
CHAPTER ONE

Overview

SPECIAL REPORT 2000

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Under section 12 of the *Audit Act*, the Provincial Auditor is required to report annually to the Speaker of the Legislative Assembly after the fiscal year end is closed and the Public Accounts have been laid before the Assembly. This year, there was a delay in the Public Accounts being laid before the Assembly. In fact, by October 13, 2000, my Office had not received a final draft of the province's Financial Statements from the Ministry of Finance to enable us to finalize the Auditor's Report on the Public Accounts. As a result, we could also not finalize the parts of our Annual Report that relate to the Public Accounts. However, other, significant portions of our report had been completed and were ready for publication; specifically, our value for money audit reports and follow-ups of recommendations made in our *1998 Annual Report*. In my opinion, these matters should not be deferred until the Annual Report is tabled. Therefore, I am tabling this *Special Report on Accountability and Value for Money* in order that the Legislature and the Standing Committee on Public Accounts be informed of the results of these audit activities and be able to take action in a timely manner. The Annual Report, containing my opinion and comments on the financial statements of the province, will be tabled after the Public Accounts have been tabled.

ACCOUNTABILITY

Chapter Two addresses specific issues of governance and accountability in government. This year there are two issues that I believe warrant discussion to improve accountability to the Legislature for the prudent use of public funds: concerns regarding public accountability for the Ontario Innovation Trust and legislative proposals for increased public accountability.

With respect to the \$750 million flowed to the Ontario Innovation Trust, I believe that accountability to the Legislature, and therefore to the taxpayers, for the expenditure of these public funds is significantly impaired. As well, \$500 million of this amount was preflowed to the Trust well before the Trust actually required the funds.

About half of the province's annual expenditures, approximately \$30 billion, are spent by the government as transfer payments to government service delivery agents. The *Audit Act* currently does not permit my Office to access on a discretionary basis all the information necessary to report to the Legislature the extent to which these agents achieve intended results and whether or not taxpayers are receiving value for money spent. Accordingly, we have sought over the last decade to have the *Audit Act* amended to enable my Office to assist the Legislature in strengthening public accountability.

Over four years ago, the Standing Committee on Public Accounts unanimously endorsed our proposed amendments to the *Audit Act*, but there has been no action in this area on the part of

the government. In my opinion, the proposed revisions deserve more serious and timely consideration as they will enable my Office to better and more comprehensively serve the Legislature and thereby the taxpayers of Ontario. I recommend that the Committee revisit this subject in its upcoming sitting.

With regard to the proposed Public Sector Accountability Act, I continue to be a strong advocate of any legislation that enhances public sector accountability.

VALUE FOR MONEY AUDIT RECOMMENDATIONS

OVERALL COMMENTS

As I have emphasized in previous 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.

This year, one of the significant themes of my Special Report, as in past reports, is that ministries still require improvements in the quality of their information about the economy and efficiency of the programs and services they deliver. We found that they often lacked adequate procedures for measuring and reporting on program effectiveness. There are significant opportunities to improve information for decision making, which would lead to an improved administration of public funds and better performance in delivering government services.

I would like to highlight some of the areas where we identified the need for significant improvements:

- Over 50% of land ambulance operators were not meeting established response time requirements, which were based on 1996 actual response times.

The land ambulance system, when realigned through downloading to municipalities, may not provide a balanced and integrated system of services and may cost Ontarians an additional \$100 million to achieve 1996 actual response times.

- Agricorp failed to manage certain of its resources with due regard for economy and efficiency and, on a number of occasions, failed to safeguard the resources entrusted to it.
- The Ministry of the Environment did not know the extent to which facilities that discharge contaminants into the environment were meeting current environmental standards and consequently, where corrective action had to be taken.

A 25% reduction in staff at the Ministry over the last few years had contributed to a 34% decrease in the number of ministry-initiated inspections conducted per year.

- In the process of implementing an infrastructure renewal project with estimated capital costs of over \$270 million, the Ministry of Correctional Services did not properly assess the viability of alternative delivery options to ensure best value to the taxpayers.

