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## CHAPTER ONE

# Overview

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### IMPROVING INFORMATION FOR DECISION MAKING

#### *GOOD DECISIONS REQUIRE GOOD INFORMATION*

As I have emphasized in previous Annual Reports, having good information for decision making is essential. Appropriate, reliable and timely information enables decision makers to accurately assess the economy, efficiency and effectiveness of government programs and activities. Such information provides a critical base for decision makers to decide whether to continue, discontinue or change government programs and activities, including the use of alternative service delivery or common purpose procurement. Good administration of public funds depends on good decisions based on good information.

Many services paid for by government are being provided by service delivery agents to which government does not have access for information about day-to-day operations. However, since about half of our tax dollars go to these agents in the form of transfer payments, it is vital that the government know the extent to which they are achieving intended results and whether or not the taxpayers are receiving value for money spent. The key to this knowledge is ensuring the availability of appropriate, reliable and timely information.

One of the significant themes of my Annual Report this year, as in past years, is that ministries still require improvements to the quality of the information they receive about the economy and efficiency of the programs and services they deliver. They often lacked adequate procedures for measuring and reporting program effectiveness, especially for those programs funded through transfer payments. These areas offer significant opportunities to improve information for decision making, which would lead to an improved administration of public funds.

In this connection, I continue to advocate amendments to the *Audit Act* that would allow my Office to help provide information to decision makers by performing value for money audits of those service delivery agents that are substantially funded through government transfer payments. The current status of proposed *Audit Act* amendments is described in Chapter Two of this Report.

As well, sound information for decision making by legislators about Ontario Hydro, including information about its future profitability and its stranded debt, is especially needed now that the *Energy Competition Act, 1998* has been proposed to restructure Ontario Hydro and to

establish the framework for an open, competitive electricity market in Ontario. I look forward to that Act also improving the current accounting and accountability regime for electricity generation, distribution and rate setting in Ontario.

Ontario Hydro's Board of Directors, citing its rate-setting authority under the *Power Corporation Act*, in 1997 recorded \$6.4 billion as expenses although they had not yet been incurred but were planned to be incurred over the next four years. Approximately \$4.9 billion of these future costs related to the nuclear asset optimization plan. Ontario Hydro's recording the \$6.4 billion of future costs in 1997 affects its future operating results, as shown below:

	(\$ Millions)		
	1998	1999	2000
Net income forecast in Ontario Hydro's 1997 Annual Report*	640	750	645
Less future expenses, pre-recorded against 1997 results	(1,765)	(1,810)	(1,540)
Operating loss without pre-recorded future expenses	(1,125)	(1,060)	(895)

\* No net income forecast for 2001 was made by Ontario Hydro in its 1997 Annual Report.

Source: Developed from Ontario Hydro's 1997 Annual Report

Furthermore, Ontario Hydro stated that if it is financially restructured through legislation prior to the year 2001 and ceases to operate as a rate-regulated monopoly, any outstanding provision in the balance sheet for future costs will be factored into the calculation of Ontario Hydro's stranded debt. Stranded debt is defined in Ontario Hydro's 1997 Annual Report as any debt that Ontario Hydro cannot service as a commercial entity in a competitive market.

In its 1996 Annual Report, Ontario Hydro estimated its stranded debt to be \$16 billion for strategic discussion purposes. In its 1997 Annual Report, Ontario Hydro stated that it recognized its existing debt load was too great and it was over-leveraged to compete in a future restructured market, and that it was considered premature to provide an estimate of potentially stranded debt. A revised estimate of potentially stranded debt is expected in the fall of 1998.

Ontario Hydro also advised that the existence of potentially stranded debt did not pose a risk for holders of Ontario Hydro's bonds and notes, because the government will continue to guarantee the \$27.8 billion of existing Ontario Hydro debt, as well as new debt issued prior to commercialization of the successor companies. In 1997, the government concluded that its risk of having to make payments under the guarantee had increased.

Under the restructuring envisaged in the proposed *Energy Competition Act, 1998*, Ontario Hydro's successor companies would likely be included in future, both as to their operating results and their assets and liabilities, in the determination of the government's financial results and position.

A more detailed discussion of these issues is included in Chapter Five of this Report.

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# ACCOUNTING AND FINANCIAL INFORMATION

I am pleased to state that my auditor's report on the financial statements of the province for the year ended March 31, 1998 is clear of any qualifications or reservations.

