

Follow-Up on the 2022 Report:

Treasury Board Secretariat

Ministry of Finance

Ministry of Health

Ministry of Public and Business Service Delivery
and Procurement

Ministry of Long-Term Care

Ministry of Children, Community and Social Services

Financial Services Regulatory Authority of Ontario

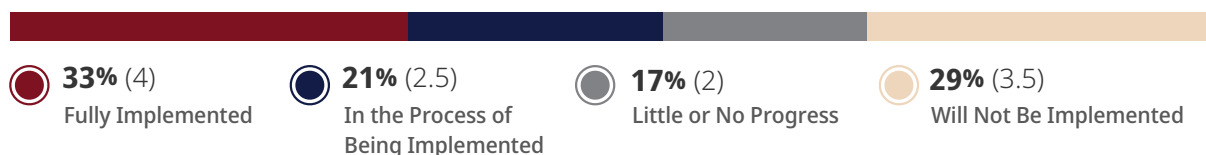
Office of the Children's Lawyer

Clerk of the Legislative Assembly

The Public Accounts of the Province of Ontario

// Overall Conclusion

12 Recommended Actions



The Treasury Board Secretariat, Ministry of Finance, Ministry of Health, Ministry of Public and Business Service Delivery and Procurement, Ministry of Long-Term Care, and Ministry of Children, Community and Social Services (collectively known as the “Ministries”), Financial Services Regulatory Authority of Ontario (an agency of the Government of Ontario), Office of the Children's Lawyer (an independent law office in the Ministry of the Attorney General) and Clerk of the Legislative Assembly, as of November 6, 2024, have fully implemented 33% of the actions we recommended in our 2022 audit of the **Province of Ontario's Consolidated Financial Statements**, such as providing the required information for our Office to perform audits for the Office of the Children's

Lawyer and introducing appropriate training to reduce Ontario Disability Support Program overpayments. The Treasury Board Secretariat, Ministries, Financial Services Regulatory Authority of Ontario, Office of the Children's Lawyer and Clerk of the Legislative Assembly were in the process of implementing an additional 21% of the recommendations.

The Treasury Board Secretariat, Ministries, Financial Services Regulatory Authority of Ontario, and Clerk of the Legislative Assembly have made little or no progress on 17% of the recommendations and will not implement 29% of the recommendations, including ensuring the contingency funds in the fiscal plan are presented in a disaggregate form to specifically identify the purpose of individual component amounts for greater transparency.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations


We conducted assurance work between April 2024 and October 2024. We obtained written representation from the Treasury Board Secretariat, Ministries, Ministry of Attorney General for the Office of the Children's Lawyer, and Clerk of the Legislative Assembly, that effective November 21, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Corporations Income Tax Revenues

Due to the discontinuation of certain economic data from Statistics Canada, beginning in the 2021/22 fiscal year, the Ministry of Finance began basing its estimate of Corporations Income Tax (CIT) primarily on corporate taxes assessed as reported by the federal Department of Finance as of June for the previous taxation year. In our 2022 audit, overall, we found that the Ministry of Finance's CIT estimate based on the new methodology was reasonable. However, in arriving at this conclusion, we encountered challenges in performing our audit work due to limitations on our access to tax information produced and reported by the federal Department of Finance for use by the Ontario Ministry of Finance.

Recommendation 1: Action Item 1

For our audit of the Province's March 31, 2023 consolidated financial statements, to ensure the Office of the Auditor General of Ontario (Office) does not have a scope limitation on our work on corporate taxes, we recommend that the Ministry of Finance work with the federal Department of Finance to provide our Office with direct access to all Ontario-related personal and corporate tax data sets/information by making the necessary amendments to the Ontario-Canada Tax Collection Agreement and/or by introducing legislative amendments to the federal Income Tax Act.

