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## CHAPTER SIX

# The Office of the Provincial Auditor

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### MISSION STATEMENT

Our mission is to report to the Legislative Assembly objective information and recommendations resulting from our independent audits of the government's programs and its Crown agencies and corporations. In doing so, the Office assists the Assembly in holding the government and its administrators accountable for the quality of the administration's stewardship of public funds and for the achievement of value for money in government operations.

## INDEPENDENCE

The Provincial Auditor is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council on the address of the Assembly. This is done after consultation with the Chair of the Standing Committee on Public Accounts (for more information on the Committee, see Chapter Seven). The Provincial Auditor and staff of the Office are independent of the government and its administration. This independence is a safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly. We are entitled to have access to all relevant information and records necessary to the performance of our duties under the *Audit Act*.

The Board of Internal Economy—an all-party legislative committee that is independent of the government's administrative process—reviews and approves our budget, which is subsequently laid before the Legislative Assembly. As required by the *Audit Act*, the Office's expenditures relating to the 2001/02 fiscal year have been audited by a firm of chartered accountants appointed by the Board and are presented at the end of this chapter. The audited statement of expenditure is submitted annually to the Board and subsequently tabled in the Legislative Assembly.

## AUDIT RESPONSIBILITIES

We audit the financial statements of the province and the accounts of many agencies of the Crown, and we audit the administration of government programs and activities, as carried

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out by ministries and agencies of the Crown under government policies and legislation. Our responsibilities are set out in the *Audit Act* (see Exhibit Four).

The Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Assembly at any time on any matter that in the opinion of the Provincial Auditor should not be deferred until the Annual Report. We also assist and advise the Standing Committee on Public Accounts in its review of the Annual Report of the Provincial Auditor and of the Public Accounts of the province.

It should be noted that our audit activities include the examination of the application of the government's administrative policies and the actual administration of the government's policy decisions as carried out by ministry or agency management. Out of respect for the principle of Cabinet privilege, the Office does not seek access to the deliberations of Cabinet. However, the Office can access all other information contained in Cabinet submissions that we deem necessary to fulfill our auditing and reporting responsibilities under the *Audit Act*.

The government is held accountable for policy matters by the Legislative Assembly, which continually monitors and challenges government policies and programs through questions during legislative sessions and through reviews of legislation and expenditure estimates.

## **ACCOUNTS OF THE PROVINCE AND VALUE FOR MONEY**

The Provincial Auditor, under subsection 9(1) of the *Audit Act*, is required to audit the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise. To this end, the Office carries out an annual attest audit to enable the Provincial Auditor to express an opinion on the province's financial statements. As well, the Office carries out cyclical value-for-money audits in accordance with subsection 12(2) of the *Audit Act*.

## **AGENCIES OF THE CROWN AND CROWN-CONTROLLED CORPORATIONS**

The Provincial Auditor, under subsection 9(2) of the *Audit Act*, is required to audit those agencies of the Crown that are not audited by another auditor. Exhibit One, Part (I), lists the agencies that were audited during the 2001/02 audit year. Public accounting firms are currently contracted by the Office to audit the financial statements of several of these agencies on its behalf.

Exhibit One, Part (II) and Exhibit Two list the agencies of the Crown and Crown-controlled corporations, respectively, that were audited by public accounting firms during the 2001/02 audit year. Subsection 9(2) of the *Audit Act* requires public accounting firms that are appointed auditors of certain agencies of the Crown to perform their audits under

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the direction of, and to report to, the Provincial Auditor. Under subsection 9(3) of the Act, public accounting firms auditing Crown-controlled corporations are required to deliver to the Provincial Auditor a copy of the audited financial statements of the corporation and a copy of their report of their findings and recommendations to management (management letter).

## **ADDITIONAL RESPONSIBILITIES**

Under section 16 of the *Audit Act*, the Provincial Auditor may, by resolution of the Standing Committee on Public Accounts, be required to examine and report on any matter respecting the Public Accounts.

