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Reflections

Introduction

In part, the story of the *2018 Annual Report* can be told by the numbers: 15 value-for-money audit reports, 25 follow-up reports on our audits of two years ago along with those of the Standing Committee on Public Accounts (PAC) of the Legislative Assembly, continuous follow-up work on almost 1,100 earlier audit recommendations, and attest audits of the financial statements of the Province and dozens of Crown agencies and Crown-controlled corporations. Our report is presented in two volumes. **Volume 1** contains our value-for-money audits and chapters on the public accounts and government advertising. **Volume 2** is dedicated to our work on following up on the implementation of our audit recommendations and those of PAC.

While most of our work in this Annual Report is focused on our value-for-money audits, I would be remiss this year if I did not lead off by commenting on a key area of our work that until the last couple of years had usually drawn little public attention: our audit of the Province's consolidated financial statements.

For the past two years, as an independent Officer of the Legislative Assembly, I was unable to give positive assurance to the Legislature and Ontarians that the state of the finances of the Province of Ontario was being fairly presented in the Province's

consolidated financial statements. Our Office is mandated under the *Auditor General Act* to communicate the existence of errors in those financial statements as identified by our audit work. Our concerns were also highlighted in our report titled *Review of the 2018 Pre-Election Report on Ontario's Finances* tabled in April 2018 as required under the *Fiscal Transparency and Accountability Act, 2004* and Ontario Regulation 41/18.

However, we are pleased that the current government has corrected those past errors in the consolidated financial statements of the Province for the year ended March 31, 2018, and committed on a go-forward basis to prepare the Province's consolidated financial statements in accordance with Canadian Public Sector Accounting Standards. This means that the Province's financial results as reported by the government can be relied upon.

Turning to our value-for-money work, this year we conducted 16 audits, including two that were performed at the request of PAC. One audit, **Metrolinx—GO Station Selection**, is contained in this Annual Report. The other audit, of the **Niagara Peninsula Conservation Authority**, was published separately in a special report tabled in the Legislature in September 2018.

Our value-for-money audits identify numerous areas within the public sector and broader public sector where money can be better spent and where more services can be better delivered for the money

that is spent. It is significantly important to maximize value for taxpayer dollars.

In reviewing the results of our value-for-money audits, two overarching observations can be made.

Achievement of Public-Service Objectives Can Be Hindered by Poor Program Delivery

This year we audited a number of programs and organizations that have the potential to provide significant benefits to the people of Ontario if they successfully fulfill their objectives and mandates. Those objectives and mandates are to help Ontarians in need, protect the safety and privacy of the public, and just get things done effectively. We found that the spending of taxpayer dollars did not always result in the effective achievement of anticipated program benefits. For example:

- **Ontario Works** is a \$3-billion program designed to provide financial and employment assistance to unemployed or underemployed Ontarians who are in temporary financial need. About 250,000 Ontarians, supporting over 200,000 family members, received financial aid in 2017/18 from this program, which is overseen by the Ministry of Children, Community and Social Services. A key objective of Ontario Works is to help recipients find employment and become self-reliant. However, even though the economy has been in reasonably good shape in recent years, we found that in each of the last five years, Ontario Works has helped only 10% to 13% of recipient cases to successfully find employment and leave the program. Compared to 2009, when we last audited this program, the average length of time that recipients receive Ontario Works benefits has nearly doubled, from an average of 19 months

in 2008/09 to an average of almost three years in 2017/18. Program success appears to be getting worse, not better. As well, the Ministry lacks measures to assess whether service managers are effective in helping the 36% of recipients identified as having barriers to employment, such as mental-health issues and homelessness, overcome them.

- The idea behind the creation of **Waterfront Toronto** in 2002 was to have one agency “oversee all aspects of revitalization of Toronto’s waterfront.” Although Waterfront Toronto’s communications to the public gave the impression that it was playing a crucial role in the world-class transformation of Toronto’s 2,840-acre waterfront, this was not our conclusion. Successful oversight requires that the overseer has the authority to ensure the job is done right, but, unfortunately, Waterfront Toronto was never given this authority, and as a result, the development of Toronto’s waterfront lands has largely continued to be driven by historical practices, existing bylaws, and other regulations governing commercial and residential development. Oversight entities established by other cities were given much greater authority, making it possible for them to implement such measures as restricting building heights, creating large public spaces, providing public access to the water’s edge and expropriating land in cases where the intended use was not consistent with overall revitalization plans. Waterfront Toronto essentially co-ordinated the interests of the municipal, provincial and federal governments. In fact, \$700 million of the original \$1.5 billion in total municipal, provincial and federal funding commitments to Waterfront Toronto was redirected to other agencies for other projects such as GO Transit expansion, the Union Pearson Express, the second subway platform at Union Station and shoreline regeneration in Port Union and Mimico. Since its inception in 2002,

