Chapter 5

Public Accounts of the Province

Introduction

The Public Accounts for each fiscal year, ending March 31, are prepared under the direction of the Minister of Finance, as required by the *Ministry of Treasury and Economics Act* (Act). The Public Accounts comprise the province's annual report, including the province's consolidated financial statements, and three supplementary volumes.

The consolidated financial statements of the province are the responsibility of the government of Ontario. This responsibility encompasses ensuring that the information in the statements, including the many amounts based on estimates and judgment, is presented fairly. The government is also responsible for ensuring that a system of control, with supporting procedures, is in place to provide assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

Our Office audits the consolidated financial statements of the province. The objective of our audit is to obtain reasonable assurance that the government's financial statements are free of material misstatement—that is, that they are free of significant errors or omissions. The financial statements, along with our Auditor's Report on them, are included in the province's annual report.

The province's annual report contains, in addition to the province's consolidated financial statements, a discussion and analysis section that provides additional information regarding the province's financial condition and its fiscal results. Providing such information enhances the fiscal accountability of the government to both the Legislative Assembly and the public.

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

- Volume 1 contains the ministry statements and a number of schedules providing details of the province's revenues and expenditures, its debts and other liabilities, its loans and investments, and other financial information.
- Volume 2 contains the audited financial statements of the significant provincial Crown corporations, boards, and commissions whose activities are included in the government's consolidated financial statements, as well as other miscellaneous financial statements.
- Volume 3 contains detailed schedules of ministry payments to vendors and transfer-payment recipients.

Our Office reviews the information in the annual report and Volumes 1 and 2 of the Public Accounts for consistency with the information presented in the consolidated financial statements.

The Act requires that, except in extraordinary circumstances, the government deliver its annual report to the Lieutenant Governor in Council on or before the 180th day after the end of the fiscal year. The three supplementary volumes must be submitted to the Lieutenant Governor in Council before the 240th day after the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Assembly or, if it is not in session, make the information public and then, when the Assembly resumes sitting, lay it before the Assembly on or before the 10th day of that session. The annual report and three supplementary volumes of the Public Accounts for the 2004/05 fiscal year were all delivered to the Lieutenant Governor in Council on September 27, 2005 and made public on this date, thereby meeting the 180-day requirement.

The Province's 2004/05 Consolidated Financial Statements

The *Auditor General Act* requires that the Auditor General report annually on the results of the Auditor's examination of the province's consolidated financial statements. I am pleased to report that my Auditor's Report to the Legislative Assembly on the consolidated financial statements for the year ended March 31, 2005 is clear of any qualifications or reservations and reads as follows:

> To the Legislative Assembly of the Province of Ontario
>
> I have audited the consolidated statement of financial position of the Province of Ontario as at March 31, 2005 and the consolidated statements of operations, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.
>
> I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.
>
> In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2005 and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.
>
> [signed]
>
> Toronto, Ontario — Jim McCarter, CA
> August 19, 2005 — Auditor General

Expanding the Government Reporting Entity

The "government reporting entity" refers to, collectively, all of the organizations whose activities are included in the government's financial statements. Inclusion in the reporting entity essentially means that an organization's operating results and its assets and liabilities are consolidated with or otherwise incorporated into the government's financial statements, so that they form part of both the government's annual deficit or surplus and its accumulated deficit or surplus.

The government's consolidated financial statements reflect the accounting standards recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). As indicated our *2004 Annual Report*, in August 2003, PSAB revised its reporting-entity standard for fiscal years beginning on or after April 1, 2005. Under the new standard, the decision of whether to include an organization in the government reporting entity is to be based on one overall consideration—the extent of government control over the organization's activities. In essence, if a government controls an organization, that organization should be included as part of the government's reporting entity. Assessing the degree of government control is not an exact science and requires the exercise of professional judgment regarding the nature of the relationship between the government and the organization. Accordingly, the PSAB standard offers considerable guidance on a number of control indicators to help users of the standard assess the degree to which government control exists in specific situations.