Section 17 of the Act requires the Provincial Auditor to undertake special assignments requested by the Assembly, the Standing Committee on Public Accounts (by resolution of the Committee), or by a minister of the Crown. However, these special assignments are not to take precedence over the Provincial Auditor's other duties. The Provincial Auditor can decline an assignment referred by a minister if, in the opinion of the Provincial Auditor, it conflicts with other duties.

During the period of audit activity covered by this report (October 2001 to September 2002), the Provincial Auditor was involved in the following special assignments:

- On October 12, 2000, the Standing Committee on Public Accounts passed the following motion:

The Public Accounts Committee directs that at such time as the OEB [Ontario Energy Board] and the Canadian Nuclear Safety Commission have completed their review of the leasing deal of Bruce Nuclear A and B and the agreement is completed, the Provincial Auditor examine all details of the leasing agreement between Ontario Power Generation and Bruce Partnership for the Bruce A and B nuclear facilities, to determine if the deal offers value for money for Ontario taxpayers, and to report to the Public Accounts Committee with his findings and recommendations as soon as possible.
- On February 28, 2001, the Standing Committee on Public Accounts passed the following motion:

That the Provincial Auditor, under section 17 of the *Audit Act*, be asked to conduct a value-for-money audit of the policy decision by Cancer Care Ontario to provide after-hours radiation therapy through a private clinic rather than in-house and report back to the Public Accounts Committee as soon as possible.

The reports on the above special assignments were submitted to the Committee on June 6, 2002 and December 13, 2001, respectively.

In addition, on June 18, 2002, the Provincial Auditor accepted a special assignment from the Minister of Health and Long-Term Care to verify Ontario's indicators of health. The assignment followed from the 2000 First Ministers' Meeting that issued a Communiqué on Health that directed health ministers to provide comprehensive and regular public reporting on their health programs and services and on their respective health systems' performance. They also were to collaborate on the development of a comprehensive framework using comparable indicators. As part of this process, each jurisdiction was to

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determine appropriate third-party verification for itself. Our Office agreed to perform specified procedures to provide assurance to the public regarding the reliability of Ontario's reported indicators. The results of our work were reported to the Minister of Health and Long-Term Care.

## AUDIT ACTIVITIES

### *TYPES OF AUDITS*

Value-for-money, attest, and compliance audits are the three main types of audits carried out by the Office. The Office generally conducts compliance audit work as a component of its value-for-money and attest audits. In addition, inspection audits of selected grant-recipient organizations may be conducted under section 13 of the *Audit Act*. The following are brief descriptions of each of these audit types.

### **Value-for-Money Audits**

Subsection 12(2) of the *Audit Act* requires the Office to report on any cases observed where money was spent without due regard for economy and efficiency, or where appropriate procedures were not in place to measure and report on the effectiveness of programs. This value-for-money mandate is exercised through the auditing of various ministry and Crown-agency programs and activities each year. We have summarized in Chapter Three the conclusions, observations, and recommendations arising from the value-for-money work we performed between October 2001 and September 2002.

It is not part of the Office's mandate to measure, evaluate, or report on the effectiveness of programs or to develop performance measures or standards. These functions are the responsibility of ministry and/or agency management. The Office is responsible for reporting on whether or not ministry or agency management has carried out these functions satisfactorily. Our value-for-money work deals with the administration of programs by management, including major information systems.

We plan, perform, and report our value-for-money work in accordance with the professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants. These standards require that we employ rigorous processes to maintain the quality, integrity, and value of our work for our client, the Legislative Assembly. They also require that we clearly explain the nature and extent of the assurance provided as a result of our work. Some of these processes and the degree of assurance they enable us to provide are described below.

### ***SELECTION OF PROGRAMS AND ACTIVITIES FOR AUDIT***

Major ministry and agency programs and activities are audited at approximately five-year intervals. Various factors are considered in selecting programs and activities for audit each

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year. These factors include: the results of previous audits; the total revenues or expenditures at risk; the impact of the program or activity on the public; the inherent risk due to the complexity and diversity of operations; the significance of possible issues that may be identified by an audit; and the costs of performing the audit in relation to the perceived benefits. Possible issues are identified primarily through a preliminary survey of the program or agency.