The estimated cost to build a new cooking facility to serve a number of correctional institutions had increased from \$5 million to \$9.5 million. As well, the facility's production capacity would be 1,000 meals a day short of meeting the needs of the institutions to be served.

- The project to automate the land registration system (POLARIS) was transferred in 1991 by the Ministry of Consumer and Commercial Relations to Teranet Land Information Services Inc. (Teranet). According to a consultant's study, the 1991 cost estimate of \$275 million to complete POLARIS could now be as high as \$1 billion, and though the original anticipated completion date was 1999, Teranet has indicated a project completion date of 2010.

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THE AUDITING AND REPORTING PROCESS

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 Special 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.

Before beginning an audit, staff meet with auditee representatives to discuss the focus of the audit in general terms. During the audit, 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, then 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 in the report sections that comprise Chapter Three of this Special Report.

Immediately prior to the tabling of our reports to the Legislative Assembly, 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 report for review and calls upon representatives of the audited ministries and agencies to attend as witnesses.

Since 1993 it has been our practice to make specific recommendations in our value for money audits and reviews for corrective action by ministries and agencies and, two years after the publication of the recommendations in our report, to follow up on the status of actions taken. Chapter Four of this report contains our comments on the current status of actions taken on the recommendations made in our *1998 Annual Report*.

VALUE FOR MONEY REPORT SUMMARIES

The following are summaries of the 15 reports on value for money audits and reviews contained in Chapter Three of this Special Report. The auditees' responses in Chapter Three indicate that action to implement many of our recommendations has been planned or has already been taken.

3.01 Ministry of Agriculture, Food and Rural Affairs AgriCorp

Established by the *AgriCorp Act, 1996*, AgriCorp's primary business is to administer insurance plans for the agriculture and food industry. As of March 31, 2000, AgriCorp held assets totalling \$604 million in its General Fund, Crop Insurance Fund and Market Revenue Program fund. AgriCorp's General Fund paid administrative expenditures totalling over \$16 million for the fiscal year ended March 31, 2000. During the same fiscal year, the other two funds paid \$180 million to compensate Ontario farmers for losses from reduced crop yields and low market prices.

We concluded that AgriCorp did not have adequate procedures in place to ensure that its activities complied with legislation and corporate procedures. In addition, AgriCorp failed to manage certain of its resources with due regard for economy and efficiency and, on a number of occasions, failed to safeguard the resources entrusted to it. Also, AgriCorp did not have the necessary governance and accountability procedures in place to ensure that the Corporation was well managed or to provide the information required to measure and report on its effectiveness.

Some of our specific findings were:

- Inappropriately utilizing ministry funds, AgriCorp lost \$325,000 in a speculative investment initiative to buy and sell bonds on a daily basis. AgriCorp also violated its fiduciary responsibility by attempting to transfer the loss to the Ontario Crop Insurance Fund. My Office had to intervene to reverse this transfer.
- Contrary to legislation, on several occasions AgriCorp sought to remove money from the Ontario Crop Insurance Fund to pay for its administrative expenses. My Office had to intervene to ensure the Fund remained intact.
- Without a proper business case and without tender, AgriCorp engaged an intermediary to place \$14.5 million of reinsurance coverage with private insurance companies.
- AgriCorp received little or no value for the \$3 million it spent on information technology development projects that were poorly planned, controlled and managed. In addition, information technology consultants were engaged without competition and provided with training at taxpayers' expense, and several consultants were retained for periods ranging from five to 13 years at rates of up to \$640 per day.
- AgriCorp engaged an investment advisor for a minimum annual fee of \$400,000 without competition. The advice received was of little value as the advisor repeatedly recommended investments to AgriCorp that were contrary to its legislation.

Accordingly, we made a number of recommendations to improve the management and governance of AgriCorp and received commitments from AgriCorp and the Ministry that they would take corrective action.