Both the financial statements and the budget of the province are prepared in accordance with the accounting principles recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants and, where applicable, the *CICA Handbook* for private and public corporations in Canada. Using the same basis of accounting for both sets of accounts allows the Legislative Assembly to more easily compare actual with planned financial performance and results.

Despite this progress, further improvements are still needed. Although summary reconciliations are provided on a PSAAB basis, the estimates continue to be prepared on a modified cash basis of accounting. Legislative spending authority and appropriation controls are not yet converted to the PSAAB basis of accounting. I understand that the government is working toward adopting PSAAB standards for spending authority.

In 1995, the Ontario Financial Review Commission made a number of financial reporting and accounting recommendations. Most have been implemented. Of those that remain, I continue to stress the importance of implementing an integrated government-wide financial information system as soon as possible.

For the third consecutive year, the government issued an annual report which helps legislators and the public better understand and evaluate the province's financial position and activities.

## ACCOUNTABILITY

The government has continued to take steps toward better accountability by implementing most of the recommendations made in 1995 by the Ontario Financial Review Commission. Chapter Two highlights the current status of the Commission's recommendations. Missing from those recommendations that have been implemented, however, are actions to improve the legislative estimates review process. Both the Ontario Financial Review Commission and my Office have recommended improvements to the legislative estimates review process.

Public accountability would be further enhanced if the amendments to the Audit Act, proposed by my Office and endorsed by the Standing Committee on Public Accounts, were enacted. These proposed amendments, if implemented, would permit my Office to carry out value for money audits of organizations that receive transfer payments totalling about \$27 billion of taxpayers' money annually. Chapter Two discusses these amendments and other legislative proposals that have been made to improve accountability.

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# VALUE FOR MONEY AUDIT RECOMMENDATIONS

## *THE AUDITING AND REPORTING PROCESS*

Under section 12 of the *Audit Act*, the Provincial Auditor is required to report annually to the Speaker of the Legislative Assembly.

Because of the size and complexity of the province's operations and administration, it is impossible to audit each program every year. Instead, the Office selects the audits it conducts in a cycle, so that all major programs are considered for coverage every five years. The audits covered by this *Annual Report* were selected by the Office's senior management based on criteria such as financial impact, significance to the Legislative Assembly, public sensitivity and safety, and past audit reports.

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. The application of these standards is described more fully in chapter six of this report.

Before beginning an audit, office staff meet with auditee representatives to discuss the focus of the audit in general terms. During the audit, office staff maintain an ongoing dialogue with the auditee to review the progress of the audit and ensure open lines of communication. After the audit staff conclude their on-site work, a draft report is prepared, reviewed internally and discussed with the auditee. A management response to our recommendations is incorporated into the final draft report. The Provincial Auditor and senior office staff meet with the deputy minister or agency head to discuss the final draft report and to finalize the responses. Those responses are provided with the report sections included in this *Annual Report*.

Immediately prior to the tabling of the Annual Report, separate and simultaneous lockups are arranged for members of the Legislative Assembly and their research staff, representatives of the media, and representatives of audited ministries and agencies. When the lockups conclude, the Provincial Auditor is available to answer questions from media representatives.

Each year, the Standing Committee on Public Accounts selects sections of the Provincial Auditor's Annual Report for review and calls upon representatives of the audited ministries and agencies to attend as witnesses.

## *SUMMARY OF RECOMMENDATIONS*

The following are summaries of the 12 reports on value for money audits contained in chapter three of this *Annual Report* as well as a summary of the special report issued last June on the government's progress in dealing with the Year 2000 issue. The auditees' responses in chapter three indicate that action to implement many of our recommendations is planned or has already been taken.

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### 3.01 Ministry of Community and Social Services Business Transformation Project/Common Purpose Procurement

Common Purpose Procurement (CPP) is a competitive procurement process for selecting private sector partners to work closely with a ministry to identify, design, develop and implement new ways of delivering services.

Traditional procurement methods are suitable for most government acquisitions. The CPP process may be used for both information technology and other complex business projects, but only in defined circumstances, where traditional procurement processes do not work well.

In January 1997, the Ministry entered into a CPP agreement with Andersen Consulting for the development and implementation of the business processes and technologies inherent in the new social assistance delivery system being developed through the Business Transformation Project.

Our audit assessed whether the Ministry had clearly established the appropriateness of the CPP process for its Business Transformation Project and had followed a reasonable and fair competitive selection process in awarding the agreement. We also assessed whether the Ministry had demonstrated due regard for economy and efficiency in the contract terms agreed to and in the administration of the work performed to the end of our field work.