As we indicated last year, the government completed an analysis of the impact of this new standard on its reporting entity, and in the 2004 Ontario Budget announced its intention to add the province's 105 school boards and school authorities, 24 community colleges, and 155 hospitals to its reporting entity. Most other provinces are now or will be including school boards, colleges, and hospitals in their respective reporting entities. In accordance with the new standard, these institutions are to be consolidated into the province's financial statements for the first time in the 2005/06 fiscal year.

This change will be significant. Effective the 2005/06 fiscal year, the province's annual surplus or deficit will include the impact of these organizations' annual surpluses or deficits, and their net assets or net debts will form part of the province's accumulated deficit. Transfers to these organizations will no longer be accounted for as current expenses of the government; rather, the accounting will be contingent on the use of such funds by the recipient organizations. In particular, any capital assets acquired or constructed with the capital transfers these organizations receive from the province will form part of the province's investment in capital assets and will be amortized over the assets' useful lives.

The government is dealing with a number of issues regarding the consolidation of these organizations. These issues include adjusting for fiscal year-ends and accounting policies that differ between the organizations and the province; the valuation of these organizations' capital assets; obtaining reasonable assurance that the newly consolidated amounts represent bona fide provincial assets, liabilities, revenues, and expenses; and ensuring that the presentation and disclosure of these consolidated organizations within the government's financial statements is appropriate.

Recognizing the challenges posed by its new requirements, PSAB also approved transitional provisions in March 2004 to allow governments to temporarily consolidate any newly included organizations on a "modified equity" rather than a "fully consolidated" basis. These provisions are in effect until fiscal years beginning on or after April 1, 2008. Under the provisions, as long as certain criteria are met, the new organizations' accounting policies can differ from those of the province, and their total net assets and surpluses or deficits may be reflected as a single line item on the province's statements rather than having each of their accounts combined with the government's accounts on a line-by-line basis.

In its 2004 Budget, the government expressed serious concerns about the eventual need to consolidate these new organizations on a line-by-line basis and expressed its preference that, given the nature of the governance and accountability relationship between the government and these organizations, modified equity accounting be adopted on a permanent basis. We will work with the Ministry of Finance to resolve this issue prior to the expiry of the PSAB transitional provisions.

Stranded Debt of the Electricity Sector

In the last few Annual Reports, we have discussed the electricity sector and the government's efforts to deal with the stranded debt arising out of the recent major reforms occurring in that sector. The term "stranded debt" refers to the amount of debt and other liabilities of Ontario Hydro that could not be serviced in a competitive environment. When the Ontario Electricity Financial Corporation (OEFC), a new agency of the province, commenced operations on April 1, 1999, it assumed the stranded debt of $19.4 billion that the province, through OEFC, became responsible for retiring. As at March 31, 2005, the stranded debt, which is included in the province's consolidated financial statements, was $20.4 billion. The government has a long-term plan in place to retire this debt solely from dedicated revenue streams derived from the electricity sector. This long-term plan is updated annually to reflect current information and assumptions. As with any long-term plan, there is a degree of uncertainty as to whether forecasted results will be achieved.

The stranded debt includes a liability of approximately $4 billion relating to obligations under certain long-term power-purchase contracts entered into by the old Ontario Hydro. The liability arose because, under these contracts, which expire on various dates to 2048, the government is committed to purchasing power at prices that are expected to exceed market prices.

In our *2004 Annual Report*, we discussed government proposals to further reform the electricity sector. One of these proposed reforms was to pass legislation such that the OEFC would receive actual contract prices rather than market prices from electricity consumers for power generated under these long-term contracts. The government was considering eliminating its $4-billion liability when this legislation was passed and recording a one-time revenue gain in the 2004/05 fiscal year. As indicated in our *2004 Annual Report*, we continued to work with the Ministry of Finance and the OEFC during the current year on this proposed transaction. On March 18, 2005, the Ministry of Finance made an announcement in this regard:

> After careful review of the impacts of significant reforms in the electricity sector, the government has made a final decision regarding its treatment of the liability for certain long-term power purchase agreements. The government has determined that the most cautious and prudent accounting decision is to eliminate the $3.9-billion liability over time, instead of recording the gain in 2004/05, Finance Minister Greg Sorbara said today. The Auditor General agrees with this proposed accounting treatment.