Status:  **In the process of being implemented, dependent on the discussions with the Federal Government.**

Details

We found in our follow-up, that the Province remains committed to working with the federal government on options to support our Office's audit of the Province's consolidated financial statements regarding CIT. Discussions between the Ministry of Finance and the federal Department of Finance on a solution are currently ongoing. The Federal and Ontario Governments have implemented an interim measure to support our audit work on corporate taxes. This measure will continue until a solution is reached to address our Office's recommendation.

2. Financial Services Regulatory Authority of Ontario (FSRA)

Under the *Credit Unions and Caisses Populaires Act, 2020 (Act)*, the Financial Services Regulatory Authority of Ontario (FSRA) is responsible for the administration, operation and prudent management of the Deposit Insurance Reserve Fund (DIRF), which provides deposit protection coverage to eligible credit union depositors as well as financial assistance to credit unions. On April 20, 2022, PACE Savings and Credit Union Limited (PACE) (acting through FSRA as its administrator), Alterna Savings and Credit Union Limited (Alterna), and FSRA entered into a purchase and assumption (P&A) agreement such that Alterna agreed to acquire most of the assets and liabilities of PACE. This P&A transaction enabled Alterna to continue to operate PACE's core business and service PACE's members. In our 2022 audit, we found that as a consequence of the financial assistance provided to PACE under the provisions of the Act, we observed that up to \$155 million of the assets available in DIRF had been committed in the form of a guarantee of PACE's time-limited, loan deficiency warranties. In the short- to medium-term, this guarantee in favour of PACE could have a significant impact on the ability of FSRA to pay deposit insurance claims, since the Act limits FSRA's obligation to insure eligible deposits up to the asset balance in the DIRF.

Recommendation 2: Action Item 1

We recommend that in its 2023 annual report, the Financial Services Regulatory Authority of Ontario (FRSA) publicly report on the short- and long-term financial ability of the Deposit Insurance Reserve Fund to provide adequate deposit protection coverage to credit union members while maintaining FRSA's flexibility to provide discretionary financial assistance to financially distressed credit unions;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that, consistent with management's response to our recommendation in our 2022 report, FSRA has decided that the short- and long-term ability of DIRF to provide adequate deposit protection coverage to credit union members is best reported in the DIRF annual report rather than the FSRA annual report, and FSRA will not be implementing the recommendation. FSRA stated that as the DIRF is the protection fund, FSRA should not comment on DIRF's flexibility to provide discretionary financial assistance to financially distressed credit unions given that it may provide a false impression of the availability of this support. Such support is provided on a case-by-case and as-needed basis. FSRA stated that the short-term and long-term ability of the DIRF to provide adequate deposit coverage is best reported in the DIRF annual report rather than the FSRA annual report.

The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend that FSRA publicly report on the short- and long-term financial ability of the DIRF to provide adequate deposit protection coverage to credit union members while maintaining FSRA's flexibility to provide discretionary financial assistance to financially distressed credit unions.

3. Office of the Children's Lawyer

Under the *Courts of Justice Act*, the Auditor General is required to examine and report on the accounts and financial transactions of the Office of the Children's Lawyer, a law office within the Ministry of Attorney General that protects the personal and property rights of children in a range of civil proceedings as provided by statute and common law. Since the time the Office of the Children's Lawyer stopped preparing annual financial statements (for any fiscal year after its March 31, 2013

financial statements), our Office had been unable to obtain the appropriate financial information required for the audits to commence.

Recommendation 3: Action Item 1

To ensure the Office of the Children's Lawyer complies with the reporting requirements of the *Courts of Justice Act*, we recommend that the Office of the Children's Lawyer, at a minimum, prepare the required information for our Office to perform an audit of the most recent fiscal year ended March 31, 2022, and to prepare the required information on a go-forward basis.