We concluded that the Ministry had not clearly established the appropriateness of the CPP process for the Business Transformation Project and could not demonstrate that it had selected the most cost-effective proposal or that the accepted proposal would result in value for money spent. We also concluded that the Ministry had not demonstrated due regard for economy and efficiency in the contract terms agreed to or in the administration of the work performed for the following reasons:

- It could not provide the basis for its agreement to pay Andersen Consulting a fee of up to \$180 million out of future savings, which may be increased under certain specific conditions.
- Andersen Consulting shares in savings at a disproportionately high rate to the disadvantage of the Ministry, due in part to the fact that the rates charged by Andersen Consulting for its staff time were, on average, almost six times higher than the rates charged by the Ministry for comparable staff.
- The Ministry, without sufficiently evaluating alternatives, included in the CPP agreement an early opportunities initiative for changes to the existing social assistance systems and processes which resulted in payments totalling \$15.5 million to Andersen Consulting to March 31, 1998. These payments were based, in part, on savings which were not clearly attributable to Andersen Consulting and resulted in Andersen Consulting being paid \$13.1 million more than its costs to March 31, 1998, which were charged to this initiative at Andersen Consulting's standard published billing rates.

Accordingly we made recommendations to improve the administration of this and future CPP agreements.

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### **3.02 Ministry of Community and Social Services Ontario Works Program**

The objective of the Ontario Works Program is to provide financial assistance to participating individuals while they become self-sufficient and contributing members of their community by following the shortest route to a paid job. The Program is delivered across the province through 63 municipal delivery agents representing larger municipalities and groupings of smaller municipalities.

The Ontario Works Program's budgeted expenditures for the 1997/98 fiscal year were \$170 million, of which \$62.8 million was actually spent.

Based on our audit of this Program, we concluded that transfer payments approved for municipal delivery agents were reasonably controlled in that they were directly related to the amount of services to be provided. We also concluded that the monitoring and assessment of services provided by municipal delivery agents to Ontario Works Program participants was not sufficiently comprehensive to determine whether these services were meeting the Ministry's expectations. In that regard, we recommended that the Ministry ensure that:

- it can demonstrate that all social assistance recipients required to participate in the Ontario Works Program are in fact registered in the Ontario Works Technology information system or equivalent and have entered into a participation agreement; and
- the administration and effectiveness of the Program is adequately monitored.

### **3.03 Ministry of Education and Training Acquisition and Management of Elementary and Secondary School Facilities**

As of July 1998, Ontario school boards operated 5,100 elementary and secondary schools. These schools had a replacement cost of approximately \$26 billion and cost \$1.3 billion annually to heat, light, clean and maintain. A 1996 study forecast the need for a further 289 schools by 2001 at a cost of \$2.2 billion. In March 1998, the Ministry announced major changes to the way capital and operating costs for Ontario schools will be funded.

We reviewed rather than audited the systems and practices for acquiring and operating school facilities at selected school boards in relation to the Ministry's plans for revising the funding for pupil accommodation expenditures. We concluded that the new funding model is designed to encourage boards to acquire and operate their schools more cost effectively and to publicly demonstrate that they have done so. To help school boards manage their facilities more cost effectively, we recommended that the Ministry:

- establish procedures to verify the capacity of existing schools and promote experimentation by school boards with various semester, scheduling and other options that make better use of existing capacity;
- provide further guidance to boards on the information needed to identify and dispose of surplus schools more expeditiously; and
- assist boards to obtain and implement reliable information systems and better practices for ensuring and demonstrating that the resources devoted to operating and maintaining schools have been well managed.

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### **3.04 Ministry of Finance Land Transfer Tax Program**

The *Land Transfer Tax Act* requires that purchasers pay a tax when an interest in ownership of land is transferred in Ontario. The tax is based on the value of consideration paid and is generally paid when the land transfer is registered at one of the land registry offices operated by the Ministry of Consumer and Commercial Relations. For the 1997/98 fiscal year, approximately 345,000 transfers in interest in land were reported, which resulted in the collection of \$544 million in land transfer tax.

Based on our audit of this Program, we concluded that both the Ministry and the land registry offices had adequate procedures in place to ensure that the declared amount of land transfer tax was collected and deposited to the Consolidated Revenue Fund, refunded or exempted based on the value of consideration and other information declared by purchasers.