Waterfront Toronto has directly developed only 5% of the total publicly owned developable land in the waterfront area, and has provided development funding to other organizations for revitalization projects for another 151 acres. Conversely, Waterfront Toronto took the initiative by entering into preliminary planning agreements with Sidewalk Labs, its innovation and funding partner in 2017 and 2018 for the planning of a smart city project on the Quayside lands that it owns, and potentially on the broader waterfront area. However, while taking the initiative to develop the Quayside lands was a positive step, there are decisions and actions that will need to be taken along the way that directly impact the public interest, not just in Quayside and the broader waterfront area, but potentially beyond those areas. In this case, the public interest will be sufficiently protected only if there is proactive provincial government oversight and decision-making (working in collaboration with the municipal and federal governments) before any further commitments are made between Waterfront Toronto and Sidewalk Labs.

- The **Technical Standards and Safety Authority (TSSA)** is mandated to promote and enforce public safety in four areas: fuels storage and handling; boilers and pressure vessels; upholstered and stuffed articles; and elevators, amusement rides and ski lifts. It is self-funded through the fees it charges to the organizations it regulates. However, the TSSA does not have the required oversight processes in place to be effective in promoting and enforcing public safety in nearly all of the sectors it is responsible for regulating. For example, the TSSA does not inspect pipelines or private fuel storage sites that pose a threat to source water intakes, and its inspection practices for companies that maintain and install fuel-burning equipment leave many of their technicians' jobs uninspected. As well,

the TSSA is aware that some oil distributors are delivering oil into leaking tanks and tanks that pose a high risk of carbon monoxide release but has done nothing to deal with this safety hazard. Furthermore, there are significant weaknesses in its processes to inspect boilers and pressure vessels, and articles in the upholstered and stuffed-articles sector. As well, most Ontario elevators and escalators are not fully in compliance with safety laws, and the situation is getting worse. In turn, the Ministry of Government and Consumer Services has not monitored to ensure that the TSSA is actually fulfilling its delegated mandate.

- Since 2011, the expanded mandate of **Health Quality Ontario (HQP)** has been to continuously improve the quality of health care in Ontario. HQP has spent about \$240 million over the last seven years monitoring and reporting on the quality of health services in Ontario and making evidence-based recommendations to the Minister of Health and Long-Term Care on which health-care services and medical devices should be publicly funded. As well, HQP is developing clinical care standards to reduce variability in patient care and promote better client outcomes. However, it has little information on how successful it has been in achieving its mandate, and the Ministry of Health and Long-Term Care and the Local Health Integration Networks are not ensuring that HQP's recommendations and advice are acted on. As long as HQP's recommendations remain optional for health-care providers, Ontarians may not obtain the full benefit from HQP's work.
- The **Office of the Public Guardian and Trustee** has the critical responsibility to protect the rights and property of people who lack the mental capacity to do this themselves. However, we noted that it has a number of weaknesses in its internal procedures that hinder its ability to fulfill its role. For instance, it is not making a sufficient

effort to periodically visit those under its guardianship, nor to identify and proactively follow up on possible entitlements—for example, Ontario Disability Support Program benefits—for its clients. Based on the Public Guardian’s own data, it has visited only between 7% and 15% of its 12,000 clients under property guardianship in each of the last five years. Our review of a sample of clients who have been with the Public Guardian for as many as 28 years indicated that half have not been visited since coming under guardianship. The Public Guardian also acts as the personal-care guardian for only about 30 clients. The Public Guardian needs to devote more effort to defining success in fulfilling its mandate.