This accounting treatment was reflected in the province's consolidated financial statements for the year ended March 31, 2005.

Multi-year Funding

In prior years' Annual Reports, we have reported concerns that we had regarding the government's accounting and accountability for multi-year funding. In this regard, we believe it essential that the annual operating statements of government properly reflect revenues and expenditures relating to the fiscal period being measured. When this practice is not followed and distortions are significant, users of financial statements cannot evaluate a government's fiscal performance for the year vis-à-vis its budget, assess its revenues earned vis-à-vis its expenditures on government programs, or make useful comparisons of such information between past and future periods or between jurisdictions.

Based on a review of a number of transfer-payment transactions that occurred near the end of this fiscal year, we continue to have concerns in this area. Normally the government provides transfers to its service delivery partners on an as-needed basis. Operating transfers are generally provided over the course of the year as such funds are required to finance operations, and capital funds are normally provided on a cost-recovery basis as the transfer-payment recipient completes specific stages of a pre-approved capital project. However, just prior to or on March 31, 2005, the government entered into a number of transfer-payment arrangements and expensed the amounts involved, thereby increasing the deficit for the year by almost $1 billion more than otherwise would have been the case. None of these transfers were originally planned for; that is, none had been included in the government's Budget for the 2004/05 fiscal year, and in many cases, normal accountability and control provisions were reduced or eliminated to make the transfers "unconditional," thus helping ensure that they would qualify for immediate expensing.

The following provides details of the most significant of these year-end transactions:

- In late March 2005, the province entered into transfer-payment contract agreements with a number of school boards, colleges, and universities whereby $722 million was to be provided on an immediate basis to fund a number of future initiatives, many of them unspecified, related to such areas as research, technological education and equipment, the professional needs of teachers and support staff, school libraries, special education, apprenticeship programs, and deferred maintenance. The amounts were expensed immediately, with the funds being provided shortly after the year-end.
- In late March 2005, the province entered into agreements with a number of hospitals to provide immediate transfers of $184 million for various future capital projects. Again, the amounts were immediately expensed, with the money provided shortly after the year-end.
- On March 31, 2005, the province terminated a long-term funding agreement with the City of Hamilton related to the Red Hill Creek Expressway and entered into a new agreement whereby it immediately paid out all of its remaining commitments under the project, which amounted to $36 million. Government documents indicate that a key reason this was done was to "create financial flexibility" for the province.
- On March 29, 2005, the government introduced a transition fund for tobacco farmers and entered into an agreement with the Ontario Flue-Cured Tobacco Growers' Marketing Board to provide a $35-million unconditional grant to help tobacco growers exit the tobacco industry. The funds were immediately expensed and provided shortly thereafter as an "emergency" payment.

None of these funds were spent providing education, health care, or other services to Ontarians in the 2004/05 fiscal year; rather, they will be spent in future years. However, under the current generally accepted accounting principles as promulgated by the Canadian Institute of Chartered Accountants (CICA), unconditional transfers of this nature can be recorded as expenses in the current year.

The CICA has recognized that current public-sector standards addressing transfers of this nature give governments considerable latitude in accounting for such transfers. A CICA Task Force has been established to study the issue, and the work of the Task Force is nearing completion. We have expressed our concerns on this issue to the Task Force, and we are hopeful that, once approved by the CICA's Public Sector Accounting Board, the new standards in this area will provide valuable guidance to both financial statement preparers and auditors in accounting for transfers of this nature. With the adoption of the expanded government reporting entity for the 2005/06 fiscal year, transfers of this nature to hospitals, school boards, and colleges will not have an impact on the province's annual surplus or deficit.