However, procedures were not sufficient to ensure that declared values of consideration and other information were reasonable, and, therefore, ultimately to ensure that the appropriate amount of tax has been declared and paid. In that regard, we recommended that the Ministry:

- clearly establish and communicate its expectations for land registry office staff in processing land transfer tax transactions;
- periodically provide training to land registry office staff on current land transfer tax issues and ensure that their manuals, informational guides and bulletins are complete and up to date; and
- increase the number of audits currently being conducted and better document the audit procedures applied.

### **3.05 Ministry of Health Long-Term Care Community Based Services Activity**

The Long-Term Care Division administers the Long-Term Care Community Based Services Activity. The Activity provides funding for homemaking and professional services for people at home who would otherwise need to go to, or stay longer in, hospitals or long-term care facilities. Funding is also provided to community support service agencies that assist frail elderly people and people with disabilities to live as independently as possible in their own homes. In the 1997/98 fiscal year, the Ministry provided approximately \$1.2 billion in funding for the Activity.

As a result of our audit of the Activity, we concluded that:

- the Ministry did not have adequate procedures in place to measure and report on the effectiveness of the Activity;
- although the Ministry had developed adequate procedures to ensure compliance with applicable legislation and ministry policies, in a number of areas procedures were not being followed; and
- the Ministry has recognized that its procedures have not ensured that resources are used with due regard for economy and efficiency. Accordingly, the Ministry has taken action to decrease funding inequities and has introduced competitive acquisition processes. However, improvements are still needed.

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We recommended that the Ministry:

- measure and report on the relevant performance indicators for Community Care Access Centres;
- develop appropriate procedures and timelines for the inspection of long-term care community service agencies;
- establish adequate procedures for verifying that services paid for were actually provided and authorized; and
- review and update the funding formula to ensure the distribution of funds is fairly and equitably related to service needs.

### **3.06 Ministry of Health Ontario Health Insurance Plan**

The Ontario Health Insurance Plan (OHIP), established under the *Health Insurance Act*, pays at specified rates for insured services provided to residents of Ontario by physicians and other health care providers, commercial laboratories, and diagnostic and therapeutic facilities. OHIP also pays for medical and hospital treatment provided to Ontario residents in other provinces and outside of Canada. In the 1997/98 fiscal year, OHIP paid approximately 134 million claims totalling \$5.1 billion.

As a result of our audit, we concluded that: the Ministry's controls over OHIP claims were not strong enough to be fully effective; procedures in place to assess the effectiveness of the OHIP system were not sufficiently comprehensive; and monitoring of health care provider billings was inadequate for addressing inappropriate payments. We also concluded that the information technology used in processing OHIP claims was managed with due regard for economy and efficiency.

We recommended that the Ministry:

- complete the verification of persons registered prior to 1995 to ensure that services are provided only to eligible individuals;
- strengthen policies and procedures for verifying the authenticity of out-of-country claims to ensure that only valid claims are processed;
- regularly review the use of claims-processing override codes to ensure that only valid claims are paid; and
- implement sanctions permitted under the *Health Insurance Act* to deter misuse of the system by health care providers.

### **3.07 Ministry of Municipal Affairs and Housing and Ontario Housing Corporation/Rent Supplement Programs**

In 1997 the provincial and federal governments provided rent subsidies of over \$131 million to permit eligible households to obtain affordable accommodation in the private sector and in certain federally supported non-profit and cooperative housing projects. Rent supplement units owned by private sector landlords were administered by the Ontario Housing Corporation and its 54 local housing authorities. Rent supplement units in the federally



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supported non-profit and cooperative housing projects were administered by the Ministry of Municipal Affairs and Housing.

Based on our audit of these programs, we concluded that the Ministry and the Ontario Housing Corporation were not in a position to ensure that rent supplement programs are delivered as economically, efficiently and in compliance with requirements as possible. In addition, public reporting on performance was not sufficient.

Given the government's decision to transfer to municipalities funding responsibility for social housing programs, including rent supplement programs, on January 1, 1998 and also to transfer administrative responsibility for the programs by January 1, 2000, our key recommendations to the Ministry and Ontario Housing Corporation were to:

- strengthen local board oversight and reporting responsibilities for the programs because the existing centralized reporting model and the division of responsibilities between Ontario Housing Corporation and the Ministry will not be appropriate once devolution to municipalities has occurred;
- make greater use of income tax information and of the results of investigations involving rent supplement subsidized tenants conducted by the Ministry of Community and Social Services to verify tenant eligibility and subsidy amounts; and
- negotiate with stakeholders the removal of program and agreement restrictions that limit the ability of local housing authorities to save several million dollars.

