréal d'arts appliqués et de technologie
Collège d'arts appliqués et de technologie La Cité collégiale
Conestoga College Institute of Technology and Advanced Learning
Confederation College of Applied Arts and Technology
Durham College of Applied Arts and Technology
Fanshawe College of Applied Arts and Technology
George Brown College of Applied Arts and Technology
Georgian College of Applied Arts and Technology
Humber College Institute of Technology and Advanced Learning
Lambton College of Applied Arts and Technology
Loyalist College of Applied Arts and Technology
Mohawk College of Applied Arts and Technology

Niagara College of Applied Arts and Technology

Northern College of Applied Arts and Technology

Sault College of Applied Arts and Technology

Seneca College of Applied Arts and Technology

Sheridan College Institute of Technology and Advanced Learning

Sir Sandford Fleming College of Applied Arts and Technology

St. Clair College of Applied Arts and Technology

St. Lawrence College of Applied Arts and Technology

Exhibit 4: Treasury Board Orders

Under subsection 12(2)(e) of the *Auditor General Act*, the Auditor General is required to annually report all orders of the Treasury Board made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended. These are outlined in the following table. Although ministries may track expenditures related to these orders in more detail by creating accounts at the sub-vote and item level, this schedule summarizes such expenditures at the vote and item level.

Ministry	Date of Order	Authorized ($)	Expended ($)
Agriculture, Food and Rural Affairs	Mar 9, 2023	25,000,000	17,635,991
		25,000,000	**17,635,991**
Attorney General	Oct 24, 2022	3,926,500	3,926,500
	Dec 8, 2022	35,068,100	30,516,744
	Feb 14, 2023	115,462,100	94,040,882
	Feb 23, 2023	286,300	286,278
	Mar 9, 2023	11,259,500	10,962,620
		166,002,500	**139,733,024**
Cabinet Office	Sep 8, 2022	1,310,800	353,530
		1,310,800	**353,530**
Children, Community and Social Services	Sep 8, 2022	988,400	173,800
	Sep 28, 2022	146,357,600	–
	Jan 26, 2023	78,900,000	63,075,245
	Feb 23, 2023	84,200	–
	Mar 9, 2023	70,185,000	13,906,789
		296,515,200	**77,155,834**
Citizenship and Multiculturalism	Dec 8, 2022	2,200,800	1,783,087
	Mar 22, 2023	130,000	–
		2,330,800	**1,783,087**
Colleges and Universities	Mar 9, 2023	9,350,000	7,295,632
		9,350,000	**7,295,632**
Economic Development, Job Creation and Trade	Sep 28, 2022	245,148,400	137,212,326
	Jan 11, 2023	20,000,000	–
	Feb 23, 2023	37,865,000	–
		303,013,400	**137,212,326**

Ministry	Date of Order	Authorized ($)	Expended ($)
Education	Sep 22, 2022	371,191,800	325,769,026
	Oct 24, 2022	2,500,000	–
	Feb 9, 2023	62,600,000	10,317,687
	Mar 22, 2023	4,454,600	–
		440,746,400	**336,086,713**
Energy	Dec 8, 2022	97,650,000	–
		97,650,000	**–**
Environment, Conservation and Parks	Dec 8, 2022	4,264,800	159,754
	Feb 23, 2023	9,590,800	6,523,880
		13,855,600	**6,683,634**
Finance	Nov 14, 2022	39,614,600	–
	Mar 9, 2023	6,208,400	6,205,631
	Mar 22, 2023	18,104,500	17,824,690
	Mar 22, 2023	5,000,000	1,974,066
		68,927,500	**26,004,387**
Health	Sep 8, 2022	323,904,100	18,073,600
	Jan 26, 2023	8,428,300	2,339,821
	Feb 9, 2023	561,050,000	489,991,686
	Feb 23, 2023	25,900	–
	Mar 2, 2023	167,980,700	164,388,482
	Mar 22, 2023	234,703,400	229,667,381
	Jun 7, 2023	1,321,552,500	1,306,200,000
	Jul 26, 2023	41,512,000	41,510,996
		2,659,156,900	**2,252,171,966**
Indigenous Affairs	Oct 24, 2022	560,000	–
	Feb 23, 2023	5,000,000,000	5,000,000,000
	Mar 9, 2023	23,962,200	22,652,200
	Jul 26, 2023	1,250,000,000	1,249,982,926
		6,274,522,200	**6,272,635,126**
Infrastructure	Dec 13, 2022	19,300,000	19,300,000
	Jan 11, 2023	3,000,000	2,428,708
	Feb 23, 2023	7,273,000	836,901
		29,573,000	**22,565,609**