Accounting for Capital Assets

In January 2003, the Public Sector Accounting Board (PSAB) revised a 1997 standard setting out rules for the recognition, measurement, amortization, and presentation of capital assets in a government's financial statements. Until recent years, most governments, including that of Ontario, had charged to operations 100% of the cost of capital assets in the year such assets were acquired or constructed. The revised standard recommends that, similar to the approach taken in the private sector, the cost of capital assets be recorded as assets in government financial statements and be amortized to expense over their estimated useful lives.

The government phased in its adoption of these PSAB recommendations beginning in the 2002/03 fiscal year by valuing and capitalizing the province's land holdings, buildings, and transportation infrastructure. As a result, in 2003 the government recognized for the first time over $13 billion of net capital investments. These account for an estimated 90% or more of the government's total tangible capital assets.

Although no specific timetable has been set, the government has indicated that over the next several years it intends to adopt this PSAB standard for Ontario's remaining tangible capital assets, such as its computer systems, vehicles and equipment, and other smaller-value capital items. We encourage the government to complete its capitalization project as soon as possible and to include these assets and related amortization in its financial statements.

Other Recommendations for Improvement

Although the audit of the province's consolidated financial statements was not designed to identify all weaknesses in internal controls or to provide assurances on financial systems and procedures as such, we noted a number of areas during the audit where we believed improvements could be made. While none of these matters affects the fairness of the consolidated financial statements of the province, they are covered, along with accompanying recommendations for improvement, in an annual management letter to the Ministry of Finance.

New and Proposed Accounting Standards

The CICA's Public Sector Accounting Board (PSAB) serves the public interest and that of the profession by issuing accounting standards and guidance that will improve the financial and performance information reported by governments and other public-sector entities. Such improved information benefits decision-makers and other users of the information.

The more significant issues PSAB has been dealing with over the last year that will or may affect the province's financial statements and reporting practices are briefly outlined below.

TRANSFER-PAYMENT ACCOUNTING PRACTICES

As discussed previously in this chapter, PSAB is working on amendments to the current standard for accounting for transfers by both transferring and recipient governments or organizations. Given that billions of dollars are involved in such government transfers, these amendments have the potential to have a significant impact. For example, while the amendments that could be adopted have not been finalized, they could include allowing recipient governments to defer and recognize transfers as income in future years if specific restrictions are placed on the transferred funds by the transferring government. Conversely, in certain circumstances, a transferring government may be able to recognize funds provided as assets—rather than as current-year expenses—if the funds must be used to provide future value.

PERFORMANCE REPORTING

A project started by PSAB in 2004 intended to result in a new Statement of Recommended Practice for reporting on performance is continuing. The project has been undertaken to improve consistency in performance reporting, as there is currently no generally accepted approach to public-sector performance measurement and reporting. The project is intended to develop recommended practices for reporting both financial and non-financial performance information in order to provide a comprehensive, balanced, and transparent picture of a government's performance.

SOURCES OF GAAP

In November 2004, PSAB approved a new standard on generally accepted accounting principles (GAAP). This standard sets out what constitutes the primary sources of GAAP for the public sector, with the accounting standards and guidance issued by PSAB being the primary source of authoritative guidance. The standard also addresses what should be considered when dealing with a particular accounting or reporting issue that is not addressed by the primary sources of GAAP, or when additional guidance is needed to apply a primary source to specific circumstances.

INFORMATION ON MEASUREMENT UNCERTAINTY

In February 2005, PSAB issued a new standard on the disclosure of measurement uncertainty that could have a significant effect on the province's financial statements. While the private-sector standard on measurement uncertainty applies only to items recognized on the face of the financial statements, this public-sector standard also requires that measurement uncertainty information be disclosed when significant amounts are disclosed only in financial statement notes, as occurs with certain contingent liabilities.