Status:  **Fully implemented.**

Details

We found the Office of the Children's Lawyer has since prepared and provided the required information to allow our Office to perform audits for the fiscal years ending March 31, 2022 and March 31, 2023. The Office of the Children's Lawyer will also provide the necessary information for our Office's audit for the March 31, 2024 year-end. Going forward, however, the requirement for the Auditor General to perform an audit is now repealed in the *Courts of Justice Act*, effective April 1, 2024.

4. Personal Protective Equipment (PPE) Inventory Management

In response to the COVID-19 pandemic, the Province established a procurement process for personal protective equipment (PPE), the responsibility of which was assigned to both the Ministry of Health (MOH) and the Ministry of Public and Business Service Delivery and Procurement (MPBSDP), formerly Ministry of Public and Business Service Delivery. In our 2022 audit, we found that the Province tracked the purchases of provincial PPE for accounting purposes manually through spreadsheets, which is prone to human error that can result in significant inaccuracies. Additionally, items shipped were not properly tracked.

In our 2022 audit, we found that \$66 million of PPE inventory was written off due to expired, obsolete and damaged items. Given that the Province held a significant amount of PPE inventory, to minimize the amount of expired PPE, we identified it would be prudent to establish more formal processes where inventory is actively monitored and routinely distributed to key stakeholders in need, such as hospitals, prior to their expiration date.

Recommendation 4: Action Item 1

We recommend that the Ministry of Health and the Ministry of Public and Business Service Delivery implement a co-ordinated and automated inventory management system to:

- accurately track the pricing and quantities of purchases, shipments and balances of personal protective equipment (PPE) to ensure appropriate oversight of the inventory;

Status:  **In the process of being implemented by 2025.**

Details

We found in our follow-up, the Province has not yet implemented a co-ordinated and automated inventory management system to accurately track the pricing and quantities of purchases, shipments and balances of PPE. The Province continues to record and track PPE manually through spreadsheets, requiring significant effort and time to prepare and reconcile reports and investigate and resolve discrepancies during the audit.

Since our initial recommendation, the Province has begun operations at Centralized Supply Chain Ontario (operating as Supply Ontario) as the Province's supply chain agency. Supply Ontario's accountability includes the ongoing management of the Province's PPE stockpile. Supply Chain Ontario's operations were transferred from MPBSDP to Supply Ontario on July 31, 2023, as well as the management of the Province's PPE program, although the financial reporting of PPE continued to be reported as part of MPSBDP and MOH until March 31, 2024. All PPE assets and liabilities for the inventory were transferred to Supply Ontario as at April 1, 2024. Supply Ontario received government approval in August 2024 to implement its proposed long-term warehousing strategy. The implementation of this strategy will support Supply Ontario's co-ordinated approach to inventory management with a target date of 2025, at which point we will reassess the progress of Supply Ontario's implementation of an automated inventory management system.

Recommendation 4: Action Item 2

- actively monitor PPE inventory for expiration and ensure the inventory is distributed to key stakeholders based on their specific needs, prior to expiration.

Status:  **Fully implemented.**

Details

We found in our follow-up that the Province recorded a significant write off of \$906 million due to obsolete, expired and damaged PPE in its March 31, 2024 consolidated financial statements. As part of Supply Ontario's mandate, and the transfer of the PPE to Supply Ontario on April 1, 2024, the PPE inventory will no longer be segregated between the two aforementioned Ministries (MOH and MPBSD) and will be managed by Supply Ontario. We found that Supply Ontario has established forecasting models to track purchased PPE, and since December 2022, Supply Ontario has been communicating with hospitals and other health organizations about upcoming PPE expiry. Additionally, since November 2023, Supply Ontario has been working to integrate PPE stockpile supplies into hospital inventories. Hospitals that have not yet incorporated the PPE stockpile into their inventory systems are being actively contacted by Supply Ontario to facilitate this integration.

