

Operations Report

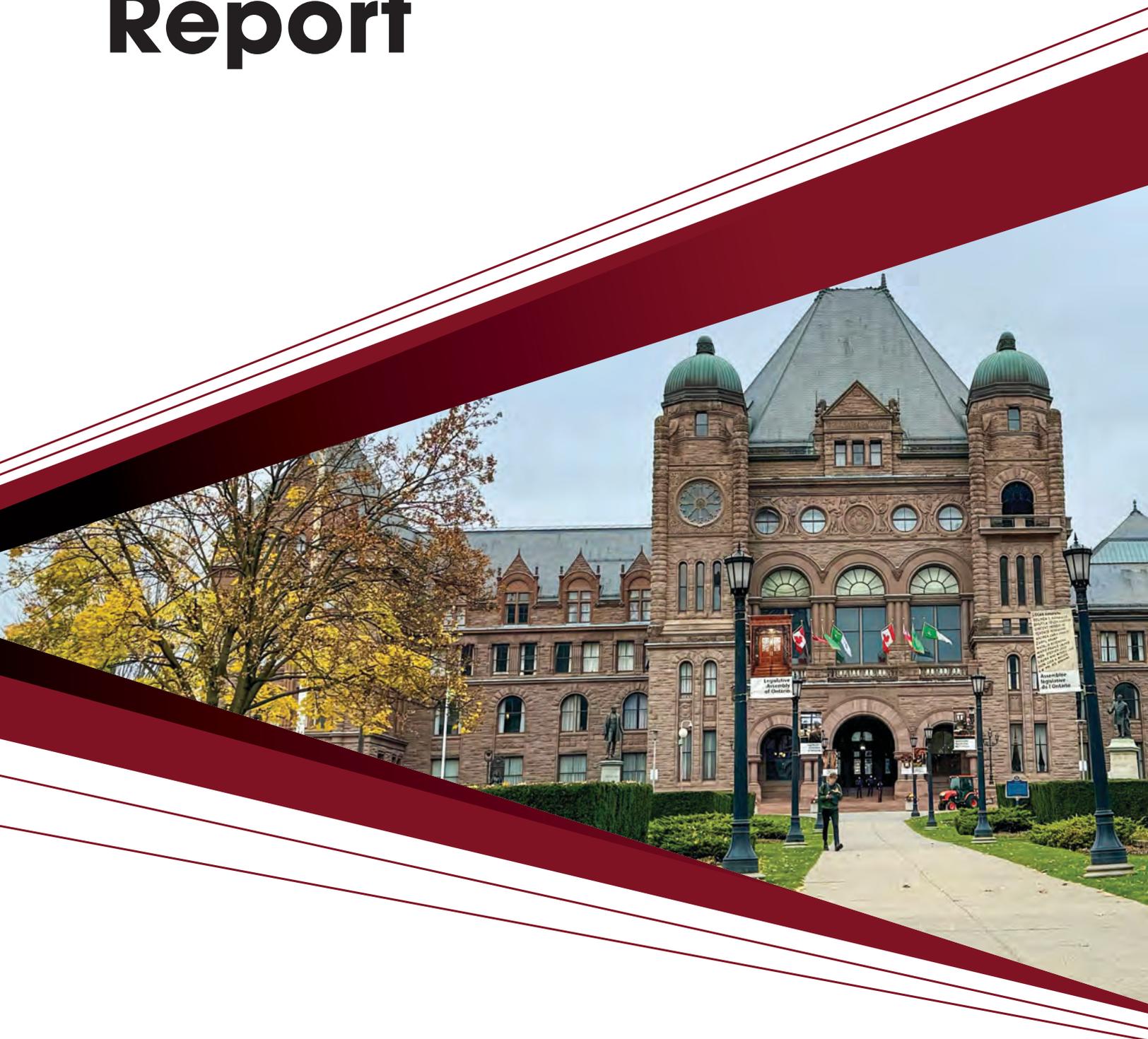


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1.0 General Overview

The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly (Assembly) and the people of Ontario by conducting independent audits of the Public Accounts of Ontario, agencies of the Crown, and institutions that receive government grants. Our Office's mandate is to promote accountability, efficiencies, effectiveness and due regard for economy in government operations.

Our Office's mandate is to promote accountability, efficiencies, effectiveness and due regard for economy in government operations

Our Office exists under the authority of the ***Auditor General Act*** (Act) and various other statutes. Under the Act, "The Auditor General shall audit, on behalf of the Assembly and in such manner as the Auditor General considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise." This also applies to agencies of the Crown, Crown controlled corporations, and grant recipients.

Under the ***Fiscal Sustainability, Transparency, and Accountability Act, 2019***, we are required to report on certain government reporting, which we do in our Public Accounts Audit Report each year.

Under the amended ***Government Advertising Act, 2004***, we are 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. We issue our Government Advertising report yearly.

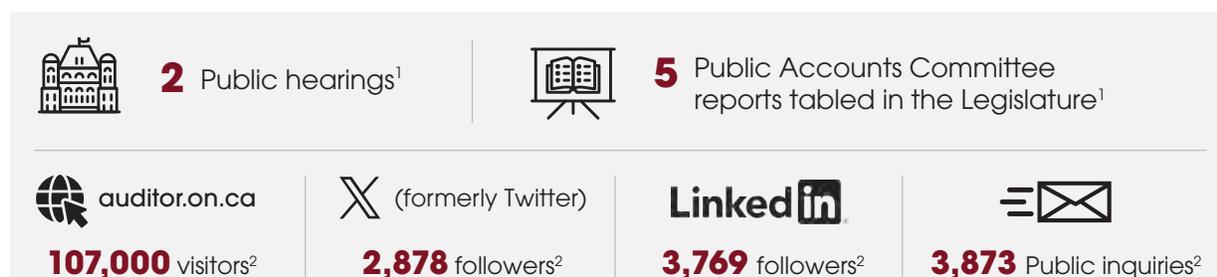
Under the ***Restoring Trust, Transparency and Accountability Act, 2018***, the Commissioner of the Environment is appointed by the Auditor General and works as an Assistant Auditor General reporting directly to the Auditor General. We conduct reviews and audits of government programs that impact the environment in the same way we conduct performance audits.

