



Office of the Auditor General of Ontario

Office of the Auditor General of Ontario Operations Report



December 2023

Office of the Auditor General of Ontario Operations Report

The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly and the citizens of Ontario by conducting value-for-money, financial, information technology, governance and special audits, reviews and investigations, and reporting on them. In so doing, the Office helps the Legislative Assembly hold the government, its administrators, government agencies, Crown-controlled corporations and grant recipients accountable for how prudently they spend public funds, and for the value they obtain for the money spent on behalf of Ontario taxpayers.

The work of the Office is performed under the authority of the *Auditor General Act*. In addition, under the amended *Government Advertising Act, 2004*, the Auditor General is responsible for reviewing and approving certain types of proposed government advertising for compliance with this act. Also, we have a requirement to report on certain government reporting under the *Fiscal Sustainability, Transparency, and Accountability Act, 2019*, and in a year in which a regularly scheduled election is held, the Auditor General is required to review and deliver an opinion on the reasonableness of the government's multi-year fiscal plan with its expectations for the financial performance of the Province over the next three fiscal years.

On April 1, 2019, the *Restoring Trust, Transparency and Accountability Act, 2018* transferred many of the responsibilities of the former Office of the Environmental Commissioner of Ontario to the Office of the Auditor General of Ontario. A Commissioner of the Environment, appointed by the Auditor General, works as an Assistant Auditor General reporting directly to the Auditor

General. The Office conducts audits of government programs that impact the environment under the same processes as the Office's value-for-money audits and has additional reporting responsibilities with respect to the operation of the *Environmental Bill of Rights, 1993*. The Office is also able to report on energy conservation, greenhouse gas emissions reductions and any other environmental subjects the Auditor General considers appropriate to conduct work on and report on to the Legislative Assembly.

All five acts can be found at www.e-laws.gov.on.ca.

General Overview

Value-for-Money Audits

About 70% of the Office's work relates to value-for-money auditing, which assesses how well a given "auditee" (the entity that we audit) manages and administers its programs or activities. Value-for-money audits delve into the auditee's underlying operations to assess the level of service being delivered to the public and the relative cost-effectiveness of that service. The Office has the authority to conduct value-for-money audits of the following entities:

- Ontario government ministries;
- Crown agencies;
- Crown-controlled corporations;
- designated administrative authorities; and
- organizations in the broader public sector that receive government grants (for example,

agencies that provide mental-health services, children’s aid societies, community colleges, hospitals, long-term-care homes, school boards and universities).

The *Auditor General Act* (Act)—in subclauses 12(2)(f)(iv) and (v)—identifies the three criteria to be considered in a value-for-money audit:

- Money should be spent with due regard for economy.
- Money should be spent with due regard for efficiency.
- Appropriate procedures should be in place to measure and report on the effectiveness of programs.

The Act requires that the Auditor General report on any instances he may have observed where these three value-for-money criteria have not been met. More specific criteria that relate directly to the operations of the particular ministry, program or organization being audited are developed for each value-for-money audit.

The Act also requires that the Auditor General report on instances where the following was observed:

- Accounts were not properly kept or public money was not fully accounted for.
- Essential records were not maintained or the rules and procedures applied were not sufficient to:
 - safeguard and control public property;
 - effectively check the assessment, collection and proper allocation of revenue; or
 - ensure that expenditures were made only as authorized.
- Money was expended for purposes other than the ones for which it was appropriated.

Assessing the extent to which the auditee complies with the requirement to protect against these risks is generally incorporated into both value-for-money audits and “attest” audits (discussed in the Attest Audits section). Other compliance work that is also typically included in value-for-money audits includes determining whether the auditee adheres to key provisions in legislation and the authorities that govern the auditee or the auditee’s programs and activities.

The establishment of government programs and activities is the result of government policy decisions. Thus, our value-for-money audits focus on how well management is administering and executing government policy decisions, uses best practices and is aware of practices in other jurisdictions. It is important to note, however, that in doing so we do not comment on the merits of government policy. Rather, the Legislative Assembly holds the government accountable for policy matters by continually monitoring and challenging government policies through asking questions during legislative sessions and conducting reviews of legislation and expenditure estimates.

In planning, performing and reporting on our value-for-money audit work, we follow the relevant professional standards established by the Chartered Professional Accountants of Canada. These standards require that we have processes for ensuring the quality, integrity and value of our work. Some of the processes we use are described in the following sections.

Selecting What to Audit

The Office audits significant ministry programs and activities, organizations in the broader public sector, Crown agencies, Crown-controlled corporations and designated authorities. Audits are selected using a risk-based approach. Since our mandate expanded in 2004 to allow us to examine organizations in the broader public sector, our audits have covered a wide range of topics in sectors such as health (hospitals, long-term-care homes, Community Care Access Centres and mental-health service providers); education (school boards, colleges and universities); and social services (children’s aid societies and social-service agencies), as well as several large Crown-controlled corporations.

In selecting what program, activity or organization to audit each year, we assess how great the risk is that an auditee is not meeting the three value-for-money criteria mentioned previously, plus environmental considerations, and the potential negative consequences of those risks to the public it serves. Some of the factors

we consider in making this assessment include the following:

- the impact of the program, activity or organization on the public;
- the total revenues or expenditures involved;
- the complexity and diversity of the auditee's operations;
- the results of previous audits and related follow-ups;
- recent significant changes in the auditee's operations; and
- the impact of the program, activity or organization on the environment.

We also consider work conducted by the auditee's internal auditors, and may rely on, or reference, that work in performing our audit. Depending on what that work consists of, we may defer an audit or change our audit's scope to avoid duplication of effort. In cases where we do not reduce the scope of our audit, we still use and reference the results of internal audit work in our audit report.

Setting Audit Objectives, Audit Criteria and Assurance Levels

When we begin an audit, we set an objective for what the audit is to achieve. We then develop suitable audit criteria to evaluate the design and operating effectiveness of key systems, policies and procedures to address identified risks. Developing these criteria involves:

- extensive research on work done by recognized bodies of experts;
- other organizations or jurisdictions delivering similar programs and services;
- management's own policies and procedures;
- applicable criteria used in other audits; and
- applicable laws, regulations and other authorities.

To further ensure their suitability, the criteria we develop are discussed with the auditee's senior management at the planning stage of the audit.

The next step is to design and conduct tests so that we can reach a conclusion regarding our audit objective, and make relevant and meaningful observations and recommendations. Each audit report has a section titled "Audit Objective and Scope," in which the audit objective is stated and the scope of our work is explained. As required under the Act, we also report on circumstances where information was either difficult to obtain or not available for our review.