- Metrolinx is mandated to provide leadership in the co-ordination, planning, financing and development of an integrated transportation network in the Greater Toronto and Hamilton Area. However, this leadership was not demonstrated in our audit on the **Metrolinx—GO Station Selection** process. Our audit confirmed that, as a result of political influence, Metrolinx overrode its own planning process and recommendations to justify construction of the Kirby and Lawrence East stations. The Ministry of Transportation issued news releases announcing the Kirby and Lawrence East stations would be built before the Metrolinx Board of Directors had met to make its final determination of which stations to approve. As a result, Metrolinx modified which stations it recommended to its Board for approval. The Minister of Transportation did not, as would have been possible under legislation, issue a ministerial directive requesting that certain stations be built. A ministerial directive would have transparently confirmed that the decision to build the stations was the Minister’s and that the Minister was therefore accountable for it. Our audit of **Metrolinx—LRT Construction and Infrastructure Planning** concluded that Metrolinx’s ability to cost-effectively plan and deliver an integrated transportation system has been impacted by requested changes to plans by both municipal and provincial governments, resulting in project delays and unnecessary costs.
- **Legal Aid Ontario** is responsible for providing legal services to low-income Ontarians, including funding for community legal clinics. About 44% of these clinics’ case-load deals with Ontario Disability Support Program (ODSP) applications and appeals. Thus, about \$21 million of taxpayer money is being used annually to pay clinics, including their lawyers, to help applicants access or appeal decisions of another taxpayer-funded program. ODSP appeals are heard at the taxpayer-funded Social Benefits Tribunal, where about 75% of the cases are ruled in favour of the appellant. In other words, one provincial program—community legal clinics—spends taxpayer funds to help finance legal disputes with another—ODSP. If Legal Aid Ontario and ODSP could find ways to reduce or eliminate these cases, Legal Aid Ontario could apply the resulting savings of up to \$21 million a year to other services, or return the unspent funds—and ODSP would also save on its legal costs.
- Seventy-two district school boards funded by the Ministry of Education spent about \$227 million on IT in 2017/18, as noted in our audit of **School Boards—IT Systems and Technology in the Classroom**. IT helps in school board and school administration; is used in training students in math skills, programming coding, design and other subject areas; provides students with quick access to the Web for research; and supports teachers in designing and delivering lessons. The Ministry of Education does not have a broad IT strategy or co-ordinated IT implementation plans for curriculum delivery, use of IT by

students and administration of IT affecting school boards. As a result, students' access to classroom technology varied across the province, with student-to-computer ratios in one board ranging from 1:1 to 8:1. The age of equipment and software also varied in classrooms across the province, as did IT policies and procedures between school boards and schools.

The first step in assessing whether government programs are delivering their expected benefits for tax dollars spent is to ensure that programs are objectively and routinely monitored and assessed to confirm that they are effectively meeting their mandates and objectives. For a variety of reasons (for example, a lack of willingness, a lack of authority, a lack of accountability within the program/organization, a lack of information, a lack of strategic planning, and/or a lack of oversight) the benefits from the programs/organizations noted above are not being fully realized, and some risks are not being proactively addressed.

Insufficient Assurance that Public Programs Provide Financial Assistance Only to Eligible People and that Payments to Suppliers are for Cost-Effective Services/Work

Several of the programs we looked at this year used taxpayer funds to either provide financial assistance to those in need or to third-party service providers and suppliers. It is important that care be taken to ensure payments are made only to eligible individuals and organizations. Taxpayers would assume that all steps are taken to recover monies when overpayments are made. This was not always the case. We reported that improvements are needed in the following areas:

- The **Ontario Works** program provides temporary financial and employment assistance to Ontarians who are unemployed or underemployed. We concluded that the Ministry of Children, Community and Social Services, together with the service managers who deliver the program, do not have effective systems and procedures in place to ensure that only eligible recipients receive financial assistance. More checks on eligibility are needed. As well, the underlying cause of overpayments to Ontario Works recipients is not tracked in the Ministry's IT system. Without data to understand the most common causes of overpayments, service managers are unable to identify which of their processes they need to improve to prevent or reduce overpayments in the future. As well, service managers across Ontario are approximately one year behind in investigating approximately 6,000 fraud tips. Service managers investigated about 17,000 fraud tips in the last three years. More than 25% of these investigations identified overpayments and another 10% resulted in termination of benefits.
- The **Assistive Devices Program** of the Ministry of Health and Long-Term Care reimburses vendors for providing assistive devices to patients with long-term physical disabilities. The Program paid \$514 million in 2017/18 to approximately 1,200 vendors, covering about 400,000 claims to provide basic assistive devices—for example, hearing aids, mobility equipment and respiratory devices—to Ontario residents. The Ministry had enhanced Program service delivery since our last audit in 2009. However, we found that the Ministry's oversight efforts to identify ineligible claims and to ensure that vendors adhere to Program policies remains inadequate. This results in the Ministry, and in some cases clients, overpaying vendors, sometimes for devices clients do not even