5. Governance of Health Care in Ontario

Effective April 1, 2021, the Minister of Health, under the *Connecting Care Act, 2019*, transferred responsibilities of the Local Health Integration Networks (LHINs) from the Ministries of Health (MOH) and Long-Term Care (MLTC) to Ontario Health (OH) (i.e., health system funding, planning and community functions), in alignment with OH's legislated mandate and public accountability to provide specific funding to health-service providers delivering health care. In our 2022 audit, we found that there was an unclear delineation of roles and responsibilities between the Ministries of Health and Long-Term Care and OH, with respect to funding for health-service providers.

In our 2022 audit, we found that certain funding for programs were directly disbursed to the health-service providers from MOH without prior authorization by OH, in accordance with the governance structure of OH. We also noted that although OH authorized the initial funding allocations for long-term-care homes, subsequent changes were made to the allocations by MLTC without prior authorization by OH. We also noted that the authorization of significant funding from MOH intended for OH's use in 2021/22 was not evidenced by a signed funding agreement until after the year-end.

Recommendation 5: Action Item 1

We recommend that the Ministries of Health and Long-Term Care:

- review their processes around all aspects of funding to Ontario Health managed health-service providers and meet with Ontario Health and discuss what is needed going forward so that Ontario Health can fully operate in accordance with its legislated mandate

regarding the provision of funding to health-service providers (including but not limited to initiation, authorization, cash disbursement and reconciliation to confirm the appropriate use of funding);

Status:  **Will not be implemented by Ministry of Health (MOH) and in the process of being implemented by Q1 2025-26 the Ministry of Long-Term Care (MLTC).**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The Ministry of Health (MOH) believes that the already established processes regarding the approval and confirmation of payments to health-services providers allows Ontario Health to operate in accordance with its legislated mandate and to meet its obligations in the MOH-OH (Ministry of Health-Ontario Health) Accountability Agreement. This includes amendments to the agreement when providing additional/revised funding to Ontario Health, and therefore they will not be implementing the recommendation. The Office of the Auditor General of Ontario continues to recommend that the Ministry of Health develop an Accountability Agreement with Ontario Health that would articulate the roles and obligations of Ontario Health and the Ministry with respect to funding.

We found that the Ministry of Long-Term Care (MLTC) has since undertaken a review of the processes of all aspects of funding to Ontario Health (OH) managed health-service providers as part of its update of the MLTC-OH (Ministry of Long-Term Care-Ontario Health) Accountability Agreement for fiscal years 2024-27. The updated Accountability Agreement will articulate the roles and obligations of Ontario Health and the Ministries with respect to funding for the Local Health Integration Networks (LHINs). The current Accountability Agreement will remain in force until the new agreement is signed by both parties (MLTC and OH), which is anticipated to be in Q1 2025-26.

Recommendation 5: Action Item 2

- implement the necessary changes such that funding decisions and direction on the use of funds by Ontario Health are accompanied by a signed agreement by fiscal year-end as evidence of the formal transfer of responsibilities for funding health-service providers from the Ministry of Health to Ontario Health as was originally intended when establishing Ontario Health.

Status:  **Fully implemented.**

Details

We found that the Ministry of Health has since implemented an update to the Transfer Payment Agreement checklist, included revised year-end instructions specific to the transfer payment accruals and communicated these updates through the year-end instructions memo for the fiscal 2023/24 Public Accounts. The Ministry of Long-Term Care communicated to its executive leadership team the requirement to share all finalized 2023/24 funding packages to Ontario Health in advance of the fiscal year end as at March 31, 2024 to ensure Ontario Health received and accounted for funding on its financial statements. Our Office observed that all fiscal year 2023 funding agreements were signed by the Ministry of Health and the Ministry of Long-Term Care and sent to Ontario Health by March 31, 2024.

6. Ontario Disability Support Program Overpayments

In our 2022 audit, we identified Ontario Disability Support Program (ODSP) overpayments associated with the Special Diet Allowance and Mandatory Special Necessities benefits. While the ODSP overpayments did not have a significant effect on the annual deficit, overpayments lead to less money being available to spend on increasing ODSP benefits or funding other programs.