Ministry	Date of Order	Authorized ($)	Expended ($)
Labour, Training and Skills Development	Sep 28, 2022	184,300,000	29,950,922
	Nov 14, 2022	30,000,000	492,266
	Dec 1, 2022	5,292,800	4,272,555
	Dec 1, 2022	273,000	273,000
	Dec 13, 2022	5,500,000	5,500,000
	Jan 26, 2023	6,256,000	6,089,587
	Mar 9, 2023	1,000,000	–
	Mar 9, 2023	4,435,000	875,388
	Mar 22, 2023	17,000,000	11,585,927
		254,056,800	**59,039,645**
Lieutenant Governor	Mar 9, 2023	144,300	24,621
		144,300	**24,621**
Long-Term Care	Sep 8, 2022	44,000,000	29,334,041
	Dec 8, 2022	182,700,000	–
	Dec 8, 2022	1,762,200	1,461,001
		228,462,200	**30,795,042**
Mines	Dec 8, 2022	298,700	–
	Mar 22, 2023	182,210,900	145,107,939
		182,509,600	**145,107,939**
Municipal Affairs and Housing	Sep 8, 2022	1,802,500	1,802,500
	Sep 28, 2022	27,000,000	13,616,570
	Dec 8, 2022	235,000,000	217,519,935
	Mar 9, 2023	19,075,000	17,136,768
		282,877,500	**250,075,773**
Natural Resources and Forestry	Dec 8, 2022	696,500	696,500
	Feb 23, 2023	45,798,100	39,442,307
		46,494,600	**40,138,807**
Public and Business Service Delivery	Nov 17, 2022	2,779,300	2,685,135
	Nov 24, 2022	79,000,000	75,919,870
	Mar 9, 2023	27,500,000	–
	Mar 9, 2023	647,200	–
	Mar 9, 2023	43,414,000	33,442,566
	Mar 9, 2023	1,781,100	833,782
	Mar 9, 2023	612,900	–
	Jun 1, 2023	2,230,000	–
		157,964,500	**112,881,353**

Ministry	Date of Order	Authorized ($)	Expended ($)
Seniors and Accessibility	Sep 8, 2022	9,400,000	3,285,796
	Feb 23, 2023	450,000	–
		9,850,000	**3,285,796**
Solicitor General	Sep 8, 2022	1,800,000	1,800,000
	Nov 17, 2022	3,000,000	3,000,000
	Feb 9, 2023	312,759,400	269,783,739
		317,559,400	**274,583,739**
Tourism, Culture and Sport	Sep 28, 2022	28,600,000	20,437,264
	Oct 27, 2022	7,005,000	3,685,000
	Nov 14, 2022	2,300,000	2,300,000
	Feb 23, 2023	3,900,000	3,117,123
	Feb 23, 2023	6,526,000	2,243,017
	Feb 23, 2023	65,069,800	65,058,838
	Mar 9, 2023	294,800	–
		113,695,600	**96,841,242**
Transportation	Sep 28, 2022	9,264,300	7,783,116
	Feb 23, 2023	539,600	539,600
	Mar 9, 2023	531,600,000	496,622,559
	Mar 9, 2023	694,200	–
		542,098,100	**504,945,275**
Treasury Board Secretariat	Feb 14 2023	80,556,900	–
	Feb 23, 2023	4,217,931,700	–
	Mar 9, 2023	49,073,000	–
	Mar 9, 2023	72,537,600	–
	Mar 9, 2023	7,435,100	4,405,006
	Mar 9, 2023	427,100	
		4,427,961,400	**4,405,006**
Total Treasury Board Orders		**16,951,628,300**	**10,819,441,097**

Office of the Auditor General of Ontario

20 Dundas Street West, Suite 1530
Toronto, Ontario
M5G 2C2

www.auditor.on.ca

ISBN 978-1-4868-7497-2 (PDF)

Cover photograph credit:
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