Our Office has additional reporting responsibilities with respect to the operation of the ***Environmental Bill of Rights, 1993*** (EBR). This can be found in our EBR audit annually. We also report on energy conservation, greenhouse gas emissions, reductions and any other environmental subjects the Auditor General considers appropriate to report on to the Assembly.

Our Office delivered on our mandate while working within our fiscal budget in 2024/25. (Refer to **Figure 1** for details.) The activities and results produced by our Office this year would not have been possible without the hard work and dedication of our team.

Figure 1: Office of the Auditor General of Ontario, Activities and Results

Prepared by the Office of the Auditor General of Ontario



 **Insights**



1. Data for activities occurring since our last annual reporting period (November 1, 2024–October 31, 2025).
 2. Data for the 2024/25 fiscal year.



2.0 Performance Audits

About 65% of the Office’s work relates to performance and special audits, which assesses how well a given auditee manages and administers its programs, services and activities. Performance and special audits delve into the auditee’s underlying operations to assess the level of service being delivered to the public and the relative efficiency, effectiveness and economy of that service.

The Office has the authority to conduct performance and special audits of the following Ontario government entities:

- » ministries;
- » Crown agencies;
- » Crown-controlled corporations;
- » designated administrative authorities;
- » broader public sector organizations, such as hospitals, community colleges and school boards; and
- » other entities that also receive provincial government grants, such as mental-health services, children’s aid societies, long-term care homes, and universities.

The Act—in subclauses 12(2) (f)(iv) and (v)—identifies three criteria to be considered in a performance audit:

- » money should be spent with due regard for economy;
- » money should be spent with due regard for efficiency; and
- » 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 where these three performance criteria have not been met. More specific criteria that relate directly to the operations of the ministry, program or organization being audited are developed for each performance and special audit.

The Act also requires that the Auditor General report on instances where one or more of 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 spent for purposes other than the original intent.

Assessing auditee compliance with the requirement to protect against these risks is incorporated into both performance and special audits and financial statement audits (discussed in the **Financial Statement Audits** section). Performance audits and special audits also determine whether the auditee is adhering to key provisions in legislation and other applicable 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. Our performance and special audits focus on how well management is administering and executing on government policy decisions, using best practices and an awareness of practices in other jurisdictions.

We also assess whether decision-makers have been given complete and accurate analysis to inform their decision-making and whether decisions, once made, have been put into practice efficiently, effectively and with due regard for economy. It is important to note that in doing so we do not comment on the merits of government policy.

We assess whether decisions, once made, have been put into practice efficiently, effectively and with due regard for economy

The Assembly holds the government accountable for policy matters. Members of the Assembly (called Members of Provincial Parliament in Ontario) continually monitor and challenge government policies by asking questions during legislative sessions and conducting reviews of legislation and expenditure estimates.

In planning, performing and reporting on our 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 and integrity of our work. Some of the processes we use are described in the following sections.

2.1 Selecting What to Audit

Audits are selected using a risk-based approach. In making our selections, we assess the risk that an auditee is not meeting the three performance criteria.

Additionally, we assess environmental considerations, equity and access to services, and the potential negative consequences of those risks to the public.

Some of the factors we consider in making this assessment are listed below.

-
-  Impact of the program, activity or organization on the public, including vulnerable populations

 -  Total revenues or expenditures involved

 -  Complexity and diversity of the auditee's operations

 -  Coverage and results of previous audits and related follow-ups

 -  Recent significant changes in the auditee's operations

 -  Impact of the program, activity or organization on the environment or opportunities for sustainability
-

We also consider work conducted by the auditee's internal auditors, and may rely on, or reference, that work in performing our audit.

2.2 Setting Audit Objectives, Audit Criteria and Assurance Levels

When we begin a performance audit, we set an objective for what we want the audit to achieve. We then develop audit criteria to evaluate the design and operational effectiveness of key systems, policies and procedures.

To develop audit criteria, we research:

- » 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.

The criteria we develop are discussed with and agreed to by 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 on 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 reasonable assurance. "Reasonable assurance" represents a high, but not absolute, level of confidence from an auditor that financial statements are free of material misstatement.

Reasonable assurance is obtained by interviewing management and analyzing information that management provides; examining and testing systems, procedures and transactions; and confirming facts with independent sources. Where necessary, for example if we are examining a highly technical area, we obtain independent expert assistance and advice. We use professional judgment throughout our work.

Under the Act, we are entitled to access all information and records necessary to perform our duties.

Our Office may decide to perform a review rather than an audit. A review provides a more limited level of assurance, obtained primarily through inquiries and discussions with management and analyses of information provided by management.

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

2.3 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 performance or special audit or review.