3.02 Ministry of Community and Social Services Child Welfare Services Program

The Ministry is responsible for setting expectations for child welfare services through legislation and regulations, as well as for funding and monitoring services provided by Children's Aid Societies (Societies) and taking corrective action where necessary. Services provided by the Societies include: investigating and assessing child abuse and neglect allegations, as well as providing counselling, guardianship and many other types of services that protect children from neglect and physical, sexual and emotional abuse.

The Ministry estimated that 154,000 children from 86,000 families received some type of service from a Society during the fiscal year ending March 31, 2000. Program expenditures during that year totalled approximately \$654 million, of which \$642 million was for transfer payments to the Societies.

Our principal conclusion was that the Ministry did not have sufficient assurance that children in need were adequately protected because:

- Societies could not always demonstrate that they conducted their assessments of children reported to be in need;
- not all plans of service, which outline the actions that need to be taken to protect a child, were prepared or implemented on a timely basis by the Societies; and
- program outcome measures had not been developed and implemented.

We also concluded that the Ministry's new funding framework, which is to be fully implemented in the 2000/01 fiscal year, is a substantial improvement over the Ministry's previous method of determining the Societies' program funding. However, the Ministry will not realize the full benefits of the new funding framework until direct and indirect service costs to be funded are linked to the nature and assessed cost of the underlying services to be received.

We made recommendations to overcome these deficiencies and the Ministry responded to our recommendations with commitments to take corrective action.

3.03 Ministry of Consumer and Commercial Relations Project to Automate the Land Registration System (POLARIS)

In 1980, the Ministry established POLARIS (Province of Ontario Land Registration System), a project to automate the province's land registration system. The project involves the conversion and automation of paper-based records to permit the searching and registration through computers of real property documents. In 1991, the Ministry transferred ownership and responsibility for the implementation and operation of POLARIS to Teranet Land Information Services Inc. (Teranet), a corporation owned jointly by the province, with 40% of the voting shares, and a private sector company, with 60% of the voting shares. As of March 31, 2000, approximately 2.5 million of the estimated 4.3 million properties in the province had been fully converted to electronic format.

Teranet receives fees collected by the Ministry for registration and ancillary transactions that the Ministry processes using POLARIS. In return, the Ministry receives royalties from Teranet for registration-related revenue and for ancillary and certain other services. Since 1991, the Ministry has, out of the Consolidated Revenue Fund, paid Teranet \$235 million from revenue

obtained for automated land registration and ancillary services, of which Teranet has paid back \$45 million in royalties to the Ministry.

During our review, we identified a number of significant concerns with the Ministry's arrangement with Teranet and the status of its project to automate the province's land registration system, including:

- In 1991, the POLARIS project had an anticipated 1999 completion date, but at the time of our review, Ministry information received from Teranet indicated a 2010 project completion date.
- Cost estimates to complete the project had substantially increased from the original 1991 estimate of \$275 million. As of April 1999, Teranet estimated that total costs for the project would be more than \$700 million—an estimate based on Teranet's assumption that certain cost-saving methods could be implemented. A consultant engaged by the Ministry to provide advice on the Ministry's financial risk with respect to the project noted that other, less favourable scenarios estimate the total project costs to exceed \$1 billion.
- The consultant also noted that the cost to convert the remaining 1.8 million properties using existing workflows and processes exceeds the anticipated revenues from conversions.
- There is a risk that if the Ministry were required to terminate its agreement with Teranet and assume operation and control of the POLARIS project, it would have to address Teranet's \$280-million obligation to its bondholders. As well, the Ministry may have to compensate Teranet for all or part of the \$300 million in costs Teranet has incurred.

The Ministry advised us that it had not agreed to changes to the contractual obligations of Teranet for completing the project and that it was in the process of deciding on an appropriate course of action. We plan to follow up on the Ministry's progress in due course.