We plan our work so that we can obtain and provide assurance at an "audit level"—the highest reasonable level of assurance we can obtain. Specifically, an audit level of assurance is obtained by interviewing management and analyzing information that management provides; examining and testing systems, procedures and transactions; confirming facts with independent sources; and, where necessary because we are examining a highly technical area, obtaining independent expert assistance and advice. We also use professional judgment in much of our work.

Standard audit procedures are designed to provide a reasonable level of assurance that the audit will identify significant matters and material deviations. Certain factors make it difficult for audit tests to identify all deviations. For example, we may conclude that the auditee had a control system in place for a process or procedure that was working effectively to prevent a particular problem from occurring, but that auditee management or staff might be able to circumvent such control systems, so we cannot guarantee that the problem will never arise.

With respect to the information that management provides, under the Act we are entitled to access all information and records necessary to perform our duties.

Infrequently, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management; analyses of information provided by management; and only limited examination and testing of systems, procedures and transactions. We perform reviews when:

- it would be prohibitively expensive or unnecessary to provide a higher level of assurance; or
- other factors relating to the nature of the program or activity make it more appropriate to conduct a review instead of an audit.

Communicating with Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the value-for-money audit or review. Early in the process, our staff meet with management to discuss the objective, criteria and focus of our work in general terms. During the audit or review, our staff meet with management to update them on our progress and ensure open lines of communication.

At the conclusion of our on-site work, we brief management on our preliminary results. A conditional draft report is then prepared and provided to and discussed with the auditee's senior management, who provide written responses to our recommendations. These are discussed and incorporated into the draft report, which the Auditor General finalizes with the deputy minister or head of the agency, corporation or grant-recipient organization, after which the report is published as part of the Auditor General's Annual Report. In compliance with Chartered Professional Accountants Canada Standards, letters of representation are signed by senior management confirming they have provided and disclosed to our Office all relevant information pertaining to the audit.

Special Reports

As required by the Act, the Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, under section 12(1), the Office may make a special report to the Legislature at any time, on any matter that, in the opinion of the Auditor General, should not be deferred until the Annual Report.

Two other sections of the Act authorize the Auditor General to undertake additional special work. Under section 16, the Standing Committee on Public Accounts (Committee) may resolve that the Auditor General examine and report on any matter regarding the Public Accounts. Under section 17, the Legislative Assembly, the Committee or a minister of the Crown may request that the Auditor General undertake a special assignment. However, these special assignments are not to take precedence over the Auditor General's other duties, and the Auditor General can decline such an assignment requested by a minister if he believes it conflicts with other duties.

On May 16, 2023 we tabled in the Legislative Assembly a special report, *The State of the Environment in Ontario* and on June 20, 2023 we tabled another special report, *What Gets Measured Gets Managed: Ministries' Performance Measurement, Program Evaluation and Annual Reporting*.

On January 11, 2023, the Auditor General of Ontario received a joint letter from all three Ontario Opposition Party leaders requesting a value-for-money audit and an assessment of the financial and environmental impacts of government's decision to remove lands from the Greenbelt. On August 9, 2023, our *Special Report on Changes to the Greenbelt* was tabled in the Legislative Assembly.

Attest Audits

Attest audits are examinations of an auditee's financial statements. In such audits, the auditor expresses their opinion on whether the financial statements present information on the auditee's operations in accordance with Canadian generally accepted accounting principles.

Compliance audit work is also often incorporated into attest audit work. Specifically, we assess the controls for managing risks related to improperly kept accounts; unaccounted-for public money; lack of record keeping; inadequate safeguarding of public property; deficient

procedures for assessing, collecting and properly allocating revenue; and unauthorized expenditures.

The Auditees

Every year, we audit the consolidated financial statements of the Province and the financial statements of many agencies of the Crown. Specifically, subsections 9(1), (2) and (3) of the Act require that:

- the Auditor General audit the accounts and records of the receipt and disbursement of public money forming part of the Province's Consolidated Revenue Fund, whether held in trust or otherwise;
- the Auditor General audit the financial statements of those agencies of the Crown that are not audited by another auditor;
- public accounting firms appointed as auditors of certain agencies of the Crown perform their audits under the direction of the Auditor General and report their results to the Auditor General; and
- public accounting firms auditing Crown-controlled corporations deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of the accounting firm's report of its findings and recommendations to management (typically contained in a management letter).

Our *Annual Report* chapter on the Public Accounts of the Province of Ontario discusses this year's attest audit of the Province's consolidated financial statements. We do not typically discuss the results of our attest audits of agencies and Crown-controlled corporations in this report unless a significant issue arises and it would be appropriate for all Members of the Provincial Parliament to be aware of this issue. Agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible for the agency. Our Office also provides copies of our independent auditors' reports and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Treasury Board.

During the course of an attest audit of an agency, we identify areas for improvement and provide our recommendations to the agency's senior management in an audit findings report. We then discuss our recommendations with senior management and update the report to reflect the results of our discussions. After the draft report is cleared and the agency's senior management have responded to it in writing, we prepare a final report, which is discussed with the agency's audit committee (if one exists). We bring significant matters to the attention of the Legislature by including them in our Annual Report.

Within the Public Accounts chapter, Part 1 of **Exhibit 1** lists the agencies that were audited during the 2022/23 audit year. The Office also contracts with public accounting firms to serve as our agents in auditing a number of these agencies. Part 2 of **Exhibit 1** and **Exhibit 2** lists the agencies of the Crown and the Crown-controlled corporations, respectively, that were audited by public accounting firms during the 2022/23 audit year. **Exhibit 3** lists significant organizations in the broader public sector whose accounts are also audited by public accounting firms and included in the Province's consolidated financial statements.

Independence

The Auditor General and staff of the Office are independent of the government and its administration. This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Auditor General is appointed to a 10-year, non-renewable term, and can be dismissed only for cause by the Legislative Assembly. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Legislative Assembly, and is thus free to fulfill the Office's legislated mandate without political pressure.

The Board of Internal Economy, an all-party legislative committee that is independent of the government's administrative process, reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the Act, the

Office's expenditures in the 2022/23 fiscal year were audited by a firm of chartered professional accountants, and the audited financial statements of the Office were submitted to the Board and must be tabled in the Legislative Assembly. The audited statements and related discussion of expenditures for the year are presented at the end of this section.

Confidentiality of Working Papers

In the course of our reporting activities, we prepare draft audit reports and findings reports that are considered an integral part of our audit working papers. Under section 19 of the Act, these working papers shall not be laid before the Legislative Assembly or any of its committees. As well, our Office is exempt from the *Freedom of Information and Protection of Privacy Act* (FIPPA). This means our draft reports and audit working papers, including all information obtained from an auditee during the course of an audit, are privileged and cannot be accessed by anyone other than our Office under FIPPA, thus further ensuring confidentiality.