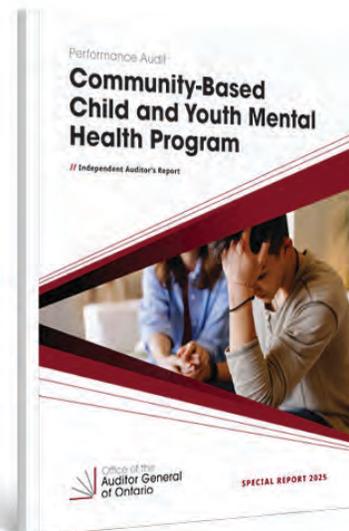
In compliance with standards issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada, letters of representation are signed by senior management confirming they have provided and disclosed to our Office all relevant information pertaining to the audit.

2.4 Special Reports

As required by the Act, our 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 Assembly, the Committee, or a Minister of the Crown may request that the Auditor General undertake a special assignment. Special assignments are not supposed to take precedence over the Auditor General's other duties. The Auditor General can decline such an assignment if they believe it conflicts with other duties.



3.0 Financial Statement Audits

When financial statement audits are performed, the Auditor General expresses an opinion on whether financial information is free from material misstatements, in accordance with the applicable financial reporting framework.

Internal control audit work is also often incorporated into financial statement audit work. Specifically, we assess the controls for managing risks relating to:

- » improperly kept accounts;
- » unaccounted-for public money;
- » lack of recordkeeping;
- » inadequate safeguarding of public property;
- » deficient procedures for assessing, collecting and properly allocating revenue; and
- » unauthorized expenditures.

3.1 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
- » 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 report on the Public Accounts of the Province of Ontario included in the *2025 Annual Report* discusses this year's financial statement audit of the Province's consolidated financial statements. We do not typically discuss the results of our financial statement audits of agencies and Crown-controlled corporations in this report unless a significant issue arises.

Agency legislation stipulates that the Auditor General's reporting responsibilities are to an agency's board of directors and the minister(s) responsible for the agency. Our Office also provides copies of our independent auditor's 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 a financial statement audit of an agency, we identify areas for improvement and provide recommendations to the agency's senior management. We bring significant matters to the attention of the Legislature by including them in the Public Accounts report in our Annual Report.

3.2 Independence

The Auditor General is an independent Officer of the Assembly. Our Office is independent of the government and 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 by the Assembly. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Assembly and is free to fulfill the Office's legislated mandate without political pressure.

The Board of Internal Economy (Board), an all-party legislative committee that supports the independent administration of the Assembly, reviews and approves the Office's budget, which is subsequently laid before the Assembly.

As required by the Act, the Office's expenditures in the 2024/25 fiscal year were audited by a firm of Chartered Professional Accountants. The audited financial statements of the Office were submitted to the Board and must be tabled in the Assembly. See **Section 8.0**, showing the audited statements and related discussion of expenditures for the year.

The Auditor General's independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities

3.3 Confidentiality of Working Papers

During our work, we prepare draft audit findings, reports and analyses 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 Assembly or any of its committees. The Act includes several confidentiality provisions that require our Office to maintain a duty of confidentiality.

As well, our Office is exempt from the *Freedom of Information and Protection of Privacy Act* (FIPPA). This means draft reports and audit working papers, including all information obtained from an auditee during an audit, cannot be accessed by anyone outside of our Office using a FIPPA request.

3.4 Code of Professional Conduct

Our Office has a Code of Professional Conduct to ensure staff maintain high professional standards and strive to achieve the highest standards of behaviour, competence and integrity in their work.

The Code provides guidance on disclosure requirements and the steps to avoid conflicts of interest. All employees are required to take an Oath of Office and Secrecy and to complete an annual conflict-of-interest declaration. Staff undergo a police security check upon being hired and every five years thereafter.