3.04 Ministry of Correctional Services Institutional Services and Young Offender Operations

The Ministry's Institutional Services and Young Offender Operations (Institutional Services) is responsible for the operation of Ontario's correctional institutions. These institutions provide custody for adult offenders sentenced to terms of up to two years less a day and for accused persons on remand awaiting trial. They also provide custody for young offenders between 16 and 17 years of age.

For 1999/2000, Institutional Services had operating expenditures of approximately \$463 million and about 6,200 staff. On a daily basis there were approximately 7,400 adult and 700 young offenders in 47 correctional institutions.

We concluded that in the process of implementing an infrastructure renewal project with estimated capital costs of over \$270 million, the Ministry did not properly assess the viability of alternative delivery options to ensure best value to taxpayers. In that regard, we found that:

- The Ministry's decision to finance and build two 1,200-bed correctional institutions at a cost of \$180 million was not supported by a comprehensive business case assessing the risks, costs and benefits of all relevant alternatives.
- A proper business case and cost-benefit analysis were not done for building a new cooking facility within a correctional institution under expansion to provide prepared food to a

number of correctional institutions. At the completion of our fieldwork, the estimated cost to build the facility had increased from \$5 million to \$9.5 million. As well, the facility's production capacity would be 1,000 meals a day short of meeting the needs of the correctional institutions to be served.

In addition, despite a decline in average inmate count in recent years, the operating expenditures for Institutional Services between 1995/96 and 1999/2000 had increased 19% from \$388 million to \$463 million. Specifically, we noted that:

- The number of offenders in the Temporary Absence Program, which is designed to protect society by enabling non-violent offenders to maintain community and family relationships and responsibilities, had declined from 25,000 to 4,000 between 1991/92 and 1998/99. The under-utilization of the community program resulted in the Ministry foregoing significant potential savings of as much as \$50 million a year.
- The average number of sick days per correctional officer increased 38% from 12 days in 1995 to 16 days in 1998. Overtime expenditures increased 48% from \$11.1 million in 1996/97 to \$16.5 million in 1998/99.

We also found that about 60% of the Ministry's 47 correctional institutions had security non-compliance problems that had not been rectified for up to two years.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

3.05 Ministry of Education Pupil Transportation Grants to School Boards

The transportation of students from home to school and back is a major undertaking as approximately 800,000 students are eligible for service. The Ministry of Education's transportation grants to school boards for the 1999/2000 school year totalled \$575 million.

These grants were based on the 1997 transportation expenditures of school boards with adjustments for changes in enrolment. The Ministry was in the process of designing a grant formula that is based on need rather than enrolment and expected to implement the new formula in time for the school boards' 2001/02 fiscal year.

We concluded that the Ministry, which was working toward its five-year plan to revise its funding and accountability relationship with school boards, still had to establish satisfactory systems and procedures to ensure that:

- school boards and the Ministry have the information needed to measure and report on transportation service performance;
- the Ministry has the information needed to establish equitable funding for these services; and
- the costs to provide transportation services to high needs students are properly tracked and managed.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

We also assessed whether the Ministry of Transportation had established satisfactory systems and procedures to fulfil its statutory responsibilities with respect to operators of school purpose vehicles and to contribute to the safe transportation of students (see Section 3.15).

3.06 Ministry of the Environment Operations Division

The Operations Division is responsible for administering the Ministry's approvals and enforcement activities. It also responds to reports of pollution and spills that may have health and environmental impacts. In addition, the Division cleans up abandoned contaminated sites using funds available in the Environmental Clean-Up Fund.

For the 1999/2000 fiscal year, the Division had total expenditures of \$62 million and about 680 staff. Since 1994, the Division had reduced its staff level by over 25%.