Disclosure of Information on Business Segments

In July 2005, PSAB issued an Exposure Draft on segment disclosures. Examples of possible government business segments include the health-care sector, the education sector, and the social services sector. The proposed standard would require additional disclosure of financial information with respect to these distinct activities that the government is engaged in. The new standard addresses concerns about the level of aggregation of government consolidated financial statements in that such aggregation may not provide sufficiently detailed information to users about the different types of activities that the government is engaged in, or the resources devoted to and the costs of those activities.

APPLYING FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments or derivatives are typically used to manage foreign-currency and interest-rate risk using foreign-exchange forward contracts, swaps, futures, options, and other instruments. In September 2005, PSAB issued a Draft Guideline addressing the financial-reporting consequences facing governments arising from including in their consolidated financial statements government organizations and partnerships that have implemented the new private-sector standards covering the recognition and measurement of financial instruments. Under the new standard, revaluation of these assets or liabilities at fair value, resulting in unrealized gains or losses, may be required in subsequent periods. As a result, on consolidation of all organizations in the reporting entity, such unrealized gains and losses arising from these revaluations may affect the government's annual surplus or deficit or the province's change in net debt, which is not the case under the current standards.

Unfunded Liability of the Workplace Safety and Insurance Board

In 1993 and 1998, our Office commented on the significant unfunded liability of the Workplace Safety and Insurance Board (Board) and the importance of the Board having a credible plan in place to reduce its unfunded liability. Failure to effectively control and eliminate the unfunded liability could result in the Board being unable to meet its existing and future financial commitments to provide worker benefits. In view of the fact that the Board still has a multi-billion-dollar unfunded liability and this liability has increased significantly in the last few years, we feel it necessary to again comment on this issue.

The Board is a statutory corporation created by the *Workplace Safety and Insurance Act, 1997* (Act). Its primary purposes are to provide income support and fund medical assistance to employees injured on the job. Such assistance can be both short or longer term in nature. In situations where an employee's injuries do not permit a return to the workplace, a disability pension may be paid. The Board is also committed to the prevention of workplace injuries and illnesses.

It is important to note that under the Act, funding of the Board's liabilities, including the large unfunded liability, is a future financial obligation of private-sector employers and not of the province. The Board has therefore been classified as a trust fund for provincial accounting purposes. It is not included in the province's consolidated financial statements, although its assets and liabilities are disclosed in the notes to the financial statements.

The Act states that:

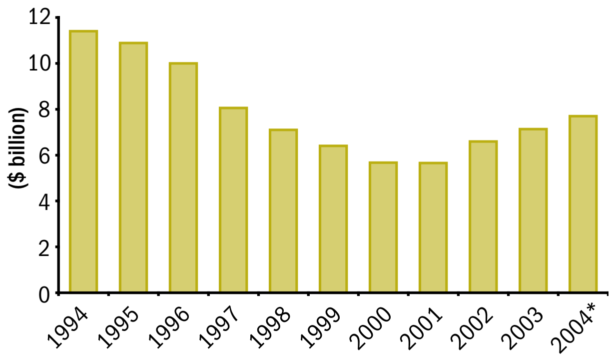
> The Board has a duty to maintain the insurance fund so as not to burden unduly or unfairly any class of Schedule 1 employers [generally all private-sector employers] in future years with payments under the insurance plan in respect of accidents in previous years. (Subsection 96(3))

Notwithstanding this legislative requirement, the assets in the Board insurance fund are substantially less than what is needed to satisfy the estimated lifetime costs of all claims currently in the system—thus producing an unfunded liability.