Code of Professional Conduct

The Office has a Code of Professional Conduct to ensure staff maintain high professional standards and keep up a professional work environment. The Code is intended to be a general statement of philosophy, principles and rules regarding conduct for employees of the Office. Our employees have a duty to conduct themselves in a professional manner, and to strive to achieve in their work the highest standards of behaviour, competence and integrity.

The Code explains why these expectations exist, and further describes the Office's responsibilities to the Legislative Assembly, the public and our auditees. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflicts of interest. All employees are required to complete an annual conflict-of-interest declaration

and undergo a police security check upon being hired and every five years thereafter.

Office Organization and Personnel

The Office is organized into portfolio teams to align with related audit entities and to foster expertise in the various areas of audit activity. The portfolios, somewhat based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Directors report to Assistant Auditors General, who in turn report to the Auditor General. Reporting to the Directors and rounding out the teams are Audit Managers and other audit staff, as illustrated in **Figure 1**.

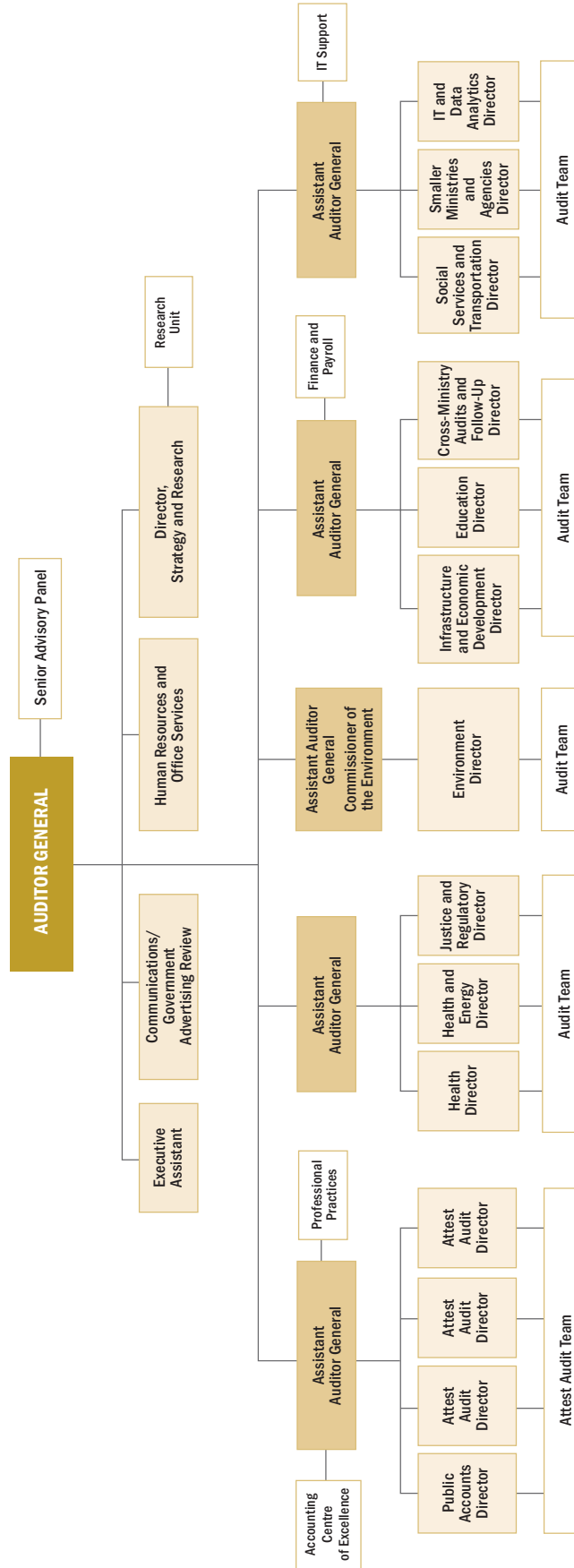
The Auditor General and the Assistant Auditors General make up the Office's Executive Committee. The Auditor General, the Assistant Auditors General, the Audit Directors, the Director of Human Resources and Office Services, the Director of Communications and Government Advertising Review, the Director of Information Technology, the Director of Strategy and Research and the Director of Finance make up the Office's Senior Management Committee.

The Auditor General's Panel of Senior External Advisors

The Auditor General's Panel of Senior External Advisors (Panel) was established in early 2017 to provide strategic advice to the Auditor General on his Office's work. The Panel is governed by Terms of Reference that outline its mandate, objective, membership, scope of work, and other terms and conditions. The members of the Panel meet at least twice per year and may meet on other occasions when necessary. During 2023, the Panel met once, reviewing reports and related material prior to those meetings.

Figure 1: Office Organization, November 30, 2022

Prepared by the Office of the Auditor General of Ontario



The Panel comprises of a broad cross-section of professionals and experts outside of the Office. Members are selected by the Auditor General based on their capacity to provide the Auditor General with the highest-quality advice in matters pertaining to the Panel's mandate.

Panel members are appointed for a term of three years and are eligible for reappointment at the discretion of the Auditor General. The Panel currently includes 11 members:

- **Tim Beauchamp**, former Director, Public Sector Accounting Board
- **Ann Cavoukian**, Executive Director, Global Privacy and Security by Design Centre and former Information and Privacy Commissioner of Ontario
- **Deborah Deller**, former Clerk of the Legislative Assembly of Ontario
- **Burkard Eberlein**, Professor, Public Policy, York University (Schulich)
- **Julie Gelfand**, former Federal Commissioner of the Environment and Sustainable Development, Office of the Auditor General of Canada
- **Peter Mansbridge**, former Chief Correspondent for CBC News and Anchor of The National
- **David Marshall**, former President, Workplace Safety and Insurance Board
- **William Robson**, Chief Executive Officer, C.D. Howe Institute
- **Carmen Rossiter**, Program Director, Centre for Governance, Risk Management and Control, York University (Schulich)
- **Wayne Strelieff**, former Auditor General of British Columbia and former Provincial Auditor of Saskatchewan
- **Christopher Wirth**, Lawyer, Keel Cottrelle LLP

Quality Assurance Review Process

Professional standards require that auditors establish and maintain a system of quality controls to help ensure that professional and legal standards are met and that

audit reports are appropriate in the circumstances. Quality assurance reviews form an essential component of this system by providing a basis for determining whether quality control policies are appropriately designed and applied. The Office has implemented a system of internal quality assurance reviews and is also subject to external quality assurance reviews by both the Chartered Professional Accountants (CPA) of Ontario and the Canadian Council of Legislative Auditors.