We also consider the work completed or planned by ministry and agency internal auditors. The relevance, timeliness, and breadth of scope of the work done by internal auditors can have a major impact on the timing, frequency, and extent of our audits. By having access to internal audit work plans, working papers, and reports and by relying, to the extent possible, on internal audit activities, the Office is able to avoid duplication of effort.

### **OBJECTIVES AND ASSURANCE LEVELS**

The objective of our value-for-money work is to meet the requirements of subsection 12(2) of the *Audit Act*, which is to identify and report significant value-for-money issues. We also include in our Annual Report recommendations for improving controls, obtaining better value for money, and achieving legislated objectives. Management responses to each of these recommendations are reproduced in the Annual Report.

The specific objective(s) for each audit or review conducted are clearly stated in the Objective(s) and Scope section of each audit report—that is, each value-for-money section of Chapter Three. Our work is designed to allow us to conclude on our stated objective(s).

In almost all cases, our work is planned and performed to provide an audit level of assurance. An audit level of assurance is obtained by: interviewing management and analyzing the information they provide; examining and testing systems, procedures, and transactions; confirming facts with independent sources; and, where necessary, obtaining expert assistance and advice in highly technical areas.

An audit level of assurance refers to the highest reasonable level of assurance the Office can provide concerning the subject matter. Absolute assurance that all significant matters have been identified is not attainable for various reasons, including: the use of testing; the inherent limitations of control; the fact that much of the evidence available is persuasive rather than conclusive in nature; and the need to exercise professional judgment.

Infrequently, for reasons such as the nature of the program or activity, limitations in the *Audit Act*, or the prohibitive cost of providing a high level of assurance, the Office will perform a review rather than an audit. A review provides a moderate level of assurance because it consists primarily of inquiries and discussions with management; analyses of information they provide; and only limited examination and testing of systems, procedures, and transactions. For example, our work reported in Chapter Four of this report—Follow-up of Recommendations in the *Special Report on Accountability and Value for Money* (2000)—falls into this review category.

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## **CRITERIA**

In accordance with professional standards for assurance engagements, work is planned and performed to provide a conclusion on the objective(s) set for the work. A conclusion is reached and observations and recommendations made by evaluating the administration of a program or activity against suitable criteria. Suitable criteria are identified at the planning stage of our audit or review by performing extensive research of sources, such as: recognized bodies of experts; applicable laws, regulations, and other authorities; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; and applicable criteria successfully applied in other audits or reviews.

To further ensure their suitability, the criteria being applied are fully discussed with and agreed to by senior management responsible for the program or activity at the planning stage of the audit or review.

## **COMMUNICATION WITH SENIOR MINISTRY OR AGENCY MANAGEMENT**

To help ensure the factual accuracy of our observations and conclusions, staff from our Office maintain ongoing communication with senior management throughout the audit or review. Before beginning the work, our staff meet with them to discuss the objectives and criteria and the focus of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with them. Management provides written responses to our recommendations and these are discussed and incorporated into the final draft report. The Provincial Auditor discusses and finalizes the draft report, on which the Annual Report will be based, with the deputy minister or agency head well in advance of the publication of the Annual Report.

## **Attest Audits**

Attest (financial) audits are designed to permit the expression of the auditor's opinion on a set of financial statements in accordance with generally accepted auditing standards. The opinion states whether the operations and financial position of the entity have been fairly presented in compliance with appropriate accounting policies. The Office conducts attest audits of the financial statements of the province and of numerous Crown agencies on an annual basis.

## **Compliance Audits**

Subsection 12(2) of the *Audit Act* also requires the Office to report observed instances where:

- accounts were not properly kept or public money was not fully accounted for;
- essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment,



collection, and proper allocation of revenue or to ensure that expenditures were made only as authorized; or

- money was expended other than for the purposes for which it was appropriated.