As illustrated in Figure 1, after having declined for a number of years, the unfunded liability has risen significantly over the past few years. This increase is primarily attributable to a combination of rising benefit costs and a significant reduction in the rate of return on investments in the early 2000s. A reluctance to increase premium rates over this period has also contributed to the rise in the unfunded liability. We understand that this

Figure 1: Workplace Safety and Insurance Board, Closing Unfunded Liability, 1994–2004 (as at December 31)

Source of data: Workplace Safety and Insurance Board Audited Financial Statements



* In 2004, the Board adopted an accounting policy in accordance with new standards set by the Canadian Institute of Chartered Accountants that allow for unrealized gains and losses to be recognized. However, for the purpose of illustrating the trend in the unfunded liability consistently over time, the unfunded liability for 2004 has been adjusted to eliminate the effects of this new accounting policy.

reluctance was driven by the potential impact on employers and employment, and by the fact that Ontario's premium rates are already among the highest in Canada, because of the unfunded liability component.

Concerns about the unfunded liability were also expressed in a May 2004 report initiated by the Ministry of Labour. A consulting firm was engaged to conduct an independent audit of the Board's operations. Although the unfunded liability was not specifically included as an audit objective, the consultants concluded that "addressing the unfunded liability is fundamental to achieving financial stability." They concluded that the Board would have to significantly increase its revenues, from both premiums and investments, and decrease its operating costs to meet its goal of eliminating the unfunded liability by 2014. They further noted that the achievement of administrative and corporate cost efficiencies, while important, would not alone significantly reduce the unfunded liability.

Recently, initiatives have been undertaken by the Board to deal with the growing unfunded liability. In 2005, the Board developed a Funding Framework that formalized the funding strategy of the Board, described the criteria for projecting funding requirements, and set the basis for determining premium rates. The Funding Framework was approved by the Board of Directors in July 2005. Although funding requirements had been reviewed each year as part of the process of setting premium rates for the forthcoming year, the funding strategy itself had not had a major review since 1998. The Funding Framework reconfirmed the Board's commitment to fully fund the system by 2014.

In September 2005, the Board announced that the 2006 average premium rate was to increase 3% from the 2005 premium rate, representing only the second time in the last 10 years that the Board has raised the average rate. The Funding Framework establishes maximum annual increases in premium rates in the range of 3% to 5%. At that time, the Board President stated that "we cannot allow this debt load to be passed on to future generations of employers."

This recent action is an important step in addressing the Board's significant unfunded liability and in meeting the intent of the *Workplace Safety and Insurance Act, 1997* to limit the burden of existing commitments on future employers. Ongoing commitment to the new Funding Framework will be needed if the Board's goal of eliminating the unfunded liability by 2014 is to be achieved.

Other Matter

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

LEGISLATIVE APPROVAL OF GOVERNMENT EXPENDITURES

Shortly after presenting its budget, the government tables in the Legislature detailed Expenditure Estimates outlining each ministry's spending proposals on a program-by-program basis. The Standing Committee on Estimates reviews selected ministry estimates and presents a report on them to the Legislature. The estimates of those ministries that are not selected for review are deemed to be passed by the Committee and are reported as such to the Legislature. Orders for Concurrence for each of the estimates reported on by the Committee are debated in the Legislature for a maximum of three hours and then voted on.

Once the Orders for Concurrence are approved, the Legislature provides the government with legal spending authority by approving a *Supply Act*, which stipulates the amounts that can be spent by ministry programs as set out in the estimates. Once the *Supply Act* is approved, the individual program expenditures are considered to be Voted Appropriations. The *Supply Act* pertaining to the fiscal year ended March 31, 2005 received Royal Assent on December 16, 2004.

Typically, ministry programs require funds before the *Supply Act* is passed, and the Legislature authorizes these payments by means of motions for interim supply. For the 2004/05 fiscal year, the time periods covered by the motions for interim supply and the dates that the motions were agreed to by the Legislature were as follows:

- April 1, 2004 to June 30, 2004—passed March 29, 2004; and
- July 1, 2004 to December 31, 2004—passed June 21, 2004.

SPECIAL WARRANTS

If motions for interim supply cannot be approved because, for instance, the Legislature is not in session, section 7(1) of the *Treasury Board Act, 1991* allows the issue of Special Warrants authorizing the incurring of 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 approved by the Lieutenant Governor on the recommendation of the government.

