

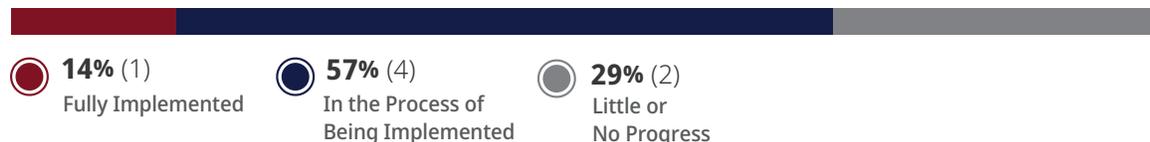
Follow-Up on the 2023 Report:

Treasury Board Secretariat
Office of the Provincial Controller Division
Ministry of Health
Ministry of Public and Business Service Delivery
and Procurement
Supply Ontario

The Public Accounts of the Province of Ontario

// Overall Conclusion

7 Recommended Actions



The Treasury Board Secretariat (Secretariat), Office of the Provincial Controller Division (OPCD), Ministry of Health (MOH), and Ministry of Public and Business Service Delivery and Procurement (MPBSDP), (previously known as the Ministry of Public and Business Service Delivery), and Supply Ontario (SO), as of November 19, 2025, have fully implemented 14%, and made progress in implementing another 57% of actions we recommended in our **2023 Annual Report**. Since our 2023 audit of the Province of Ontario's Consolidated Financial Statements, little or no progress has been made on 29% of the recommended actions.

The Secretariat and OPCD have made progress implementing recommendations such as collecting and maintaining asset retirement obligation (ARO) records for all provincially owned buildings with known or suspected asbestos within a reasonable time frame. SO has made progress in implementing an inventory system through consolidating its inventory under a single third-party logistics provider.

SO has made little or no progress on recommendations such as implementing consistent inventory policies for the Province's personal protective equipment (PPE) supply.

The status of actions taken on each of our recommendations is found in the **Appendix**.

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2025 and November 2025. We obtained written representation from the Secretariat, OPCD and SO that, effective November 28, 2025, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Asset Retirement Obligations

In our original audit, we found that the precision and accuracy of the Province's ARO estimate could be improved. During our annual audit of the Province's Consolidated Financial Statements for the year ended March 31, 2023, we identified that the largest portion of AROs within the Province resulted from asbestos in buildings owned by the Province (86% of ARO balances as of March 31, 2023).

To estimate its AROs, 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. As part of our audit, we observed that asbestos data was not available for a high percentage of buildings.

Recommendation 1: Action Item 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;

Status:  Fully implemented.

Details

In our follow-up, we found that the OPCD worked with Infrastructure Ontario (IO) to develop a document outlining steps to achieve standardization of IO's data management process for tracking AROs. IO is the Crown agency responsible for strategic management, leasing, and optimization of the General Real Estate Portfolio (GREP), which consists of government-owned real estate assets across Ontario. The document details the standardized information requirements that would contain the required information to use Model 1.

Additionally, it details automated data processing, standardized information requirements, and enhanced data validation and accountability. The GREP makes up the majority of the ARO balance associated with asbestos in ministries' buildings. This excludes the AROs in broader-public-sector entities and other Crown entities, each of which applies its own independent methodology in assessing its ARO balance. OPCD provides guidance for all ministries on the methodology for recording AROs for asbestos in buildings and has disseminated the developed requirements to the ministries based on their work with IO.

Recommendation 1: Action Item 2

- collect and maintain these records for all provincially owned buildings with known or suspected asbestos within a reasonable time frame not exceeding five years.

Status:  In the process of being implemented by March 2028.

Details

We found that the OPCD is working with IO in planning to conduct asbestos assessment surveys for the GREP, under which most of the ministries' buildings are managed under the authority of the Ministry of Infrastructure. As a result, the majority of the ARO estimate is concentrated. We noted that progress is ongoing to identify and prioritize buildings to be surveyed. IO assessed the tangible capital assets of the GREP and has decided to prioritize buildings with the highest ARO dollar values.

Of the total 1,660 buildings (excluding 20 whose associated ARO liability will be removed due to sale, demolition or renovation before March 31, 2028), the top 30 buildings comprise just over 50% of the total ARO estimate of buildings using Model 2. Contingent on receiving funding, IO plans to prioritize moving these 30 buildings from Model 2 to Model 1 by the end of fiscal year 2027/28 (that is, March 2028). IO also plans to assess the buildings on an ongoing basis, especially once the survey process begins and new findings come to its attention.