The internal quality assurance review process consists of reviews of completed audit files on a cyclical basis by Office staff. Individuals chosen for this role are conversant with and have up-to-date knowledge of the application of professional accounting and assurance standards and have no other involvement with the audit. The selection of audit files for quality assurance review is based on criteria designed to provide the Office with reasonable confidence that professional standards and Office policies are being met. The selection criteria include, but are not limited to, the risk associated with the engagement (such as complexity or public sensitivity) and the results of previous quality assurance reviews.

In addition to internal file reviews, audit challenge teams are established for each value-for-money audit conducted. These teams include the Auditor General, all Assistant Auditors General, and a Director and Manager from a separate audit portfolio who review and question audit teams' audit planning reports and final reports.

The Office is also subject to review by the Chartered Professional Accountants of Ontario (CPA Ontario), which conducts a triennial practice inspection of our Office to assess whether, as practitioners of public accounting, we are adhering to the professional standards set out in the Chartered Professional Accountants of Canada Handbook and CPA Ontario's Member's Handbook. This practice inspection involves an assessment of the Office's quality controls and a review of a sample of completed audit files selected by CPA Ontario.

As well, through our participation in the Canadian Council of Legislative Auditors, our Office undergoes external quality assurance reviews on a regular basis.

These reviews are conducted by experienced professional auditors from other jurisdictions across Canada. In addition to providing assurance that quality control systems are well designed and effective, this process also facilitates the sharing and exchange of information and experience, and encourages and supports continued development of auditing methodology, practices and professional development.

Canadian Council of Legislative Auditors

The Canadian Council of Legislative Auditors (CCOLA) shares information about, and supports the continued development of, auditing methodology, practices and professional development among legislative audit offices at the federal and provincial levels. Its membership consists of the federal Auditor General and Auditors General of each of the 10 Canadian provinces. Legislative auditors from outside of Canada can have either “Associate Member” status with full voting rights, or “Observer Member” status, which does not afford voting rights. The CCOLA currently has one Associate Member (the Auditor General of Bermuda) and one Observer Member (the Auditor General of the Cayman Islands).

An annual conference is held jointly with the annual meeting of the Canadian Council of Public Accounts Committees (CCPAC). CCPAC consists of delegates from federal, provincial and territorial public accounts committees across Canada. The conference brings together legislative auditors and members of the Standing Committees on Public Accounts from the federal government, provinces and territories, and provides an excellent opportunity for sharing ideas, exchanging information and learning about best practices for Standing Committees on Public Accounts in Canada. This year, the 44th annual conference was hosted by the Yukon Legislative Assembly in Whitehorse, from September 10 to 12, 2023. Next year, the 45th annual conference is planned to be held in Québec City, Québec.

Inquiries from the Public and Members of Provincial Parliament

The Office of the Auditor General (Office) receives inquiries from the public, Members of Provincial Parliament and the civil service through letters, fax, email, phone, and starting in 2021 an online webform. Each inquiry is reviewed on a case-by-case basis and is logged to ensure that the information is recorded, and that we can track inquiries received and responses provided.

During the 2022/23 fiscal year, the Office received 1,299 public inquiries. Included in these were 11 inquiries from 10 MPPs. The Office conducts an annual overall review of public inquiries to assess trends and recurring issues and to help inform our audit selection process.

Activities and Results Produced by the Office This Year

Our Office had another productive year, effectively utilizing technology and project management, and benefiting from great teamwork. Refer to **Figure 2** for an at a glance view of our Office’s activities this year and the results that were produced.

While operating within our budget, during the 2023 calendar year we completed 12 value-for-money audits; three special reports; a report on the Operation of the *Environmental Bill of Rights, 1993*; 27 follow-up reports on previous value-for-money audit reports, including seven follow-up reports on environmental value-for-money audits; three follow-up reports on previous special reports; and five follow-up reports on reports issued by the Standing Committee on Public Accounts. We also expanded our tracking of the status of previous recommendations made by following up on the 2,415 actions we recommended in our Annual Reports of 2016, 2017, 2018, 2019 and 2020.

Figure 2: Office of the Auditor General of Ontario, Activities and Results—At a Glance

Prepared by the Office of the Auditor General of Ontario



- Provided clean opinion of the 2022/23 Public Accounts of the Province
- Forty-one agency financial audits completed during the audit cycle
- Completed 15 external financial statement file reviews
- Reviewed provincial debt filing documentation
- Completed one review on ministries' performance measurement, program evaluation and annual reporting
- Completed a report on the State of the Environment in Ontario
- Completed follow-ups on 27 value-for-money audits (VFMs) and three special reports
- Tracked the status of 2,415 actions we recommended in our Annual Reports from 2016 to 2020
- Completed 13 VFMs and three special reports
- Completed the *Special Report on Changes to the Greenbelt*
- Completed a report on the operation of the Standing Committee on Public Accounts and follow-up work on five reports tabled by the Committee in 2022/23
- Completed our 2023 Annual Report on the Operation of the *Environmental Bill of Rights, 1993*
- Completed a report on compliance with the *Government Advertising Act, 2004*

1. Data for the 2022/23 fiscal year.

2. Data from activities occurring since our last Annual Report (Dec 1, 2022–Nov 30, 2023).

We completed the audit of the Province's consolidated financial statements and the statements of 41 Crown agencies, as well as completing 15 external financial statement file reviews. We met our key financial statement audit deadlines in 2022/23 while continuing to invest in staff training to ensure adherence to accounting and assurance standards and methodology for conducting attest audits. We provided an unqualified audit opinion on the 2022/23 Public

Accounts released on August 29, 2023. Our report on the Public Accounts of the Province includes a discussion of accounting issues identified during that audit.

We also met our review responsibilities under the *Government Advertising Act, 2004* (see Review of Government Advertising in this 2023 Annual Report), and met our responsibility under the *Environmental Bill of Rights, 1993* (EBR) through the issuance of our report on the Operation of the *Environmental Bill of Rights, 1993*.

According to Hansard, the official transcript of House and committee proceedings, there were 361 mentions of the Auditor General in the House and 452 mentions in seven Standing Committees in 2022/23. Further details on our activities with the Standing Committee on Public Accounts are outlined in our report *The Standing Committee on Public Accounts in this 2023 Annual Report*.

We connected with members of the public through our website, Twitter, phone, email and letters. In 2022/23, we had 2,942 Twitter followers. As mentioned earlier in this section, we also received 1,299 public inquiries through email, phone, letters and fax.