Accordingly, as part of our value-for-money work, we:

- identify provisions in legislation and authorities that govern the programs or agencies being examined or that the management of those programs or agencies is responsible for administering; and
- perform such tests and procedures as we deem necessary to obtain reasonable assurance that management has complied with legislation and authorities in all significant respects.

## Inspection Audits of Grant-recipient Organizations

Although grants to organizations such as hospitals, universities, community colleges, school boards, and thousands of smaller organizations amount to approximately 50% of total government expenditures, they are subject to only limited-scope inspection audits. Inspection audits are defined in the *Audit Act* as an examination of accounting records. Although value-for-money observations may arise as a by-product of inspection audits, the audits are not value-for-money oriented because only accounting records can be examined in inspection audits.

The Office may, where circumstances warrant the extension of a ministry or agency audit, conduct inspection audits of grant recipients. In the past, the Office has carried out inspection audits of major recipients of grants, specifically community colleges, universities, hospitals, and school boards. However, in recent years, the Office has deferred major inspection-audit activity pending consideration of a proposal to amend the *Audit Act* to permit the Office to access all records and information necessary to perform full-scope audits, including value-for-money, of grant recipients.

On April 19, 2001, the government announced in the Speech from the Throne, under the heading of “Holding the Broad Public Sector Accountable to Taxpayers,” that it would be introducing sweeping reforms to ensure that all public-sector institutions are accountable to the citizens of Ontario. Included in the planned reforms announced in the Throne Speech was a commitment to make amendments to the *Audit Act* that would permit the Provincial Auditor to assess the extent to which institutions funded by Ontario taxpayers use that money prudently, effectively, and as intended. The government’s intention in this regard was also referred to in Budget Paper F of the *2001 Ontario Budget*. Further details and background on the subject of amendments to the *Audit Act* are provided in Chapter Two, in the section entitled “Legislative Proposals to Improve Public-Sector Accountability.”

Payments are also made to individuals under a variety of programs, such as the Ontario Health Insurance Plan or the Ontario Disability Support program. Such individual recipients of government funds are not, and should not be, subject to direct audit by the

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Provincial Auditor. For these kinds of programs, our audits focus on the ministries' procedures to ensure that only eligible recipients are being paid the correct amount.

## **REPORTING ACTIVITIES**

### ***VALUE-FOR-MONEY AUDITS***

As each audit or review is completed, the Office prepares a preliminary draft report for discussion and factual clearance. The preliminary draft report is discussed with senior ministry or agency officials and revised, as necessary, to reflect the results of the discussion. The Provincial Auditor discusses and finalizes the draft report with the deputy minister or agency head (chair) well in advance of the publication of the Annual Report. Following clearance of the preliminary draft report and the ministry or agency response, a final draft report is prepared and issued to the deputy minister or agency head and, where deemed necessary, to the minister. These final-draft audit reports form the basis of our Annual Report to the Legislative Assembly.

### ***AGENCY ATTEST AUDITS***

With respect to reporting on attest audits of agencies, agency legislation normally stipulates that the Provincial Auditor's reporting responsibilities are to the agency's board and the minister(s) responsible. Also, we provide copies of the audit opinions and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Management Board of Cabinet.

In instances where matters that require improvements by management have been noted during the course of an agency attest audit, a draft management letter is prepared, discussed with senior management, and revised as necessary to reflect the results of the discussion. Following clearance of the draft management letter and the response of the agency's senior management, a final management letter is prepared and, if deemed necessary, issued to the agency head. Depending on the significance of the content of the management letter, a copy of it may also be forwarded to the minister and deputy minister of the associated ministry and to the Secretary of the Management Board of Cabinet. Matters of significance contained in the management letter may also be included in the Provincial Auditor's Annual Report to the Legislative Assembly.

### ***CONFIDENTIALITY OF WORKING PAPERS***

In the course of our reporting activities, we prepare draft audit reports and management letters that are considered to be an integral part of our audit working papers. It should be noted that these working papers, according to section 19 of the *Audit Act*, are not required to be laid before the Assembly or any of its committees.