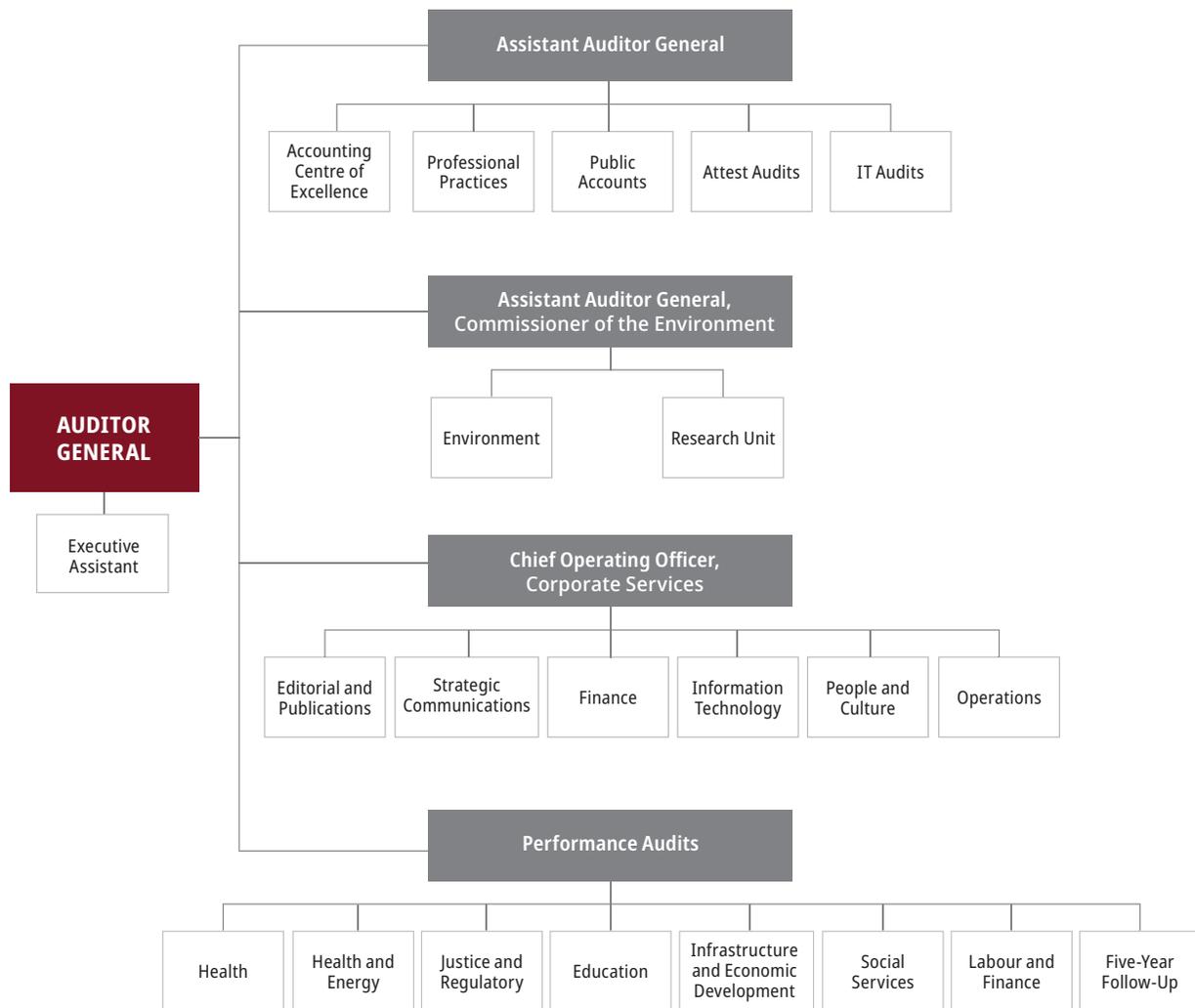


4.0 Office Organization and Personnel

The Office is organized into portfolio teams to align with related audit entities and to foster expertise in the various areas of audit activity. Each portfolio is led by a Director, who oversees and is responsible for the audits within the assigned portfolio. Directors report directly to an Assistant Auditor General or the Auditor General. Reporting to the Directors and rounding out the teams are Audit Managers and other audit staff, as illustrated in **Figure 2**.

Figure 2: Office of the Auditor General of Ontario Organizational Chart

Prepared by the Office of the Auditor General of Ontario



The Auditor General, the Assistant Auditor General, the Assistant Auditor General and Commissioner of the Environment, and the Chief Operating Officer make up the Office's Executive Committee. These individuals and the Directors make up the Office's Senior Management Committee.

5.0 Quality Assurance Review Process

Auditors must establish and maintain a system of quality management to ensure that professional and legal standards are met. 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 incorporated a system of internal quality assurance reviews and is also subject to external quality assurance reviews by both the Chartered Professional Accountants of Ontario (CPA Ontario) and the Canadian Council of Legislative Auditors (COLLA).

Multiple audit reviewers are designated for each performance or special audit and perform their review prior to the completion of the audit report. Reviewers include an Assistant Auditor General and a Director and Manager from a separate audit portfolio. They read and question audit teams' audit planning reports and draft and final reports.

Our Office incorporates internal quality assurance reviews and is subject to external quality assurance reviews



The internal quality assurance review process also consists of reviews of completed audit files, performed on a cyclical basis by Office staff. Individuals chosen to review files have up-to-date knowledge of the application of professional accounting and assurance standards and have had no other involvement with the audit.

CPA Ontario conducts an inspection of our practice every three years. It assesses whether our Office, as a practitioner of public accounting, is adhering to the professional standards set out in the Chartered Professional Accountants of Canada Handbook and CPA Ontario's Member's Handbook. CPA Ontario assesses our Office's system of quality management and selects a sample of completed audit files for its review.

Through our participation in CCOLA, 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 encourages the sharing and exchange of information and experience, and supports continued development of auditing methodology, practices and professional development.

6.0 Inquiries from the Public and Members of Provincial Parliament

Our Office receives inquiries from the public, MPPs and the civil service through letters, email, phone calls and online. Inquiries are individually reviewed and responded to. We record and track the number and kinds of inquiries we receive, and the responses provided.

During the 2024/25 fiscal year, the Office received 3,873 public inquiries. Included in these were 18 inquiries from 12 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.

2024/25 Fiscal Year



18

Inquiries from 12 MPPs



3,873

Public Inquiries

7.0 Financial Accountability

The following discussion and our financial statements present the Office's financial results for the 2024/25 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 for which our Office is responsible: performance and special audits, financial statement audits, and reviews of government advertising.

This breakdown is provided in Note 8 to the financial statements and indicates that 64.9% of our time was used for performance and special audits and 35% to complete the audits of the annual financial statements of the Province and agencies we are responsible for auditing. 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	2020/21	2021/22	2022/23	2023/24	2024/25
Approved budget	26,084	25,949	26,920	26,717	30,881
Actual expenses					
Salaries and benefits	19,187	20,361	19,037	21,558	21,088
Professional and other services	2,644	2,831	3,216	3,983	4,751
Rent ¹	1,166	1,183	1,305	1,349	1,382
Training, supplies, equipment and other ²	1,189	1,237	1,452	1,276	1,249
Travel and communications	177	155	238	261	191
Statutory expenses	407	880	754	520	466
Total	24,770	26,647	26,002	28,947	29,127
Unused appropriations³	1,092	93	96	48	406

1. Includes rent for former Environmental Commissioner of Ontario space that was sublet effective April 1, 2020 (from the 2019/20 fiscal year onwards).

2. "Other" includes amortization of capital assets.