2. Personal Protective Equipment Inventory

In our original audit, we found that the Province had 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. For the purposes of this report, PPE are wearable items, such as masks, gowns and gloves, designed to provide a protective barrier against infectious diseases or other hazards. PPE also includes other critical non-wearable supplies, such as hand sanitizers, wipes and disinfectants, that are essential for infection control. As a direct consequence of this manual process, we found that the reports used to track PPE were unable to differentiate the transfer of PPE between warehouses from the inbound shipments of newly acquired PPE into the system. This could result in inaccuracies in recording quantities of PPE held during the year. We also found that the report of outbound shipments did not agree with other PPE reports provided to us.

In addition, we found significant variances in expiration dates between the warehouse inventory lists and the PPE that was in storage, and found multiple instances of manual input errors where the expiration dates had been incorrectly input in the warehouse inventory system. Finally, we noted inconsistencies between ministries' recognition and accounting of PPE and their operational policies.

Recommendation 2: Action Item 1

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.

Status:  In the process of being implemented by March 31, 2026.

Details

In July 2023, the operational management and oversight of PPE was transferred from MOH and MPBSDP to SO, to centralize these processes. On April 1, 2024, the PPE and responsibilities for financial reporting on the inventory were also transferred from the two ministries to SO. Established in 2020 as the Province's supply chain agency, SO's accountability now includes the ongoing management of Ontario's PPE.

To date, our Office has not seen evidence of an appropriate integrated perpetual inventory control system that integrates both quantities and values for SO's PPE stockpile. As noted in our 2025 report on Supply Ontario: Management of Personal Protective Equipment, SO is implementing a strategy to consolidate warehouse operations under a single provider. The first phase involves migrating all physical inventory into the new provider's warehouses. Inventory quantity records will then be maintained in the provider's warehouse management system.

SO has signed a new agreement and starting in September 2025 is in the process of consolidating its inventory under this third-party logistics provider as part of its new long-term warehouse strategy. SO has indicated that once the inventory is completely consolidated, SO will integrate inventory quantity and cost records into a single system.

We reviewed SO's Audit and Finance Committee meeting minutes and noted the committee stressed the importance of the integrated inventory system occurring in the current fiscal year. SO has indicated it is currently evaluating available alternatives to integrate the valuation component of the inventory system and will have options in December 2025. SO is expecting to have the inventory system operational by March 31, 2026.

Recommendation 3: Action Item 1

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;

Status:  **In the process of being implemented by March 31, 2026.**

Details

During our financial statement audit of SO (for the year ended March 31, 2025), we continued to find challenges using SO's inventory count reports to obtain accurate quantities and costs of PPE inventory held and transferred from SO to other entities.

As was the case at the time of our original 2023 audit, SO assigns a value, or cost, to each inventory item and updates PPE valuations only after the year-end counts are completed. The manual nature and the timing of SO's valuation process continues to present challenges in determining the valuation of PPE. It requires significant time and effort to determine the year-end values and to audit them. Our financial statement audit of SO for the year ended March 31, 2025, remains ongoing. As described in **Recommendation 2: Action Item 1**, SO expects to have the inventory system operational by March 31, 2026.

Recommendation 3: Action Item 2

- reconciles inbound and outbound inventory transfers between warehouses for both quantities and inventory costs;

Status:  **In the process of being implemented by March 31, 2026.**

Details

As part of our financial statement audit of SO for the year ended March 31, 2025, we noted minimal inventory movement between warehouses at SO. Accordingly, we have not been made aware of issues related to the reconciliation of inbound and outbound inventory transfers between warehouses, specifically in terms of quantities. As discussed previously, SO does not have an inventory system in place that tracks inventory costs on an ongoing basis. As such, only quantities are tracked by third-party logistics providers. Transfers from SO's internal warehouses to external entities, which are more voluminous, are tracked through third-party logistics warehouse systems. As SO was previously using multiple third-party logistics providers, consolidation continues to be done through manual spreadsheets. This process is prone to human error, is more time consuming, and can result in inaccuracies. Our financial statement audit of SO for the year ended March 31, 2025, remains ongoing. As described in **Recommendation 2: Action Item 1**, SO expects to have the inventory system operational by March 31, 2026.

Recommendation 3: Action Item 3

- 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.

Status:  **Little or no progress.**

Details

During our review we did not see any indication of inadequately trained warehouse or bookkeeping staff. The implementation of an inventory system is in progress. Once the inventory system is implemented, staff can be trained to use the system (see **Recommendation 2: Action Item 1** and **Recommendation 3: Action Items 1 and 2**).

Recommendation 4: Action Item 1

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.

Status:  **Little or no progress.**

Details

During the inventory counts we conducted for SO for the year ended March 31, 2025, we noted that warehouse operators continued to have their own inventory policies for recording and tracking PPE products. SO has indicated that these inconsistencies will be corrected as part of the new long-term warehouse strategy. Our financial statement audit of SO for the year ended March 31, 2025, remains ongoing.

// 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	2	1	1			
Recommendation 2	1		1			
Recommendation 3	3		2	1		
Recommendation 4	1			1		
Total	7	1	4	2	0	0
%	100	14	57	29	0	0