We concluded that the Ministry did not have satisfactory systems and procedures in place to administer approvals and to enforce compliance with environmental legislation. Our major concerns included:

- The Ministry's systems did not enable it to assess whether and to what extent the over 220,000 certificates of approval issued since 1957 were up to date. Certificates of approval are required for any facility that discharges contaminants into the environment. As a result, the Ministry did not know the extent to which facilities were not meeting current environmental standards and, consequently, where corrective action had to be taken.
- Over \$90 million in financial assurance was not obtained from facility operators, as required under legislation, to clean up potential damages that operators may cause to the environment.
- A 25% reduction in staff over the last four years had contributed to a 34% decrease in the number of ministry-initiated inspections conducted per year. Further, the Ministry relied extensively on facility operators to comply voluntarily rather than impose available stringent enforcement measures. This was of particular concern as one-third of violations found by ministry inspectors were repeat violations and the Ministry identified significant violations in 31% of the inspections it conducted.
- The Ministry usually learned of contaminated sites only after serious harm to the environment had already occurred.
- Over \$10 million in fines had accumulated over many years. The Ministry had not supported the collection of fines as it could have by aggressively enforcing environmental legislation that allows it to suspend violators' operations if necessary.

We also concluded that the Ministry was not measuring and reporting on its performance in a comprehensive and objective manner in order to demonstrate its progress in managing the environment.

Accordingly, we made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

3.07 Ministry of Finance Retail Sales Tax Program

The *Retail Sales Tax Act* currently imposes a general sales tax of 8% on the retail price of most goods and services sold to final consumers. Various tax exemptions cover thousands of items and are aimed at reducing tax regression or promoting economic or social objectives. Examples of such exemptions include children's clothing, equipment for use by people with disabilities and goods purchased by Status Indians under certain conditions.

At December 31, 1999, approximately 380,000 vendors were registered to collect and remit retail sales tax (RST) to the province. RST receipts for the 1999/2000 fiscal year totalled approximately \$12.6 billion, net of \$159.5 million in refunds, which represented 21% of the province's total revenue.

Although RST revenues have increased significantly, and the Ministry has made improvements to its administration of this program since we last audited it in 1995, we concluded that the Ministry needed to further improve its procedures because it did not:

- conduct research into the underground economy in order to identify sectors of the economy in need of more rigorous compliance and enforcement action;
- have adequate procedures in place to ensure that all vendors that should have been registered with the Ministry to collect RST were in fact registered;
- include all segments of the small vendor population in its audit coverage;
- select vendors for audit more representatively with a view to encouraging broad-based voluntary compliance;
- follow up on all overdue vendor sales tax returns on a timely basis; and
- often make adequate or timely collection efforts, particularly for the many smaller outstanding balances.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take correction action.

3.08 Ministry of Health and Long-Term Care Community Health Centre Program

Community health centres (CHCs) provide primary health care, health promotion and other health, educational and social services to identified priority groups within their geographical areas. Unlike most primary health care providers, which are funded on a fee-for-service basis, CHCs have fixed budgets and provide services using salaried staff. For the 1999/2000 fiscal year, the Ministry provided approximately \$87 million to fund 56 CHCs.

Our major concerns with the Program were:

- The Ministry had not assessed the efficiency, effectiveness and ability of CHCs to provide quality care.
- Funding for CHCs was not linked to the expected amount of services to be provided, the number of clients to be served, or the anticipated outcomes.

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- The Ministry had no assurance that CHCs regularly review the quality of care they provide and the services they deliver.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

3.09 Ministry of Health and Long-Term Care Emergency Health Services

Under the *Ambulance Act*, the duties and powers of the Minister of Health and Long-Term Care include ensuring “the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances.” The deadline for municipalities to assume responsibility for providing land ambulance services is January 1, 2001. During the 1999/2000 fiscal year, Emergency Health Services’ expenditures, prior to recoveries from municipalities for their portion of ambulance operating costs, were approximately \$404 million.