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

Figure 4 presents the major components of our spending during the 2024/25 fiscal year and shows that salary and benefit costs for staff accounted for just over 72% of spending. Professional and other services, along with office rent, comprised most of the remainder.

Figure 4: Spending by Major Expenditure Category, 2024/25

Prepared by the Office of the Auditor General of Ontario

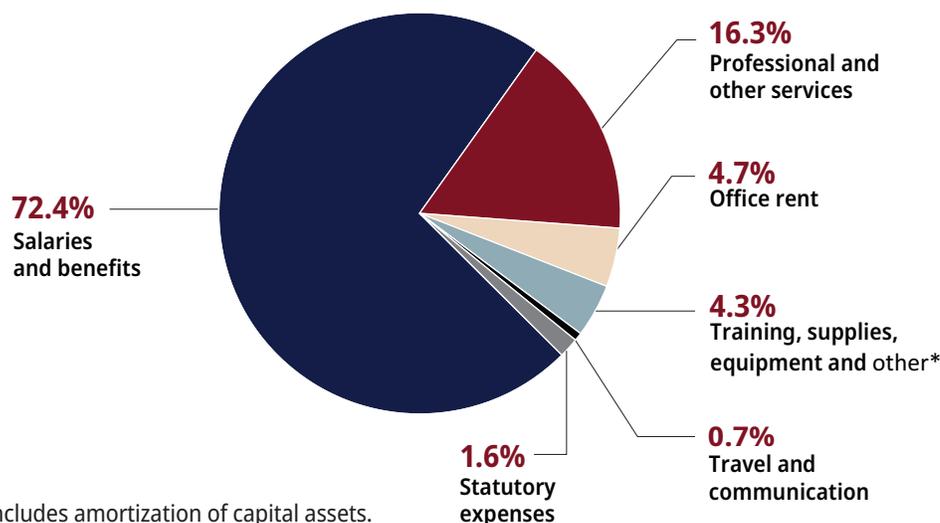


Figure 5 presents the year-over-year percentage change of actual expenditures between 2023/24 and 2024/25. Overall, our expenses increased by only 1% from the previous fiscal year.

Figure 5: Actual Expenses for 2024/25 and 2023/24 (\$ 000)

Prepared by the Office of the Auditor General of Ontario

Actual expenses	2024/25	2023/24	% Change
Salaries and benefits	21,088	21,558	(2)
Professional and other services	4,751	3,983	19
Rent	1,382	1,349	2
Training, supplies, equipment and other	1,249	1,276	(2)
Travel and communications	191	261	(27)
Statutory expenses	466	520	(10)
Total	29,127	28,947	1



In 2024/25, our salary and benefit costs were 2.2% lower than in the prior fiscal year.

Professional and other services includes both contracted CPA firms and contracted specialists that assisted in our performance audits, special audits and financial statement audits. In 2024/25, these services increased by 19%.

In 2024/25, our office rent increased by 2.5% in accordance with our rental agreement.

Our travel and communications costs decreased by 27% and our training, supplies and equipment costs decreased by 2% compared to the previous fiscal year.

Statutory expenses include the Auditor General's salary and fees for contracted experts and decreased by 10%.

8.0 Financial Statements



Office of the Auditor General of
Ontario
Financial Statements
For the Year Ended March 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General of Ontario have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management of the Office. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and considering information available up to September 8, 2025.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The financial statements have been audited by the firm of Forvis Mazars LLP, Chartered Professional Accountants. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Shelley Spence, FCPA, FCA, LPA
Auditor General
September 8, 2025



Pauline Yick, CPA, CGA
Chief Operating Officer
September 8, 2025



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INDEPENDENT AUDITOR'S REPORT
To The Office of the Auditor General of Ontario

Opinion

We have audited the financial statements of Office of the Auditor General of Ontario (the "Office"), which comprise the statement of financial position as at March 31, 2025, and the statements of operations and accumulated deficit, statement of changes in net financial debt, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2025, and the results of its operations, its changes in net financial debt, and its cash flows for the year ended in accordance with the 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 management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

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



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 are 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.

Forvis Mazars LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, September 8, 2025

Office of the Auditor General of Ontario
Statement of Financial Position
As at March 31, 2025

(in Canadian dollars)	2025	2024
	\$	\$
Financial assets		
Cash	3,748,775	3,800,079
Harmonized sales taxes recoverable	267,812	372,532
	<hr/>	<hr/>
Total financial assets	4,016,587	4,172,611
Financial liabilities		
Accounts payable and accrued liabilities [Notes 3 and 4(b)]	4,230,981	5,549,023
Accrued future employee benefits liability [Note 4(b)]	1,668,300	1,675,900
Due to the Consolidated Revenue Fund (Note 5)	454,357	48,105
Deferred lease inducement (Note 6)	451,962	520,615
	<hr/>	<hr/>
Total financial liabilities	6,805,600	7,793,643
Net debt	(2,789,013)	(3,621,032)
Non-financial assets		
Tangible capital assets (Note 7)	1,468,290	1,408,661
Prepaid expenses	1,097,049	641,140
	<hr/>	<hr/>
Total non-financial assets	2,565,339	2,049,801
Accumulated deficit	<hr/>	<hr/>
	(223,674)	(1,571,231)

The accompanying notes are an integral part of these financial statements.