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### **3.08 Ministry of Natural Resources Financial Controls Review**

In administering natural resources programs during the 1997/98 fiscal year, the Ministry spent \$521 million and collected \$448 million in revenues. Expenditures consisted of \$252 million for staff salaries and benefits and \$269 million for other expenditures, which included primarily the purchase of supplies, services and equipment.

We reviewed rather than audited the Ministry's financial controls, systems and procedures to determine whether they were adequate to ensure that expenditures were properly authorized, processed and recorded, and that revenues were properly billed, collected and recorded.

We concluded that there were a number of significant weaknesses in the Ministry's financial controls, systems and procedures. Records had not been properly maintained for the Ministry's accountable advance account, and, as a result, the account had accumulated errors totalling \$1.3 million. Weak controls over payroll permitted employees to be paid when they did not work and to be paid incorrect termination amounts. Also, the Ministry did not have sufficient procedures in place to ensure that the \$126 million it received for water power fees during the 1997/98 fiscal year was all that it was entitled to.

Accordingly, we recommended that the Ministry:

- maintain proper records for its accountable advance account and thoroughly investigate the \$1.3 million in errors to ensure that all payments made through the account over the past five years were appropriate;
- follow up and collect \$800,000 of advances to employees that have not been subject to appropriate collection procedures for several years;

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- implement procedures to improve payroll controls to ensure that employees are only paid what they are entitled to; and
  - establish procedures to bill and collect water power fees in accordance with legislation and legal agreements to ensure the receipt of all the fees it is entitled to.

### **3.09 Ministry of Natural Resources Fish and Wildlife Program**

The Ministry is responsible for the sustainable development of the province's fish and wildlife resources, including the development of the economic activities and communities that depend on these resources. The Fish and Wildlife Program, governed by the *Game and Fish Act*, spent \$72 million during the 1997/98 fiscal year.

Based on our audit, we concluded that the Ministry was not in a position to assess its success in achieving the sustained development of fish and wildlife resources or to identify areas needing corrective action. Sufficient information for making appropriate decisions about the management of the province's fish stocks and big game (moose, deer and bear) was lacking.

We recommended that the Ministry:

- put in place adequate policies for the management of moose, deer and bear populations and base its decisions regarding the sustainability of these populations and the number of hunting tags to be issued on sufficiently complete information on the populations and demographics of these big game species;
- assess fish populations and develop related information to better manage regeneration, stocking and harvesting of fish; and
- review the level of enforcement activity in all areas of the province to determine whether sufficient deterrent patrols are being carried out to prevent illegal activity.

### **3.10 Ministry of Natural Resources Science and Information Resources Division**

The Science and Information Resources Division of the Ministry provides leadership in the development and application of scientific knowledge, information management and information technology for the Ministry's programs and activities. For the 1997/98 fiscal year, the Science and Information Resources Division employed approximately 500 staff, and its expenditures totalled \$63.5 million.

As a result of our audit, we concluded that the Science and Information Resources Division did not ensure that certain program resources were adequately managed with due regard for economy and efficiency, and satisfactory procedures were not in place to measure and report on the effectiveness of the Division's activities. Specifically, we noted:

- The Ministry's overall science needs were not prioritized, and researchers were not required to support their proposals for new projects with objective analysis and input from the Ministry's other divisions.
- Information technology project plans did not include proper business cases to justify the costs of the projects, and systems were not in place to reliably monitor project costs.

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- Contrary to mandatory government policy, consultants were frequently engaged without competition. Competition was also avoided and Management Board of Cabinet's Directives were circumvented by splitting work into a number of smaller, successive assignments.
- In December 1996, the Ministry entered into a computer lease agreement for \$21 million before determining specifically what computer equipment it required. This resulted in numerous adjustments to the initial contract and an increase in costs totalling \$7 million.
- The Ministry did not obtain the required approval from the Management Board Secretariat for information technology leases entered into since June 1996 which were valued at approximately \$66 million.

Accordingly, we made recommendations for the Ministry to improve its management of these program resources and the Division's practices and procedures.