The activities and results produced by our Office this year would not have been possible without the hard work and dedication of our staff, as well as of our agent auditors, contract staff and our Panel of Senior Advisors.

Strategic Plan 2020–2024

In 2020, our Office developed a new Strategic Plan for the five-year period 2020–24. **Appendix 1** details the key goals and objectives of the Plan.

Financial Accountability

The following discussion and our financial statements present the Office's financial results for the 2022/23 fiscal year. Our financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. In accordance with these standards, we have presented a breakdown of our expenses in terms of the main activities our Office is responsible for: value-for-money and special audits, financial statement audits, pre-election 2022 multi-year fiscal plan review and reviews of government advertising. This breakdown is provided in Note 8 to the financial statements and indicates that 71% of our time was used to perform value-for-money and special audits, a stated priority of the Standing Committee on Public Accounts, and 27% to complete the audits of the annual financial statements of the Province and 41 of its agencies. The remaining time was devoted to our statutory responsibilities under the *Government Advertising Act, 2004* and the *Fiscal Sustainability, Transparency, and Accountability Act, 2019*.

Figure 3 provides a comparison of our approved budget and expenditures over the last five years.

Figure 3: Five-Year Comparison of Spending (Accrual Basis) (\$ 000)

Prepared by the Office of the Auditor General of Ontario

Category	2018/19	2019/20	2020/21	2021/22	2022/23
Approved budget	20,613	26,318	26,084	25,949	26,920
Actual expenses					
Salaries and benefits	14,269	18,329	19,187	20,361	19,037
Professional and other services	2,510	2,812	2,644	2,831	3,216
Office rent ¹	1,080	1,444 ¹	1,166	1,183	1,305
Training, supplies, equipment and other ²	945	1,115	1,189	1,237	1,452
Travel and communications	337	549	177	155	238
Statutory expenses	630	509	407	880	754
Total	19,771	24,758	24,770	26,647	26,002
Unused appropriations³	612	217	1,092	93	96

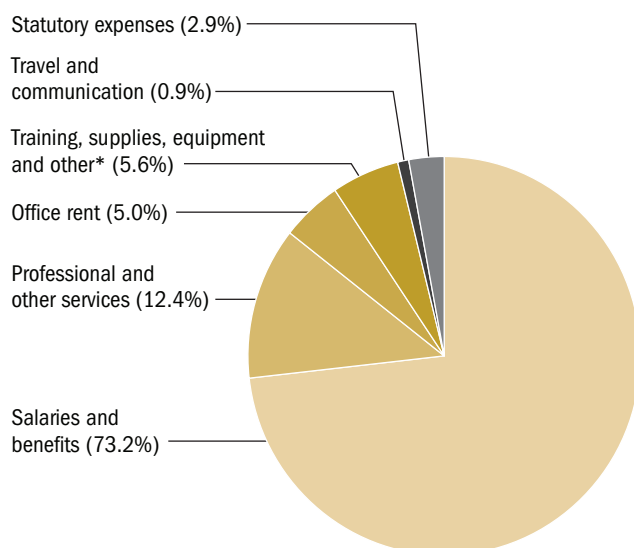
1. Includes rent for former Environmental Commissioner of Ontario space that was sublet effective April 1, 2020.

2. "Other" includes amortization of capital assets.

3. These amounts are typically different than the excess of appropriation over expenses as a result of non-cash expenses (such as amortization of capital assets, deferred lease inducements and employee future benefit accruals).

Figure 4: Spending by Major Expenditure Category, 2022/23

Prepared by the Office of the Auditor General of Ontario



* "Other" includes amortization of capital assets.

Figure 4 presents the major components of our spending during the 2022/23 fiscal year, and shows that salary and benefit costs for staff accounted for just over 73% of spending, while professional and other services, along with office rent, comprised most of the remainder. These proportions have been relatively stable in recent years. **Figure 5** presents the year-over-year percentage change of actual expenditures between 2021/22 and 2022/23. Overall, our expenses decreased slightly from the previous year.

Salaries and Benefits

In 2022/23, our salary and benefit costs were 6% lower compared to those in 2021/22. The decrease was a result of staff turnover and senior staff retirement during the 2022/23 fiscal year.

Professional and Other Services

Professional and other services include both contracted CPA firms and contract specialists that assisted in our

Figure 5: Actual Expenses for 2022/23 and 2021/22 (\$ 000)

Prepared by the Office of the Auditor General of Ontario

Actual Expenses	2022/23	2021/22	% Change
Salaries and benefits	19,037	20,361	(6)
Professional and other services	3,216	2,831	14
Rent	1,305	1,183	10
Training, supplies, equipment and amortization	1,452	1,237	17
Travel and communication	238	155	53
Statutory expenses	754	880	(14)
Total	26,002	26,647	(2)

value-for-money audits and financial statement audits of Crown agencies and the Province. In 2022/23, these services accounted for 12% of total expenses and increased by 14% compared to the prior fiscal year.

Given the more complex work this year on our VFM audits, peak-period deadlines for our report on the Review of the Pre-Election 2022 Multi-Year Fiscal Plan and finalizing the financial statement audits of Crown agencies and the Province, we relied more heavily on experts and contracted professionals to assist us.

Contract costs for the CPA firms with which we work remained high because of the higher salaries they pay their staff. We continue to competitively test the market for such services as contracts expire.

Office Rent

In 2022/23, our office rent increased by 10% compared with the previous fiscal year. This was due to the impact over the entire fiscal year of an increase in rent from the new Office lease, which commenced on November 1, 2021.

Travel and Communications

Our travel and communications costs increased by 53% from the previous year due to increased travel by staff in 2022/23 compared to the prior fiscal year, when the COVID-19 pandemic restricted travel.

Training, Supplies and Equipment (Including Amortization)

In 2022/23, our training, supplies and equipment costs increased by 17% compared to the previous year. This increase was mainly a result of additional value-added training to managers, supervisors and other staff members. The Office's training program consists of a combination of in-house and external courses that enable staff to progress and meet their professional obligations by maintaining and enhancing their competencies.

Statutory Expenses

Statutory expenses include the Auditor General's salary and fees for contracted experts. Statutory expenses decreased by 14% from the previous year as specialized advisory services and legal expenses and related experts' fees for the Special Report on Laurentian University had been incurred in the 2021/22 fiscal year.