Our major concerns were:

- Land ambulance services were being downloaded to municipalities at a time when over 50% of land ambulance operators were not meeting response time requirements, which were based on 1996 actual response times. In addition, these requirements varied widely across the province.
- The Ministry estimated that an additional \$40 million annually and \$11.6 million in one-time funding were needed to meet established response time requirements.
- The risk of poor response times was increased because, as stated by the Emergency Services Working Group, 36% of the time that hospitals requested redirect consideration and critical care bypass, their emergency departments were not at full capacity.
- The realigned land ambulance system may not provide a balanced and integrated system of services and may be more costly to Ontarians. The Ministry estimated that in the year 2000, an additional \$53 million would be needed to maintain the existing level of service, which was already not meeting response time requirements.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

3.10 Ministry of Health and Long-Term Care Health Service Organization and Primary Care Network Programs

The Health Service Organization (HSO) Program was established in 1973, and the Primary Care Network (PCN) Program was established in 1999. Each HSO and PCN comprises physicians who have agreed to provide a defined set of primary health care services to their enrolled patients. During the 1999/2000 fiscal year, the Ministry provided transfer payments totalling approximately \$75 million to HSOs and \$11 million to PCNs.

Our major concerns with the programs were:

- HSO patient rosters had only been verified once, despite the fact that approximately 8,000 of the 18,000 patients verified at that time proved to be ineligible and were removed from HSO rosters.

- The Ministry had not assessed whether it was receiving value for money for the more than \$20 million in annual funding it provided to the Group Health Association.
- Expansion of the PCN Program, to include 80% of eligible family doctors, was being planned while evaluations of the pilot PCNs were still not completed.
- Capitation (per person) funding rates did not take into account factors that may affect the need for primary health care, such as patients' medical histories.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

3.11 Ministry of Health and Long-Term Care Ontario Midwifery Program

The Ontario Midwifery Program was established in 1994 to fund professional midwifery services. For the 1999/2000 fiscal year, the Ministry provided approximately \$17 million to fund midwifery services.

Our major concerns with the Program were:

- There was a lack of adequate information to determine whether the objectives of the Program were being met.
- The Ministry had not assessed the cost-effectiveness of the current delivery and funding model for midwifery services.
- The current process for referring midwifery clients to specialists may be creating additional costs for the health care system.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

3.12 Management Board Secretariat Movable Assets

Ministries' movable assets consist primarily of office furniture and equipment, such as photocopiers and fax machines; information technology (IT) equipment, including desktop and notebook computers, printers and other peripherals; audio-visual equipment, such as televisions, VCRs and cameras; and motor vehicles.

During the 1998/99 fiscal year—the last year for which this information was available—all ministries spent approximately \$500 million on movable assets, much of which was spent on IT equipment in preparation for Y2K. However, the total value, type and quantity of movable assets on hand were not known because ministries did not keep adequate records in that regard.

We conducted our audit work at five ministries and issued a detailed report to each deputy minister of the ministries included in our scope. In addition, since Management Board Secretariat (MBS) develops government-wide policies and standards for acquiring and managing movable assets and had entered into a number of government-wide standing agreements for IT equipment acquisition, we summarized in this Section the more significant issues addressed in the individual ministry reports.

We concluded that although ministries generally followed the process recommended by MBS for acquiring IT equipment and used the MBS standing agreements with various manufacturers for their equipment acquisitions, doing so did not ensure that they received value for money spent because:

- communication between MBS and the ministries regarding the pricing provisions under the MBS standing agreements was insufficient to ensure that ministries were obtaining the best prices;
- there was no requirement for the ministries to demonstrate that the makes and models of equipment acquired were the most appropriate and cost-effective for their needs; and
- the cost effectiveness of leasing as the preferred option for most of the equipment acquired was not established, and the terms of the standing lease agreement were not competitively entered into nor was value for money achieved as a result of prepaying or overpaying lessors.

We also concluded that movable assets were not adequately managed because:

- accurate and up-to-date listings of all owned and leased movable assets were not maintained;
- the existence and efficient deployment of movable assets were not periodically verified; and
- missing or underutilized assets were not followed up on a timely basis.

We made a number of recommendations for improvement and received commitments from MBS and the ministries that they would take corrective action.