There were no special warrants issued for the fiscal year ended March 31, 2005.

TREASURY BOARD ORDERS

Section 8(1) of the *Treasury Board Act, 1991* allows the Treasury Board to make an Order authorizing expenditures to supplement the amount of any Voted Appropriation that is insufficient to carry out the purpose for which it was made. The Order can be made provided that 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 audit of the books of the government of Ontario for the fiscal year is completed.

Figure 2 is a summary of the total value of Treasury Board Orders issued for the past five fiscal years. Figure 3 summarizes Treasury Board Orders for the 2004/05 fiscal year by month of issue.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be printed in *The Ontario Gazette*, together with explanatory information. However, we noted that the most recent Orders printed in the *Gazette* were

Figure 2: Total Value of Treasury Board Orders Issued, 2000/01–2004/05

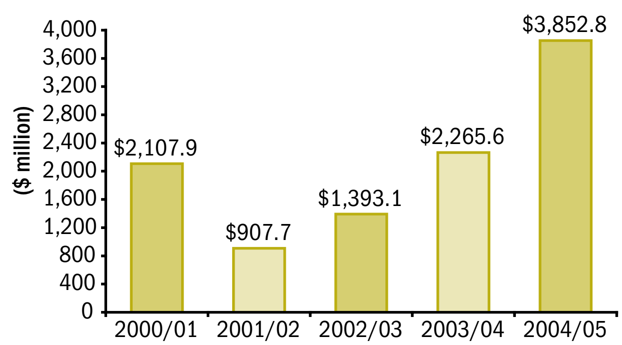


Figure 3: Treasury Board Orders by Month of Issue, 2004/05

Month of Issue	Number	Authorized ($)
July 2004–February 2005	41	406,092,200
March 2005	36	2,415,197,500
April 2005	15	1,003,026,800
June 2005	1	58,500
August 2005	3	28,450,300
Total	**96**	**3,852,825,300**

those that were issued for the 2000/01 fiscal year. A detailed listing of 2004/05 Treasury Board Orders, showing the amounts authorized and expended, is included as Exhibit 3 of this report.

EXCEEDED APPROPRIATION

Section 12(2)(f)(ii) of the *Auditor General Act* requires that we report on any cases where essential records were not maintained or the rules and procedures applied were not sufficient to ensure that expenditures were made only as authorized. Based on this year's audit of the summary financial statements, we noted that the actual expenses incurred and charged to the accounts for the fiscal year ended March 31, 2005 exceeded the legislative appropriation for one Vote/Item at the Ministry of Transportation by $8,120. According to the Ministry, this occurred as a result of an oversight on its part in accounting for fiscal year-end accruals for this particular Vote/Item.

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 the Auditor General make special mention of the transfer(s) in the Annual Report.

With respect to the 2004/05 Estimates, there were no transfers made within the Votes of the Office of the Assembly.

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 amount due to the Crown that is deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2004/05 fiscal year, receivables of $208.5 million due to the Crown from individuals and non-government organizations were written off (in 2003/04, the comparable amount was $214 million). The major portion of the write-offs related to the following:

- $66.4 million for uncollectible retail sales tax;
- $55.2 million loaned to the Toronto District School Board;
- $45.6 million for uncollectible corporate taxes;
- $7.8 million for uncollectible employer health taxes;
- $6.0 million for uncollectible receivables under the Student Support Program; and
- $5.7 million for uncollectible receivables under the Ontario Disability Support Program.

Volume 2 of the 2004/05 Public Accounts summarizes the write-offs by ministry. All of the above are included, except for the write-off for the Toronto District School Board, which we have been informed will be included in Volume 2 of the 2005/06 Public Accounts.

Under the accounting policies followed in the audited financial statements of the province, a provision for doubtful accounts is recorded against accounts receivable balances. Accordingly, most of the write-offs had already been expensed in the audited financial statements. However, the actual deletion from the accounts required Order-in-Council approval.