Appendix 1: 2020–2024 Strategic Plan at a Glance

Prepared by the Office of the Auditor General of Ontario

Goal	REPORTING
	Provide accurate and objective information through timely and relevant reports (including recommendations) and audit opinions.
	Objectives
	1. Ensure our stakeholders continue to value our assurance and advice on the reliability of financial statements.
	2. Our value-for-money (VFM) audits, including environmental VFM audits, are accurate and objective and are valued by our stakeholders.
	3. Stakeholders continue to refer to our work and request our services.
	4. Provide appropriate information to assist the Standing Committee on Public Accounts (PAC) in performing its mandate.
	5. The government implements changes that address the issues raised in our reports.
	6. Comment on legislation that impacts our mandate.
	7. Effectively fulfill our limited responsibilities under the <i>Government Advertising Act, 2004</i> (GAA).
	8. Effectively fulfill our responsibilities under the <i>Environmental Bill of Rights, 1993</i> (EBR).
	9. Effectively fulfill our mandate to review and comment on the Multi-Year Fiscal Plan on Ontario's Finances when it is issued.
10. Respond to public inquiries in a timely manner and continue to be accessible to the public.	
11. Expand the Office's role in assessing public-sector governance and promote best practices.	
Goal	PEOPLE, LEARNING AND DEVELOPMENT
	Provide a high-performing, diverse and inclusive team environment with ongoing professional training and development.
	Objectives
	1. Conduct strategic human-resources (HR) planning that is dynamic and reflects both the current and future needs of the Office.
	2. Human-resources (HR) policies are aligned with the Office's values and are clearly and consistently communicated and applied.
	3. Attract and recruit diverse, highly skilled and motivated professionals.
	4. Train and retain a diverse, highly skilled and motivated team of professionals.
	5. Promote career development and proactively manage succession in a way that provides opportunities for staff across the organization.
6. Promote a sense of community within the Office through strong professional relationships.	
7. Attract and engage credible contractors, agent auditors and subject-matter expert advisors to provide specialized expertise and support our work.	

Goal	OPERATIONS
	Allocate resources efficiently and effectively and measure results.
	Objectives
	1. Audit operations incorporate best practices in processes, methods and tools.
	2. Optimize resources to ensure the capacity of the Office to respond to the requirements of our stakeholders.
	3. Continuously improve the efficiency of the Office through the effective and consistent use of technology.
	4. Reduce the environmental footprint of the Office to demonstrate leadership in environmental sustainability.
5. Continuously improve the effectiveness of Communications practices.	
6. Ensure that Office accommodations and equipment are properly managed and maintained.	
Goal	ENGAGEMENT
	Engage Members of the Provincial Parliament and the public in our work. Establish and maintain relationships with professional organizations, private-sector accounting firms, academic institutions and other independent Officers of the Legislature.
	Objectives
	1. Engage with citizens to raise awareness of the Office's mandate and reports.
	2. Our reports are available, accessible and engaging for stakeholders.
3. Develop a social media plan for the Office that expands our communication capabilities, while effectively managing the image of the Office.	
4. Advance our professional relationships with public-sector organizations, academic institutions, private-sector accounting firms, professional organizations and relevant stakeholders.	

Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General of Ontario are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian public sector accounting principles.

Management maintains a system of internal controls that provides reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded, and the financial information contained in these financial statements is reliable and accurate.

The financial statements have been audited by the firm of Adams & Miles LLP, Chartered Professional Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General
August 23, 2023



Gus Chagani, CPA, CA
Assistant Auditor General
August 23, 2023

Adams + Miles

Adams + Miles, Chartered Professional Accountants
Toronto: 2550 Victoria Park Avenue, Suite 501; M2J 5A9
Mississauga: 5975 Whittle Road, Suite 240; L4Z 3N1
Office: 416 502-2201

INDEPENDENT AUDITOR'S REPORT

To the Board of Internal Economy of
Legislative Assembly of Ontario

Opinion

We have audited the accompanying financial statements of The Office of the Auditor General of Ontario (the Office), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated surplus (deficit), changes in net financial debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Office of the Auditor General of Ontario as at March 31, 2023, and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor General Act is repealed, or the government intends to cease the Office's operations, or it has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.



INDEPENDENT AUDITOR'S REPORT – cont'd

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Adams & Miles LLP

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Canada

August 23, 2023



Office of the Auditor General of Ontario
Statement of Financial Position
As at March 31, 2023

	2023 \$	2022 \$
Financial assets		
Cash	3,470,937	2,846,039
Harmonized sales taxes recoverable	262,971	357,295
Prepaid expenses	1,508,779	860,415
	<hr/> 5,242,687	<hr/> 4,063,749
Financial liabilities		
Accounts payable and accrued liabilities [Notes 4 and 5(B)]	3,695,994	3,540,033
Accrued employee benefits obligation [Note 5(B)]	1,972,927	1,996,000
Due to Consolidated Revenue Fund (Note 9)	189,316	93,050
Deferred lease inducement (Note 10)	589,267	657,920
	<hr/> 6,447,504	<hr/> 6,287,003
Net financial debt	(1,204,817)	(2,223,254)
Non-financial assets		
Tangible capital assets (Note 3)	1,912,078	2,108,576
	<hr/>	<hr/>
Accumulated surplus (deficit)	<hr/> 707,261	<hr/> (114,678)

Commitments (Note 6)

Measurement uncertainty [Note 2(F)]

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General



Gus Chagani, CPA, CA
Assistant Auditor General

Office of the Auditor General of Ontario
Statement of Operations and Accumulated Surplus (Deficit)
For the Year Ended March 31, 2023

	2023 Budget [Note 7(A)] \$	2023 Actual \$	2022 Actual \$
Expenses			
Salaries and wages	17,035,500	15,410,015	15,689,353
Employee benefits (Note 5)	4,531,600	3,627,458	4,671,300
Professional and other services	2,357,900	3,215,518	2,831,316
Office rent (Note 6)	1,306,000	1,305,261	1,183,304
Amortization of tangible capital assets	-	697,461	753,852
Travel and communication	471,600	237,504	155,040
Training and development	160,400	276,107	154,338
Supplies and equipment	384,800	478,831	329,288
Statutory	672,100	753,540	879,649
	<hr/>	<hr/>	<hr/>
Total expenses [Notes 7(B) and 8]	26,919,900	26,001,695	26,647,440
Revenue			
Consolidated Revenue Fund – Voted appropriations [Note 2(B)]	26,919,900	26,919,900	25,949,400
		<hr/>	<hr/>
Excess (deficiency) of revenue over expenses		918,205	(698,040)
Less: returned to the Province [Notes 2(B) and 9]		96,266	93,050
		<hr/>	<hr/>
Net operations surplus (deficit) [Note 7(B)]		821,939	(791,090)
Accumulated (deficit) surplus, beginning of year		(114,678)	676,412
		<hr/>	<hr/>
Accumulated surplus (deficit), end of year		707,261	(114,678)
		<hr/>	<hr/>