### **3.11 Ministry of the Solicitor General and Correctional Services Office of the Fire Marshal**

The primary function of the Office of the Fire Marshal (OFM) is to minimize the loss of life and property from fire by helping municipalities and fire departments improve their fire protection and prevention services. The *Fire Protection and Prevention Act*, which came into force in October 1997, provides the Fire Marshal with the authority to monitor, review and advise municipalities respecting their provision of fire protection services and to make recommendations to municipal councils for improving the efficiency and effectiveness of those services. For the 1997/98 fiscal year, program expenditures were \$23 million, of which 70% was for staffing. The OFM had approximately 220 staff as of March 31, 1998.

On the basis of our audit, we concluded that current effectiveness measures were not sufficiently comprehensive to assess the effectiveness of municipal fire services or OFM programs.

We also concluded that, on an overall basis, the OFM had satisfactory systems and procedures in place to promote compliance with fire safety legislation and efficient and effective municipal fire services. However, improvements were required to deal with *Fire Code* and *Hotel Fire Safety Act* violations identified in over 40% of fire safety inspections.

Accordingly, we recommended that the Ministry:

- develop improved measuring and reporting of the effectiveness of provincial and municipal efforts to minimize the loss of life and property from fire;
- examine, in conjunction with other stakeholders, existing and new options, including stringent enforcement and education, to promote compliance by property owners with fire safety legislation; and
- more actively promote the need for municipalities to periodically prepare master fire plans for the OFM's review to improve municipal fire services and help identify the existence of serious threats to public safety.

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### **3.12 Ministry of the Solicitor General and Correctional Services Ontario Provincial Police**

Under the *Police Services Act*, the Ontario Provincial Police (OPP) is responsible for policing areas of Ontario that do not have their own police agencies. In addition, it is responsible for patrolling traffic on certain highways, maintaining specialized investigative and enforcement capabilities to assist municipal police agencies, and enforcing liquor and other laws as the Solicitor General may direct in serving provincial interests.

The OPP has over 4,750 uniformed officers, some 770 auxiliary members who provide over 160,000 hours of volunteer services, and over 1,400 civilian employees. For the 1997/98 fiscal year, total OPP expenditures amounted to \$541 million, of which \$421 million was for salaries and benefits.

Based on our audit, we concluded that the OPP had yet to fully implement effective community policing initiatives and that significant refinements would be needed to measure the OPP's success in reducing road fatalities and personal injuries.

Also, we found that there was significant mismatching of officer hours worked with calls for OPP service and that overtime hours worked by officers had steadily increased since 1993 despite a relatively stable level of calls for services. In addition, of the 40 municipalities with OPP policing service contracts, 5 had not been billed for OPP services that amounted to \$23 million for three years as of the end of 1997. Five other municipalities had been billed but had not paid for about \$6.6 million of OPP services since 1993.

To better assess the effectiveness of the OPP in serving the community, we recommended that the OPP fully implement the process it has developed for identifying and prioritizing community policing services and develop outcome measures that can be more directly attributed to OPP traffic management services.

To ensure that policing services are delivered with due regard for economy and efficiency, we recommended that the OPP:

- revise staff scheduling practices to better align the deployment of hours worked by officers with the service requirements of the communities involved;
- establish better management controls to ensure that overtime hours are worked only on the basis of clearly justified needs; and
- improve cost-identification of policing services to municipalities and work with the Ministry to ensure effective billing and collection of revenues from such services.

#### **Special Report on Year 2000: The Millennium Bug**

Section 12(1) of the *Audit Act* permits the Provincial Auditor to make a special report to the Speaker of the Legislative Assembly at any time on any matter that in the opinion of the Provincial Auditor should not be deferred until the tabling of the Annual Report. In this regard, on June 16, 1998, the Provincial Auditor submitted a special report to the Legislative Assembly on the Year 2000 issue describing the status of the Ontario government's actions to ensure that its computer systems are Year 2000 compliant.

In the report, we urged the government to significantly pick up the pace of its Year 2000 compliance efforts. As at March 31, 1998, six of the 63 mission critical projects were in the

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testing phase, 38 were in the code conversion phase, and 19 projects were still finalizing their assessment and conversion plans.

Although we concurred with mission critical projects being given first priority, we noted that only limited work had been done in assessing the extent of the problems with respect to the thousands of less critical systems, telecommunications equipment, other equipment with date-dependent computer chips, and personal computers and related software. Our research and discussions with other organizations and our consultants indicated that resolving problems in these areas had been unexpectedly time-consuming and difficult.

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