need. Limited vendor reviews are conducted, as the Ministry has only two staff conducting post-payment reviews to identify and recover overpayments. In the past eight years, the two staff were able to conduct only 235 reviews—an average of 29 vendors per year—out of a total of 1,200 vendors submitting over 400,000 claims per year. The Ministry found instances of non-compliance in almost 99% of these reviews, recovering more than \$10 million. Expanded efforts will likely generate additional recoveries from overpayments.

- Effective for the academic school year beginning August 1, 2017, the **Ontario Student Assistance Program (OSAP)** mainly provides non-repayable grants to help eligible students pay for post-secondary studies at universities, colleges or private career colleges. The Ministry of Training, Colleges and Universities introduced changes to OSAP to provide a significantly larger percentage of aid in the form of non-repayable grants (98% of aid in grants in 2017/18, compared to 60% in 2016/17) and less in the form of repayable loans (2% of aid in loans in 2017/18, compared to 40% in 2016/17). It also provided mainly non-repayable grants to a new category of mature students who previously were ineligible. Following the changes, enrolments rose only about 2%, but the number of people receiving aid (mainly in the form of non-repayable grants) rose 25%, suggesting that students already in post-secondary studies who became eligible for non-repayable grants only in 2017/18 simply applied for a grant and received it. Although 2017/18 was the first year that the changes took effect, making it difficult to draw conclusions about the future, it could be useful for OSAP to pursue a clearer definition of what constitutes success. A future evaluation of whether the program is increasing access to post-secondary education for under-represented groups, and of whether mature students supported

by their parents financially require grants, is needed. The March 2018 Provincial Budget forecast that OSAP would cost \$2 billion in non-repayable grants to students a year by 2020/21, which represents a 50% increase from the fiscal year ending March 31, 2017.

- **Legal Aid Ontario** pays private-sector lawyers for legal services rendered on its behalf. Improved oversight is needed to confirm that payments to lawyers are for the services delivered. Legal Aid Ontario does not routinely verify lawyers' billings for time spent in court because it does not have direct access to the original court documents and other information that contains the start and end times for each court proceeding—key information to determine how much a lawyer is paid.
- As per the *Canada Health Act*, all Canadian provinces and territories partially contribute to their residents' insured health-services costs wherever they travel. In 2017/18, the Ministry of Health and Long-Term Care paid more than \$200 million toward the medical costs of Ontarians travelling to other provinces or territories, or outside Canada. The Ministry provides certain health-insurance coverage to Ontarians for **Interprovincial and International Health Services** at either pre-established or pre-negotiated rates. However, we found that Ontario hospitals may be subsidizing the health-care costs of out-of-province patients because they sometimes provide services at a cost higher than they can bill back to other provinces and territories. Information on these costs is not tracked and monitored. We also noted that the Ministry has not reviewed claims from physicians from other provinces who billed it directly for services rendered to Ontarians in the last five years.
- The Province does not always ensure that the **Use of Consultants and Senior Advisors in Government** results in paying for pre-identified deliverables. Contracts should

consistently identify specific deliverables that can be linked to payments, to enable confirmation that payments are made only for those deliverables. During our audit, we found situations where this was not the case. As well, we noted that the Province makes extensive use of consultants to meet ongoing work requirements. It may be more cost-effective to have this work done by term or permanent employees.

- Our audit of **Metrolinx—LRT Construction and Infrastructure Planning** highlighted that the use of consulting contracts could be better managed and that deliverables need to be more clearly identified. As well, Metrolinx entered into an Alternative Financing and Procurement (AFP) contract for the design and construction of the Eglinton Crosstown LRT. The consortium constructing the LRT filed a claim against Metrolinx. Metrolinx's negotiated settlement of the claim cost it \$237 million over and above the initial AFP contract cost, to reach an agreement that the Eglinton LRT would continue to be completed on time as per the initial AFP contract.