Approved by the Office of the Auditor General of Ontario:



Shelley Spence, FCPA, FCA, LPA
Auditor General



Pauline Yick, CPA, CGA
Chief Operating Officer

Office of the Auditor General of Ontario
Statement of Operations and Accumulated Deficit
For the Year Ended March 31, 2025

(in Canadian dollars)	2025 Budget [Note 11(a)] \$	2025 Actual \$	2024 Actual \$
Revenue			
Consolidated Revenue Fund – Voted appropriations	30,880,749	30,880,749	26,716,800
Expenses			
Salaries and wages	19,990,463	16,722,260	16,672,717
Employee benefits (Note 4)	5,687,486	4,365,573	4,885,051
Professional and other services	2,368,300	4,750,684	3,983,389
Office rent (Note 9)	1,306,000	1,382,245	1,349,020
Amortization of tangible capital assets	-	526,830	631,219
Travel and communication	471,600	190,889	260,947
Training and development	150,000	80,258	196,103
Supplies and equipment	384,800	642,287	449,140
Statutory [Note 2(c)]	522,100	465,914	519,601
Total expenses [Notes 8 and 11(b)]	30,880,749	29,126,940	28,947,187
Excess (deficiency) of revenue over expenses		1,753,809	(2,230,387)
Less: returned to the Consolidated Revenue Fund [Note 5]		406,252	48,105
Operating surplus (deficit) [Note 11(b)]		1,347,557	(2,278,492)
Accumulated (deficit) surplus, beginning of year		(1,571,231)	707,261
Accumulated deficit, end of year		(223,674)	(1,571,231)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Ontario
Statement of Changes in Net Financial Debt
For the Year Ended March 31, 2025

(in Canadian dollars)

	2025 Budget [Note 11(a)]	2025 Actual	2024 Actual
	\$	\$	\$
Operating surplus (deficit)	-	1,347,557	(2,278,492)
Prepayment of expenses	-	(685,062)	(356,500)
Use of prepaid expenses	-	229,153	1,224,139
Purchase of tangible capital assets	-	(586,459)	(127,802)
Amortization of tangible capital assets	-	526,830	631,219
Decrease (increase) in net financial debt	-	832,019	(907,436)
Net financial debt, beginning of year	(3,621,032)	(3,621,032)	(2,713,596)
Net financial debt, end of year	(3,621,032)	(2,789,013)	(3,621,032)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Ontario
Statement of Cash Flows
For the Year Ended March 31, 2025

(in Canadian dollars)

	2025	2024
	\$	\$
Cash flows from operating activities		
Operating surplus deficit [Note 11(b)]	1,347,557	(2,278,492)
Adjustments for non-cash items:		
Amortization of tangible capital assets	526,830	631,219
Amortization of deferred lease inducement	(68,653)	(68,652)
Accrued future employee benefits liability [Note 4(b)]	83,400	(142,027)
Changes in working capital items:		
Decrease (increase) in harmonized sales taxes recoverable	104,720	(109,561)
(Increase) decrease in prepaid expenses	(455,909)	867,639
Increase (decrease) in due to the Consolidated Revenue Fund	406,252	(141,211)
(Decrease) increase in accounts payable and accrued salaries and benefits	(1,409,042)	1,698,029
Net cash flows from operating activities	535,155	456,944
Cash flows from capital activities		
Purchase of tangible capital assets	(586,459)	(127,802)
Net (decrease) increase in cash	(51,304)	329,142
Cash, beginning of year	3,800,079	3,470,937
Cash, end of year	3,748,775	3,800,079

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

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 the Public Accounts of Ontario, agencies of the Crown, and institutions that receive government grants. In doing so, the Office promotes accountability, efficiencies, effectiveness, and due regard to economy 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.

The *Restoring Trust, Transparency and Accountability Act, 2018*, transferred many of the responsibilities of the former Environmental Commissioner of Ontario to the Office in 2019. The Office conducts audits of government programs that impact the environment under the same processes as the Office's performance audits and has additional reporting responsibilities with respect to the operations of the *Environmental Bill of Rights, 1993*.

2. Summary of Significant Accounting Policies

(a) Basis of accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) established by the Canadian Public Sector Accounting Board.

A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

The significant accounting policies used to prepare these statements are summarized below.

(b) 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.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

2. Summary of Significant Accounting Policies (continued)

(b) Measurement uncertainty (continued)

Post-employment benefits liability of \$1,668,300 (2024 - \$1,675,900, see note 4(b)) is subject to measurement uncertainty as actual results may differ significantly from the Office's best estimate of expected long-term results. For example, the difference between actual results and actuarial assumptions regarding service life, retention rate, discount rate and salary escalation rate may be significant.

Estimates are based on the best information available at the time of preparation of the financial statements. By their nature, estimates are subject to measurement uncertainty. These estimates and assumptions are reviewed periodically, and adjustments are reported in the Statement of Operations and Accumulated Deficit in the year in which they become known. Therefore, actual results may differ materially from the estimates.

(c) Revenue recognition

Consolidated Revenue Fund – Voted appropriations

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund. See Note 5 for calculation of the balance due to the consolidated Revenue Fund as at March 31, 2025.

The voted appropriations are prepared using accounting policies prescribed by the Board of Internal Economy, and therefore there is a difference in the excess or deficiency of revenue over expenses arising from the application of Canadian public sector accounting standards. Refer to Note 11(a) for details on the differences and the adjustments required to restate the Office's budget using Canadian public sector accounting standards.

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, 2004, and the Fiscal Sustainability, Transparency and Accountability Act, 2019, or to conduct special assignments under Section 17 of the Auditor General Act.

(d) Expenses

Expenses are recorded on an accrual basis. Expenses are recognized in the fiscal year when the events give rise to the expenses occur and resources are consumed.

(e) Financial instruments

Financial assets and financial liabilities are recognized on the Statement of Financial Position when the Office becomes a party to the contractual provisions of the instrument. Financial assets and liabilities measured at cost or amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

2. Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets and liabilities measured at amortized cost includes cash, harmonized sales taxes recoverable, accounts payable and accrued liabilities, and due to the Consolidated Revenue Fund.