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Changes in Net Financial Debt

For the Year Ended March 31, 2023

	2023 Budget [Note 7(A)] \$	2023 Actual \$	2022 Actual \$
Net operations surplus (deficit)	-	821,939	(791,090)
Purchase of tangible capital assets	-	(500,963)	(166,995)
Amortization of tangible capital assets	-	697,461	753,852
Decrease (increase) in net financial debt	-	1,018,437	(204,233)
Net financial debt, beginning of year	(2,223,254)	(2,223,254)	(2,019,021)
Net financial debt, end of year	(2,223,254)	(1,204,817)	(2,223,254)

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Cash Flows For the Year Ended March 31, 2023

	2023 \$	2022 \$
Operating transactions		
Net operations surplus (deficit) [Note 7(B)]	821,939	(791,090)
Amortization of tangible capital assets	697,461	753,852
Amortization of deferred lease inducement	(68,653)	(47,402)
Accrued employee benefits obligation [Note 5(B)]	(370,073)	549,000
	1,080,674	464,360
Changes in working capital		
Decrease (increase) in harmonized sales taxes recoverable	94,324	(222,691)
Increase in prepaid expenses	(648,364)	(325,970)
Increase (decrease) in due to Consolidated Revenue Fund	96,266	(1,215,656)
Increase in accounts payable and accrued salaries and benefits (Note 4)	502,961	351,168
	45,187	(1,413,149)
Cash provided by (used in) operating transactions	1,125,861	(948,789)
Capital transactions		
Purchase of tangible capital assets	(500,963)	(166,995)
Increase (decrease) in cash	624,898	(1,115,784)
Cash, beginning of year	2,846,039	3,961,823
Cash, end of year	3,470,937	2,846,039

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General, through the Office of the Auditor General of Ontario (the “Office”), conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Office is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

Under the *Fiscal Sustainability, Transparency and Accountability Act, 2019*, in an election year the Office is also required to report on the reasonableness of a multi-year fiscal plan prepared by the Ministry of Finance.

On April 1, 2019, the *Restoring Trust, Transparency and Accountability Act* transferred many of the responsibilities of the former Environmental Commissioner of Ontario to the Office. The Office conducts audits of government programs that impacts the environment under the same processes as the Office’s value-for money audits and has additional reporting responsibilities with respect to the operations of the *Environmental Bill of Rights, 1993*.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are as follows:

(A) ACCRUAL BASIS

These financial statements are prepared on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are to be returned to the Province’s Consolidated Revenue Fund. As the voted appropriation is prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets, the deferral and amortization of the lease inducement and the recognition of employee benefits expenses earned to date but that will be funded from future appropriations.

The voted appropriation for statutory expenses is intended to cover the salary of the Auditor General as well as the costs of any expert advice or assistance required to help the Office meet its responsibilities under the *Government Advertising Act* and the *Fiscal Sustainability, Transparency and Accountability Act*, or to conduct special assignments under Section 17 of the *Auditor General Act*.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

2. Summary of Significant Accounting Policies (Continued)

(C) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization. Amortization of tangible capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

(D) FINANCIAL INSTRUMENTS

The Office's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Due to Consolidated Revenue Fund is recorded at cost.
- Accounts payable and accrued liabilities are recorded at cost.
- Accrued employee benefits obligation is determined by an independent actuary based on management's best estimate assumptions using the projected benefits method prorated on service for the severance plan and prorated on banked days for the vacation time bank plan. Adjustments to these costs arising from changes in estimates and actuarial experience gains and losses are amortized over the estimated average remaining service life of the employees on a straight-line basis.

The Office is not exposed to any interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

(E) DEFERRED LEASE INDUCEMENT

The deferred lease inducement is amortized as a reduction of rent expense on a straight-line basis over the term of the lease.

(F) MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of tangible capital assets and accrued employee benefits obligation [Note 5(B)].

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates. These estimates and assumptions are reviewed periodically, and adjustments are reported in the Statement of Operations and Accumulated Surplus (Deficit) in the year in which they become known.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

3. Tangible Capital Assets

	Computer hardware \$	Computer software \$	Furniture and fixtures \$	Leasehold improvements \$	2023 Total \$
Cost					
Balance, beginning of year	2,165,036	355,060	1,111,861	2,037,637	5,669,594
Additions	429,998	68,298	2,667	-	500,963
Disposals	(136,036)	(37,284)	-	-	(173,320)
Balance, end of year	2,458,998	386,074	1,114,528	2,037,637	5,997,237
Accumulated amortization					
Balance, beginning of year	1,643,831	253,593	603,420	1,060,174	3,561,018
Amortization	380,850	63,572	159,947	93,092	697,461
Disposals	(136,036)	(37,284)	-	-	(173,320)
Balance, end of year	1,888,645	279,881	763,367	1,153,266	4,085,159
Net Book Value, March 31, 2023	570,353	106,193	351,161	884,371	1,912,078

	Computer hardware \$	Computer software \$	Furniture and fixtures \$	Leasehold improvements \$	2022 Total \$
Cost					
Balance, beginning of year	2,144,980	499,910	1,103,965	2,037,637	5,786,492
Additions	158,070	1,029	7,896	-	166,995
Disposals	(138,014)	(145,879)	-	-	(283,893)
Balance, end of year	2,165,036	355,060	1,111,861	2,037,637	5,669,594
Accumulated amortization					
Balance, beginning of year	1,421,378	331,862	431,414	906,405	3,091,059
Amortization	360,467	67,610	172,006	153,769	753,852
Disposals	(138,014)	(145,879)	-	-	(283,893)
Balance, end of year	1,643,831	253,593	603,420	1,060,174	3,561,018
Net Book Value, March 31, 2022	521,205	101,467	508,441	977,463	2,108,576

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

4. Accounts Payable and Accrued Liabilities

	2023 \$	2022 \$
Accounts payable	954,290	323,688
Accrued salaries and benefits	1,948,704	2,076,345
Accrued employee benefits obligation	793,000	1,140,000
	<u>3,695,994</u>	<u>3,540,033</u>

Accounts payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accruals for salaries and benefits and employee benefits obligation are recorded based on employment arrangements and legislated entitlements.

5. Obligation for Employee Future Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. In the Office's financial statements, these benefits are accounted for as follows:

(A) PENSION BENEFITS

The Office's employees participate in the Public Service Pension Plan (PSPP) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPP, determines the Office's annual payments to the fund. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Office. The Office's required annual payment of \$1,339,883 (2022- \$1,410,432), is included in employee benefits expense in the Statement of Operations and Accumulated Surplus (Deficit).