Our audits confirmed that there needs to be a stronger willingness, combined with a higher degree of skepticism, to ensure that taxpayer dollars are spent appropriately and paid only to those entitled to them. The same stronger willingness and higher degree of skepticism are needed to identify where there is a risk of overpayment, to determine whether there is sufficient evidence of overpayment, and to effectively pursue recovery of taxpayer dollars where overpayments have been made or costs need to be recovered.

As well, while it is important to work collegially with third-party service providers and suppliers, there is also a need to have a certain level of skepticism to ensure that government programs and agencies are not overbilled and are receiving products and services commensurate with what Ontario taxpayers are paying for them under agreements and contracts. We concluded from our audit

work that, in many cases, there needs to be more proactive oversight.

Some Good News

Our audit of the **Darlington Nuclear Generating Station Refurbishment Project** noted some positive findings. Ontario Power Generation (OPG) operates the Darlington Nuclear Generating Station, which generally provides more than 15% of Ontario's electricity. The four reactors at Darlington went into service in 1990 and will reach the end of their useful life in the early 2020s. OPG announced in 2016 the start of a refurbishment for Darlington that would cost \$12.8 billion, take until 2026 to complete, and extend the useful life of the reactors to 2055. Lessons learned from the overruns and delays in project work begun prior to January 2016 have been applied, under the leadership of a new Chief Executive Officer, to the remaining project work and in the development of its cost and time estimates and assumptions. The audit recognized that a clear accountability structure was in place to manage the project and that sufficient monitoring was being done of project timelines and costs, and corrective actions were being taken when necessary. Considerable work remains, and there are several significant risks associated with work not yet done (such as potential labour shortages in the skilled trades required, the eligibility for retirement of more than 30% of management in the next few years, and the fact that OPG will be working on more than one nuclear reactor at the same time in the future). However, OPG seems well-positioned to proactively address those risks.

Magnetic resonance imaging (MRI) and computed tomography (CT) scans provide important diagnostic information about patients to help doctors accurately diagnose and treat many diseases earlier in their course. Of the six provinces that measure the wait times for patients requiring MRI and CT scans using 90th percentile data, Ontario's

wait times were the lowest. Ontario has set more stringent targets that it remains focused on achieving so that Ontarians obtain more timely MRI and CT scans. These findings were noted in our audit of **MRI and CT Scanning Services**. As well, our audit found that most Ontario patients assessed as emergency or urgent cases got their MRI or CT scans within the targets set by the Ministry of Health and Long-Term Care, although lower-priority cases waited longer than Ministry targets. There remain opportunities to further improve wait times by increasing the utilization rates of MRI machines (at 56% in 2017/18) and CT machines (at 37% in 2017/18), and reducing the variation in wait times attributable to where a person lives in Ontario. In addition, the Ministry could improve its funding method to hospitals, which has remained unchanged for the last 10 years, by incorporating into it key information such as the actual cost per scan, individual hospitals' demand and capacity, and the complexity of scans needed by patients.

Finally, it is encouraging to see that the implementation rate of our past audit recommendations is increasing. **Volume 2** of this year's Annual Report discusses this further.

It is also important to acknowledge and thank the various experts who shared with us their knowledge and advice, and the external accounting firms that provided us with assistance during the past year and whose relationships with us we value.

We look forward to continuing to serve the Legislative Assembly and, through it, the citizens of Ontario.

Sincerely,



Bonnie Lysyk, MBA, FCPA, FCA
Auditor General of Ontario

Acknowledgements

I appreciate and am thankful for the support of members of the all-party Standing Committee on Public Accounts. I also want to thank the staff in my Office for their outstanding work during the year and their significant contributions to this Annual Report, and our excellent Panel of Senior Advisors, who contributed their extensive knowledge, insight, judgment and advice to help guide us in addressing issues of importance to legislators and the public.

As well, thank you to the many people in the public and broader public sectors who were involved in our work for their assistance and co-operation in the completion of this year's audits.

Our Team

It takes a massive effort by many people to perform the research, audit, writing and administrative-support work required to produce an Annual Report of this scope and substance. The following is a list of the people with our Office who worked to produce this Report:

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