(f) Tangible capital assets

Tangible capital assets are recorded at cost, less accumulated amortization, and write-downs, if any. The historical cost of tangible capital assets includes the cost directly related to the acquisition, design, construction, development, improvement, or betterment.

Amortization begins when capital assets are available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management).

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease (8 years for 2024-25)

(g) Future employee benefits

Pension plans

The Office is a participating employer in the Public Service Pension Plan (PSPP), which is a multi-employer defined benefit plan that is solely sponsored by the Province of Ontario. When benefits are provided to employees through a multi-employer defined benefit plan, each entity participating in the plan, other than the sponsoring entity, is required to follow the standards for defined contribution plans. As a result, the Office recognizes an expense equal to the total required contributions provided for employees' services rendered during the period. Any outstanding contributions are recognized as a liability in the Statement of Financial Position.

Post-employment benefits

Post-employment benefits liability 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.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

2. Summary of Significant Accounting Policies (continued)

(h) Operating lease and deferred lease inducement

The Office recognizes lease expenses on a straight-line basis over the term of the operating lease. Deferred lease inducements are amortized and recorded as a reduction of rent expense on a straight-line basis over the term of the lease.

(i) Future changes in accounting standards

The Conceptual Framework for Financial Reporting in the Public Sector (Conceptual Framework)

The new Conceptual Framework provides a meaningful foundation for formulating consistent financial reporting standards. The Conceptual Framework will replace current guidance in *Section PS 1000, Financial statement concepts*, and *Section PS 1100, Financial statement objectives*.

A Conceptual Framework is a coherent set of interrelated concepts underlying accounting and financial reporting standards. It prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which standards are developed, and professional judgment is applied. The impact on the financial statements is currently being assessed. The Office intends to implement the Conceptual Framework effective April 1, 2026, for the fiscal year 2026-27.

Section PS 1202, Financial Statement Presentation

The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. Section PS 1202 will replace Section PS 1201. The impact on the financial statements is currently being assessed. The Office intends to implement the standard effective April 1, 2026, for the fiscal year 2026-27.

3. Accounts Payable and Accrued Liabilities

(in Canadian dollars)	2025	2024
	\$	\$
Accounts payable	605,495	519,351
Accrued salaries and benefits	2,586,486	4,081,672
Accrued current employee benefits liability	1,039,000	948,000
	<u>4,230,981</u>	<u>5,549,023</u>

Accounts payable relates to normal business transactions with third-party vendors and is subject to standard commercial terms. Accruals for salaries and benefits are recorded based on employment arrangements and legislated entitlements. Accrued current employee benefits liability represents vacation credits which are expected to be utilized within one year.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

4. Liability 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 provides pension benefits for all its employees through its participation in the PSPP, which is a multi-employer defined benefit pension plan that is solely sponsored by the Province of Ontario. The pension benefit formula is based on a member's best five-year average salary and length of service. Pension benefits are indexed to changes in the Consumer Price Index to provide protection against inflation. Plan benefits are funded by contributions from participating employers, employees, the Province, as well as investment earnings. The Province of Ontario determines the Office's annual payments to the fund based on 2025 contribution rates between 7.4% and 10.5% of eligible employees' annual salary (2024 – between 7.4% and 10.5%). 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 liabilities of the Office. There were no significant changes to the plan during the period.

The Office's required contribution to the PSPP amounted to \$1,634,090 (2024 – \$1,378,885) during the period is included in employee benefits expense in the Statement of Operations and Accumulated Deficit.

(b) Accrued future employee benefits liability

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.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

4. Liability for Employee Future Benefits (continued)

(b) Accrued future employee benefits liability (continued)

- The liability as at March 31, 2025 is determined in an actuarial valuation report dated July 2025 based on the following key assumptions:
- Estimated average remaining service life of 15 years (2024 – 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 4.25% per annum (2024 – 4.5%).
- Salary escalation rate of 2.75% per annum (2024 – 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 (2024 – 3.7 days) for each eligible employee.

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

(in Canadian dollars)	2025 \$	2024 \$
Total liability for severance and vacation credits	2,707,300	2,623,900
Less: Due within one year and included in accounts payable and accrued liabilities	1,039,000	948,000
Accrued future employee benefits liability	<u>1,668,300</u>	<u>1,675,900</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 Deficit as follows:

	2025 \$	2024 \$
Current year benefit cost	515,000	1,481,700
Actuarial gains	(20,000)	(13,700)
	<u>495,000</u>	<u>1,468,000</u>

Severance benefits of \$833,600 (2024 - \$534,500) were paid during 2025. Unamortized actuarial gains were \$188,300 as of March 31, 2025 (2024 - \$271,900 gains).

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

4. Liability for Employee Future 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 Procurement and accordingly is not included in these financial statements.