3.13 Ministry of Natural Resources Forest Management Program

Under the *Crown Forest Sustainability Act*, the Ministry is responsible for ensuring the long-term health of Ontario's Crown forests. The Act provides for the division of the province's productive Crown forests into management units and for the regulation of forestry planning, harvesting and renewal. The legislation also includes sanctions and penalties for non-compliance. The Ministry's role in ensuring the long-term health of Crown forests is progressively becoming one of overseeing the activities of forest management companies.

In the 1999/2000 fiscal year, the Ministry spent \$70.8 million on forest management and collected stumpage charges totalling \$155.7 million. In addition, two trusts set up to reimburse forestry management companies for renewal expenditures paid out an additional \$104.8 million for forest renewal and related activities.

We concluded that the Ministry did not have sufficient information to adequately meet its obligation to annually report on the management of Ontario's Crown forests. In addition, the Ministry has not yet completed its transition from directly managing many aspects of forestry to implementing appropriate oversight and monitoring procedures to ensure that forestry companies comply with legislation and ministry policy and to ensure that the long-term health of Ontario's Crown forests is managed with due regard for economy and efficiency. Specifically, we noted:

- The Ministry had not reported annually on the management of Ontario's Crown forests as required by the Environmental Assessment Board. In addition, sufficient information was unavailable in some forest management units to properly assess the *harvest area successfully renewed*, which is a key measure of forest sustainability.
- Over half the district offices reported that forest management companies had significantly over- or under-harvested. The actual harvests over the last six years for each of the 68 management units ranged from 20% to 122% of planned levels.
- In areas where the Ministry continued to perform compliance inspections after the responsibility for such inspections had been delegated to the forest management companies, ministry inspectors found significantly more violations than industry inspectors.
- Ministry district offices were inconsistent in imposing penalties for non-compliance and stricter penalties were likely warranted where warnings and less severe measures were not having the desired deterrent effect.

Accordingly, we made a number of recommendations to improve the Ministry's procedures for ensuring the long-term health of Ontario's Crown forests and received commitments from the Ministry that it would take corrective action.

3.14 Ontario Native Affairs Secretariat

The Ontario Native Affairs Secretariat works with First Nations, Aboriginal organizations and businesses to build strong, prosperous and self-reliant Aboriginal communities. The Secretariat conducts land claim negotiations on behalf of the province, implements land claim settlements, provides core and capital funding for Aboriginal organizations and projects, and fosters Aboriginal economic development. The Secretariat's expenditures were \$18.7 million for the 1999/2000 fiscal year.

We found that although the value of land claim settlements was adequately supported, improvements were needed in the timeliness of reporting and accountability by First Nations for the use of funding provided to them for land claim negotiations.

For the two capital programs funded by the Secretariat but delivered by two other ministries, we found that secretariat monitoring was inadequate and that the arrangement whereby the Secretariat funded but ministries delivered these programs blurred the lines of accountability.

In its advisory role, the Secretariat helps coordinate Aboriginal-specific programs delivered by other ministries. Expenditures for these programs exceed \$370 million annually. We concluded that the Secretariat needed to improve the timeliness of, accessibility to and level of detail in its database of information on these programs.

Accordingly, we made a number of recommendations for improvement and received commitments from the Secretariat that it would take corrective action.

3.15 Ministry of Transportation Monitoring School Purpose Vehicle Safety

In conjunction with our audit of pupil transportation grants provided to school boards by the Ministry of Education (see Section 3.05), we determined that it was important to also consider the Ministry of Transportation's role in ensuring that pupil transportation is safe.

We concluded that the Ministry can and should strengthen its systems and procedures for ensuring that operators of school purpose vehicles comply with legislative and regulatory safety requirements. In particular, the Ministry had not captured the information needed to ensure that:

- all school buses were subject to being selected for inspection; and
- those operator facilities and inspection stations posing the highest risk of non-compliance were selected for audit.

We also concluded that the Ministry had not sufficiently communicated the nature, extent and results of its enforcement activities to school boards and needed to coordinate efforts with them so that all safety risks are addressed and appropriate actions taken.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.