We also made a previous recommendation in our *2019 Annual Report*, Chapter 3.09 Ontario Disability Support Program, for the Ministry of Children, Community and Social Services (MCCSS) to establish a risk-based time frame for ODSP caseworkers to periodically review the eligibility of all ODSP recipients in order to help prevent overpayments.

Recommendation 6: Action Item 1

To help prevent Ontario Disability Support Program (ODSP) overpayments, we recommend that the Ministry of Children, Community and Social Services:

- ensure that approved Application for Special Diet Allowance (SDA) and/or Mandatory Special Necessities (MSN) forms are valid and retained for all eligible recipients of these benefits;

Status:  Fully implemented.

Details

We found that since our 2022 audit, MCCSS has implemented an eight-week intensive learning program for new front-line staff that builds the foundational knowledge required to complete the core functions of their duties, such as how to determine benefit calculations.

Our follow-up did not identify any additional ODSP overpayments associated with missing benefit administration documentation for the year ended March 31, 2024. Additionally, as of March 2024, MCCSS stated that the majority of ongoing benefits administration functions are performed by the Intake and Benefits Administration Unit (IBAU), within the Social Assistance Centralized Services Branch. For the Mandatory Special Necessities benefits (MSN), this provides a further measure of validation in the process as local office staff are required to input approvals for MSN and IBAU staff are required to validate them prior to issuing payments for all MSN requests. For the Special Diet Allowance benefits (SDA), new SDA forms are sent to ODSP recipients by Ministry staff, and completed SDA forms are auto forwarded to the IBAU unit for review and approvals.

Recommendation 6: Action Item 2

- periodically review the supporting documentation on file for ODSP recipients and related information, including but not limited to income verification details and expiry dates of SDA and MSN forms entered within the Social Assistance Management System, to ensure the information remains up-to-date.

Status:  **Little or no progress.**

Details

We found in our follow-up that the Ministry of Children, Community and Social Services (MCCSS) stated that a management file audit process, for a limited sample of ODSP cases, will be introduced in the third quarter of fiscal 2024/25 to periodically review and confirm certain case activities, including SDA and MSN. However, as of September 11, 2024, no significant updates have yet been made to the development of the management file audit process.

7. Delayed Tabling of the Budget and Estimates Limited Legislative Debate and Scrutiny

The annual budget is a highly anticipated documented released each year, which outlines the government's policy priorities and fiscal direction by laying out the government's planned spending on the services it provides to citizens, and how it will fund the cost of providing these services. Under the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act), our Office is required to review the estimates, forecasts and assumptions in the Province's Multi-Year Fiscal Plan within a budget prior to a general election for reasonableness.

In March 2022, the government amended the Act that extended the deadline for issuing the 2022 *Ontario Budget* from March 31 to April 30. In our 2022 audit, we found that because the budget was tabled on April 28, 2022, Members of the Legislature were not given time to debate the budget in the Legislature prior to the start of the election period. As well, Members of the Legislature were not given time to consider the content of our report before the election period.

In our 2022 pre-election report, we identified significant amounts within the contingency funds in the 2022 budget, which limited the ability of Members of the Legislature to exercise oversight over the government's fiscal plan. In total, \$19.4 billion in contingency funds were included in the three-year budget. These contingencies were significantly larger than the annual contingency amounts set aside in previous Ontario budgets (on average about \$1 billion), and most were not earmarked for specific purposes. Contingency funds are included in the budget as part of Other Program Expenses and not separately identified by individual ministries. Our review noted that although it is prudent to incorporate some flexibility into the budget for contingencies, the amount included for the three-year period appeared to be overly cautious, meaning that overly large funds were set aside as provisions for potential increases in expenses. When expenses are overestimated, the perception can be that the government has less funds available for decision-making than can be reasonably expected.