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

The Office provides severance pay equal to one week's salary for each year of service, up to 26 weeks. Severance pay is not available to contract employees and employees who are terminated with cause. Severance pay is also not available to employees who resign, if they were hired after December 31, 2011. For employees hired on or before December 31, 2011 that resign, the severance payment will be based on years of service accrued and salary up to December 31, 2011. Effective January 1, 2022, consistent with the practices at the Legislative Assembly, severance payment on retirement will be based on the salary at retirement for permanent employees who have completed at least five years of continuous service. Prior to the change on January 1, 2022, the severance payment on retirement had been based on the employee's salary and years of service up to and as of December 31, 2015.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

5. Obligation for Future Employee Benefits (Continued)

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION (CONTINUED)

The obligation is determined in an actuarial valuation report dated April 2023 based on the following key assumptions:

- Estimated average remaining service life of 15 years (2022 – 15 years).
- Retention rates based on employees' length of service with the Office – employees with longer service are expected to have higher retention rate.
- Discount rate of 4.1% per annum (2022 – 2.5%).
- Salary escalation rate of 2.75% per annum (2022 – 2.75%).
- Benefits for severance and compensated absences are to be paid out to each employee upon their eligibility for full retirement.
- Future accrual of vacation time bank of 3.7 days per year for each eligible employee.

The total liability for these costs is reflected in the accrued employee benefits obligation as follows:

	2023	2022
	\$	\$
Total liability for severance and vacation credits	2,765,927	3,136,000
Less: Due within one year and included in accounts payable and accrued liabilities	793,000	1,140,000
Accrued employee benefits obligation	<u>1,972,927</u>	<u>1,996,000</u>

The costs of severance, compensated absences and unused vacation entitlements earned by employees during the year are included in employee benefits in the Statement of Operations and Accumulated Surplus (Deficit) as follows:

	2023	2022
	\$	\$
Current year benefit cost	312,638	565,000
Actuarial (gains) and losses	(13,638)	-
Cost of plan amendments	-	783,000
	<u>299,000</u>	<u>1,348,000</u>

Severance benefits of \$501,300 (2022 - \$458,300) were paid during 2023. Unamortized actuarial gains were \$190,927 as of March 31, 2023 (2022 - \$nil).

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

5. Obligation for Future Employee Benefits (Continued)

(C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Public and Business Service Delivery and accordingly is not included in these financial statements.

6. Commitments

The Office has an operating lease to rent premises which expires on October 31, 2031. The minimum rental commitment is as follows:

	\$
2023/24	724,200
2024/25	724,200
2025/26	724,200
2026/27	747,100
2027/28	779,100
2028/29 and beyond	2,718,600

The Office is also committed to pay its proportionate share of realty taxes and operating expenses for the premises amounting to approximately \$760,000 during 2023 (2022- \$780,000).

7. Budget and Public Accounts Volume 1 – Basis of Presentation

(A) BUDGET

The Office's Budget was prepared using accounting policies prescribed by the Board of Internal Economy, under which purchases of tangible capital assets are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. The Budget also excludes the accrued obligation for employee future benefits, prepaid expenses and deferred lease inducement recognized in these financial statements. Following are the adjustments required to restate the Budget using Canadian public sector accounting standards:

	2023 \$	2022 \$
Total budgeted expenses approved by the Board of Internal Economy	26,919,900	25,949,400
Purchase of tangible capital assets	(225,000)	(225,000)
Amortization of tangible capital assets	651,598	763,802
Amortization of deferred lease inducement	-	(18,797)
	426,598	520,005
Total budgeted expenses restated using Canadian public sector accounting standards	27,346,498	26,469,405

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

7. Budget and Public Accounts Volume 1 – Basis of Presentation (Continued)

(B) PUBLIC ACCOUNTS VOLUME 1

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the Budget. A reconciliation of total expenses reported in Volume 1 to the total expenses reported in these financial statements is as follows:

	2023 \$	2022 \$
Total expenses per Public Accounts Volume 1	26,823,634	25,856,350
Purchase of tangible capital assets	(500,963)	(166,995)
Amortization of tangible capital assets	697,461	753,852
Change in accrued employee benefits obligation	(370,073)	549,000
Prepaid expenses	(648,364)	(325,970)
Amortization of deferred lease inducement	-	(18,797)
	(821,939)	791,090
Total expenses per the Statement of Operations and Accumulated Surplus (Deficit)	26,001,695	26,647,440

8. Expenses by Activity

	2023			Total	%
	Salaries and benefits	Other operating expenses	Statutory expenses		
Value for money and special audits	13,861,185	3,947,226	590,778	18,399,189	70.8
Financial statement audits	4,894,534	2,177,469	47,380	7,119,383	27.4
Multi-year fiscal plan	276,043	82,359	95,640	454,042	1.7
Government advertising	5,711	3,628	19,742	29,081	0.1
	19,037,473	6,210,682	753,540	26,001,695	100.0
%	73.2	23.9	2.9	100.0	

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2023

8. Expenses by Activity (Continued)

	2022			Total	%
	Salaries and benefits	Other operating Expenses	Statutory expenses		
Value for money and special audits	15,983,112	3,466,431	780,976	20,230,519	75.9
Financial statement audits	4,173,934	1,907,526	46,710	6,128,170	23.0
Multi-year fiscal plan	183,246	28,167	32,500	243,913	0.9
Government advertising	20,361	5,014	19,4631	44,838	0.2
	<u>20,360,653</u>	<u>5,407,138</u>	<u>879,649</u>	<u>26,647,440</u>	<u>100.0</u>
	%	76.4	20.3	3.3	100.0

Expenses have been allocated to the Office's four (2022 – four) main activities based primarily on the hours charged to each activity as recorded by staff in the Office's time accounting system, including administrative time and overhead costs that could not otherwise be identified with a specific activity. Expenses incurred for only one activity, such as most travel costs and professional services, are allocated to that activity based on actual costs.

9. Unused Appropriations

	2023 \$	2022 \$
Consolidated Revenue Fund		
– Voted appropriations [Note 2(B)]	26,919,900	25,949,400
Less: Appropriations used [Note 7(B)]	<u>(26,823,634)</u>	<u>(25,856,350)</u>
Unused appropriations for the year	96,266	93,050
Less: Refund to Consolidated Revenue Fund during year	-	(1,308,706)
Due to Consolidated Revenue Fund – beginning of year	<u>93,050</u>	<u>1,308,706</u>
Due to Consolidated Revenue Fund – end of year	<u>189,316</u>	<u>93,050</u>



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