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## **SPECIAL ASSIGNMENTS**

Under sections 16 and 17 of the *Audit Act*, the Office has additional reporting responsibilities relating to special assignments for the Legislative Assembly, the Standing Committee on Public Accounts, or a minister of the Crown. At the conclusion of such work, the Provincial Auditor normally reports to the initiating authority of the assignment.

## **ANNUAL REPORT**

The reporting requirements for the Annual Report, as specified in subsection 12(2) of the *Audit Act*, are organized in the following way:

Chapter One of the Annual Report provides an overview of the Provincial Auditor's findings for this year's value-for-money audit activities as well as summaries of the value-for-money audits and reviews that were conducted.

Chapter Two contains observations on the subject of improving public-sector accountability.

Chapter Three contains the reports resulting from our value-for-money audits of ministries and agencies conducted during the year.

Chapter Four contains the results of our follow-up on the action taken by each ministry and agency on the recommendations we made to them two years ago. We conduct this follow-up to encourage timely attention by each ministry and agency to our observations and recommendations. Accordingly, a detailed account of the current status of recommendations made in the *Special Report on Accountability and Value for Money* (2000) is provided in this chapter.

Chapter Five is devoted to the Provincial Auditor's comments on the audit of the Public Accounts of the province. The reporting requirements under subsections 12(2)(d) and (e) of the *Audit Act* are also met in this chapter.

In Chapter Six, we report on the activities of the Office of the Provincial Auditor and reproduce the Office's externally audited statement of expenditure for the year ended March 31, 2002.

Chapter Seven provides information on the composition and activities of the Standing Committee on Public Accounts.

## **OFFICE ORGANIZATION AND PERSONNEL**

The Office is organized into portfolio teams—a framework that attempts to align somewhat related audit entities and to foster expertise in the various areas of audit activity. The portfolios, which are loosely based on the government's own ministry organization, are each headed by a Director who oversees and is responsible for the ministry and agency audits

within the assigned portfolio. Assisting the portfolio Directors and rounding out the teams are a number of audit Managers and various other audit staff.

The Provincial Auditor, the Assistant Provincial Auditor, and the portfolio Directors make up the Office's Executive Steering Committee (ESC). The executive management of the Office as at September 30, 2002 is outlined in the following table.

**Executive Management of the Office of the Provincial Auditor, 2002**

Erik Peters	Provincial Auditor
Jim McCarter	Assistant Provincial Auditor
<b>Director</b>	<b>Portfolio</b>
Paul Amodeo	Public Accounts; Finance; Information Technology; and Accounting Research
Walter Bordne	Community, Family and Children's Services; and Revenue
Andrew Cheung	Justice and Regulatory
Gerard Fitzmaurice	Economic Development
John McDowell	Crown Agencies, Corporations, Boards, and Commissions; and Transportation
Nick Mishchenko	Health and Long-Term Care; and Management Board Secretariat
Gary Peall	Education; Training, Colleges and Universities; Culture; Municipal Affairs and Housing; and Professional Practices

Note: Annemarie Wiebe, the Manager of Human Resources, regularly attends meetings of the ESC to provide advice on matters related to human resources.

The audit managers, together with the members of the ESC, constitute the Office's Resource Planning and Allocation Committee.

***CODE OF PROFESSIONAL CONDUCT***

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. It is intended to be a general statement of philosophy, principles, and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence, and integrity in their work. The Code provides the reasoning for these expectations and further describes the Office's responsibilities to the Legislative Assembly, the public, and our audit entities. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations.

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# CANADIAN COUNCIL OF LEGISLATIVE AUDITORS

The 30th annual meeting of the Canadian Council of Legislative Auditors (CCOLA) was held in St. John's, Newfoundland from August 25 to 27, 2002. This annual gathering, bringing together legislative auditors from the federal government and the provinces, provides a useful forum for sharing ideas and exchanging information important to the work of the legislative auditing community.

The Provincial Auditor and the Assistant Provincial Auditor attended this year's meeting, which covered such topics as:

- Accountabilities of Legislative Auditors
- Performance Reporting
- Performance Indicators for Health Care

## ACKNOWLEDGEMENT

### *AUDITEES AND STAFF*

The Provincial Auditor expresses sincere appreciation to the officials of ministries, agencies, and other entities for their co-operation in providing his staff with all the information and explanations required during the performance of the Office's audit work.