Recommendation 7: Action Item 1

To provide the Members of the Legislature with sufficient time and sufficiently detailed information to exercise oversight over the government's annual fiscal plan prior to an election, and to enable us to conduct our work as required under the Fiscal Sustainability, Transparency and Accountability Act, 2019, we recommend that the Ministry of Finance and the Treasury Board Secretariat work to:

- establish in legislation the minimum time period between the date of the government's tabling of the Annual Budget and then issuing the Writs of Election dissolving Parliament;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found in our follow-up, that the Ministry of Finance does not intend to propose an amendment to the current legislation. The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend establishing in legislation the minimum

time period between the date of the government's tabling of the Annual Budget and then issuing the Writs of Election dissolving Parliament so that Members of the Legislature can be provided with sufficient time to consider the content of the budget and our report before the start of the election period.

Recommendation 7: Action Item 2

- ensure that contingency funds and similar general expense provisions in the fiscal plan are presented in disaggregate form to specifically identify the purpose of individual component amounts.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that in the 2024 *Ontario Budget*, there continues to be no disaggregation on the expected use of the contingency fund presented. When the Secretariat's Estimates are tabled for debate and voting in the Legislature, details regarding what programs are forecast to potentially require a portion of the contingencies are not provided, limiting the information on the contingencies' composition and purpose available for debate. In addition, when requesting to use contingency funds for programs' operations, ministries only require approval from the Treasury Board, which centrally controls the contingency fund and whose appointed members are all government ministers, and does not require the scrutiny by all Members of the Legislature. The Ministry of Finance and the Treasury Board Secretariat have indicated that transparency over the contingency fund is provided when amounts are drawn down, through public reporting and Treasury Board Orders. However, this is only provided after the fact.

The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend that contingency funds and similar general expense provisions in the fiscal plan are presented in disaggregate form to specifically identify the purpose of individual component amounts for greater transparency.

8. Direction Not Provided to Committees of the Legislature Reviewing the Estimates under New Process

In August 2022, a change in the Standing Orders (i.e., the rules of the Legislature) eliminated the Standing Committee on Estimates, which was the single legislative committee responsible for reviewing the Estimates. A new committee, the Standing Committee on Procedure and House Affairs, is now responsible for deciding at the beginning of each Parliament, or if necessary more frequently, which ministries' Estimates will be assigned to which of six Standing Committees (Finance and Economic Affairs; Heritage, Infrastructure and Cultural Policy; Interior; Justice Policy; Procedure and House Affairs; or Social Policy) for their consideration and potential review. We noted the Standing Committee on Procedure and House Affairs had not developed guidance or direction for other Committees to follow concerning the methodology and content of their review of the Estimates, to ensure the reviews meet the Legislature's needs for consistent information on the Estimates.

Recommendation 8: Action Item 1

To strengthen accountability, we recommend that the Clerk of the Legislative Assembly work with the Standing Committee on Procedures and House Affairs to establish a process for the consideration and review of the Estimates that includes direction on the review's methodology and components as well as the responsibilities of other Committees of the Legislature.






Status:  **Little or no progress.**

Details

We found in our follow-up that the same process was followed for the review of the 2024 Estimates. The Clerk of the Legislative Assembly (Clerk) observed the amended process has resulted in considerably shorter consideration timeline but for a greater number of ministries, than in previous years. Although the Clerk indicated the decision is ultimately up to the Members of the Standing Committee on Procedure and House Affairs, he and his office will be available at the request of the Standing Committee should the Standing Committee choose to review the Legislative Assembly's Estimates procedures.

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	1		1			
Recommendation 2	1				1	
Recommendation 3	1	1				
Recommendation 4	2	1	1			
Recommendation 5	2	1	0.5		0.5	
Recommendation 6	2	1		1		
Recommendation 7	2				2	
Recommendation 8	1			1		
Total	12	4	2.5	2	3.5	0
%	100	33	21	17	29	0