5. Due to the Consolidated Revenue Fund

The changes in the due to Consolidated Revenue Fund balance are as follows:

(in Canadian dollars)	2025 \$	2024 \$
Due to the Consolidated Revenue Fund – beginning of year	48,105	189,316
Voted appropriations [Note 2(b)]	30,880,749	26,716,800
Less: Appropriations used [Note 11(b)]	(30,474,497)	(26,668,695)
Unused appropriations for the year	406,252	48,105
Less: Refund to the Consolidated Revenue Fund during year	-	(189,316)
Due to the Consolidated Revenue Fund – end of year	454,357	48,105

6. Deferred Lease Inducement

The deferred lease inducement is composed of the following:

Lease term	Deferred lease inducement - gross \$	Accumulated amortization \$	Balance 2025 \$	Balance 2024 \$
November 1, 2021 to October 31, 2031	686,525	234,563	451,962	520,615

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

7. Tangible Capital Assets

(in Canadian dollars)	Computer hardware	Computer software	Computer Software (not yet in use)	Furniture and fixtures	Leasehold Improvements	Leasehold improvements (not yet in use)	2025 Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning of year	2,486,225	346,194	-	1,114,528	2,037,637	11,996	5,996,580
Additions	182,335	-	332,225	24,527	-	47,372	586,459
Disposals	(42,787)	(90,221)	-	(95,257)	-	-	(228,265)
Balance, end of year	2,625,773	255,973	332,225	1,043,798	2,037,637	59,368	6,354,774
Accumulated amortization							
Balance, beginning of year	2,128,710	297,275	-	915,576	1,246,358	-	4,587,919
Amortization	258,336	37,536	-	137,866	93,092	-	526,830
Disposals	(42,787)	(90,221)	-	(95,257)	-	-	(228,265)
Balance, end of year	2,344,259	244,590	-	958,185	1,339,450	-	4,886,484
Net Book Value	281,514	11,383	332,225	85,613	698,187	59,368	1,468,290
	Computer hardware	Computer software	Computer Software (not yet in use)	Furniture and fixtures	Leasehold Improvements	Leasehold improvements (not yet in use)	2024 Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning of year	2,458,998	386,074	-	1,114,528	2,037,637	-	5,997,237
Additions	115,806	-	-	-	-	11,996	127,802
Disposals	(88,579)	(39,880)	-	-	-	-	(128,459)
Balance, end of year	2,486,225	346,194	-	1,114,528	2,037,637	11,996	5,996,580
Accumulated amortization							
Balance, beginning of year	1,888,645	279,881	-	763,367	1,153,266	-	4,085,159
Amortization	328,644	57,274	-	152,209	93,092	-	631,219
Disposals	(88,579)	(39,880)	-	-	-	-	(128,459)
Balance, end of year	2,128,710	297,275	-	915,576	1,246,358	-	4,587,919
Net Book Value	357,515	48,919	-	198,952	791,276	11,996	1,408,661

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

8. Expenses by Function

(in Canadian dollars)	2025				
	Salaries and benefits	Other operating expenses	Statutory expenses	Total	%
Performance and special audits	14,063,475	4,458,844	392,106	18,914,425	64.9
Financial statement audits	7,020,140	3,110,898	52,100	10,183,138	35.0
Government advertising	4,218	3,451	21,708	29,377	0.1
	<u>21,087,833</u>	<u>7,573,193</u>	<u>465,914</u>	<u>29,126,940</u>	<u>100.0</u>
%	72.4	26.0	1.6	100.0	

	2024				
	Salaries and benefits	Other operating Expenses	Statutory expenses	Total	%
Performance and special audits	15,370,688	4,046,034	467,353	19,884,075	68.7
Financial statement audits	6,169,834	2,819,073	36,881	9,025,788	31.2
Government advertising	17,246	4,711	15,367	37,324	0.1
	<u>21,557,768</u>	<u>6,869,818</u>	<u>519,601</u>	<u>28,947,187</u>	<u>100.0</u>
%	74.5	23.7	1.8	100.0	

Expenses have been allocated to the Office's three (2024 – three) 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 travel costs and professional services, are allocated to that activity based on actual costs.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2025

9. Contractual Obligations

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

Year	\$
2025/26	724,200
2026/27	747,100
2027/28	779,100
2028/29	779,100
2029/30	678,400
2030/31 and beyond	1,261,100

The Office is also committed to pay its proportionate share of realty taxes and operating expenses for the premises amounting to approximately \$739,000 during 2025 (2024- \$702,000).

10. Financial Instrument Risks

The Office's financial instruments are exposed to certain financial risks including credit risk and liquidity risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Office's maximum exposure to credit risk is equal to the carrying amount of harmonized sales tax recoverable in the Statement of Financial Position. Management believes that the risk of loss on this balance is low because of high credit quality of the federal government counterparty. Accordingly, management believes that all recoverable amounts will be collected and has determined that a valuation allowance is not required.

(b) Liquidity risk

Liquidity risk is the risk that the Office will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. The Office is exposed to this risk in respect of its accounts payable and accrued liabilities and due to the Consolidated Revenue Fund. The Office's objective for managing liquidity risk is to manage operations and cash expenditures within the voted appropriations approved by the Board of Internal Economy. Management believes that this risk is low.

Office of the Auditor General of Ontario

Notes to Financial Statements

For the Year Ended March 31, 2025

11. 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 liability 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:

	2025	2024
	\$	\$
Total budgeted expenses approved by the Board of Internal Economy	30,880,749	26,716,800
Purchase of tangible capital assets	(225,000)	(225,000)
Amortization of tangible capital assets	531,488	649,417
	306,488	424,417
Total budgeted expenses restated using Canadian public sector accounting standards	31,187,237	27,141,217

(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:

	2025	2024
	\$	\$
Total expenses per Public Accounts Volume 1	30,474,497	26,668,695
Purchase of tangible capital assets	(586,459)	(127,802)
Amortization of tangible capital assets	526,830	631,219
Change in accrued future employee benefits liability	83,400	(142,027)
Accrued salaries and benefits	(1,053,410)	1,053,410
Change in prepaid expenses	(317,918)	863,692
Total reconciling items	(1,347,557)	2,278,492
Total expenses per the statement of operations and accumulated deficit	29,126,940	28,947,187



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