The Provincial Auditor extends a special appreciation to the staff of the Office for their dedication, competence, and the professional manner in which they have carried out their duties.

## OFFICE EXPENDITURE

The following is the 2002 audited Statement of Expenditure for the Office.

**Office of the Provincial Auditor of Ontario  
Statement of Expenditure  
Year Ended March 31, 2002**

	2002		2001	
	Actual (\$ 000)	Estimates (\$ 000)	Actual (\$ 000)	Estimates (\$ 000)
Salaries and wages	4,721	5,822	4,559	5,259
Employee benefits (note 3)	716	878	876	1,098
Transportation and communication	212	170	187	174
Services	1,749	1,639	1,641	1,522
Supplies and equipment	315	124	197	110
Transfer payment: CCAF–FCVI Inc.	50	50	50	50
	<b>7,763</b>	<b>8,683</b>	<b>7,510</b>	<b>8,213</b>
The <i>Audit Act</i> (statutory) (note 4)	306	294	276	155
	<b>8,069</b>	<b>8,977</b>	<b>7,786</b>	<b>8,368</b>

**Notes to Statement of Expenditure:**

**1. Accounting Policy**

The statement of expenditure has been prepared using the prescribed Ministry of Finance modified cash basis of accounting, which allows for an additional 30 days to pay for goods and services received during the fiscal year just ended.

**2. Estimates**

The “Estimates” shown on the statement of expenditure reflect the approved Expenditure Estimates of the Province of Ontario for the respective years.

**3. Employee Benefits**

The Office provides pension benefits for eligible employees through participation in the Public Service Pension Fund (PSPF), a multiemployer pension plan established by the Province of Ontario. The plan is accounted for as a multiemployer defined contribution pension plan. As such, the Office’s cash contribution to the PSPF for the year of \$190,869 (2001 – \$259,891) reflects the Office’s pension expenditures and is included in employee benefits.

The cost of post-retirement non-pension benefits is paid by Management Board Secretariat and therefore is not included in this statement.

**4. Statutory Appropriations**

Under section 5 of the *Audit Act*, the Provincial Auditor’s remuneration for the fiscal year is considered a statutory item. As well, under section 23 of the Act, specialist assistance of \$97,370 incurred in connection with the Office’s examination of the Bruce Nuclear leasing agreement as requested by the Standing Committee on Public Accounts is considered a statutory item.

The actual 2001 expenditure includes approximately \$88,000 for retroactive remuneration for the years from 1996 to 2000 as approved by the Board of Internal Economy in accordance with section 5 of the *Audit Act*.

#### 5. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of Ontario public-sector employees paid an annual salary in excess of \$100,000 in calendar year 2001. For the Office, this disclosure is as follows:

		Salary Paid \$	Taxable Benefits \$
Peters, Erik	Provincial Auditor	208,841	20,209
McCarter, James	Assistant Provincial Auditor	140,794	330
Bordne, Walter	Director	110,957	255
Cheung, Andrew	Director	110,957	255
Fitzmaurice, Gerard	Director	110,957	255
McDowell, John	Director	110,957	255
Mishchenko, Nicholas	Director	110,957	255
Peall, Gary	Director	110,957	255

### AUDITORS' REPORT TO THE BOARD OF INTERNAL ECONOMY OF THE LEGISLATIVE ASSEMBLY OF ONTARIO

We have audited the statement of expenditure of the Office of the Provincial Auditor for the year ended March 31, 2002. This statement is the responsibility of the management of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used as well as evaluating the overall statement presentation.

In our opinion, this statement presents fairly, in all material respects, the expenditures of the Office of the Provincial Auditor for the year ended March 31, 2002 in accordance with the accounting policy referred to in note 1 to the statement.

Toronto, Canada  
July 10, 2002

ALLEN & MILES LLP  
CHARTERED ACCOUNTANTS