



Office of the Auditor General of Ontario
125 Years of Promoting Accountability









Kevin Thom Photography

125 years ago, on March 25, 1886, the *Act to Provide for the Better Auditing of the Public Accounts of the Province* was passed. The Audit Act, as it was called, created the Office of the Provincial Auditor.

There are some—perhaps even many—who would say that 125 years of auditing must make for a pretty boring story. I urge you to flip through this booklet, which tells the compelling story of the Office over its history. As you flip your way through it, I suspect you will be drawn in by the pictures and accompanying narrative that will take you back in time—and to some rather interesting times at that.

It's not just a chronology of auditing and auditors. It's also a story about how the Ontario government has changed over the past 125 years, and how the increasing expectations of our elected representatives and the public have challenged the Legislature's Auditor to go beyond—far beyond—the traditional auditor's role of "checking the numbers."

While providing independent assurance on whether the books are balanced and fairly presented is still important, today's legislators and taxpayers want a lot more than this from their Auditor. They want objective information on whether they are getting value for money for the myriad of government services that their tax dollars pay for. With our recently expanded mandate, the Auditor's staff can be found conducting their work wherever tax dollars are spent—from hospitals to hazardous waste sites, from school boards to social service agencies, from advertising campaigns to addiction services, and from casinos to courthouses.

And while tomorrow's Audit Office may be different than today's, if the past is any reflection of the future, one thing that will not change is the Office's reputation for independence, integrity, and a dedication to promoting accountability in the public sector.

Jim McCarter
Auditor General



Toronto Star/Getty.com

Serving Ontarians

Promoting Accountability

When Ontario voters elect representatives to the Legislative Assembly, they entrust them with a great deal of power. The political party that elects the most members forms a government, which has the legal authority to spend, tax, borrow, and administer the financial resources of the province on behalf of all citizens.

That authority, however, doesn't exist in a vacuum; the government is accountable to the Assembly for its handling of public money, and members of the Assembly are accountable to voters. In order to exercise their right to hold the government accountable, the Assembly and

Ontario's citizens must be able to understand how and where the government spends its tax dollars. But it is no easy task to get a handle on annual spending exceeding \$100 billion—about three times the annual revenues of Canada's largest company.

This is where the Office of the Auditor General comes into the picture: the Auditor General has the expertise and the legal right to examine all provincial spending and revenue-collection activities. The law also requires the Auditor to report findings each year to the Legislature and, by extension, to the public. To ensure the Auditor is free to criticize government, the law also

grants the Auditor significant independence from the government of the day.

Not surprisingly, the work of the Office has evolved considerably over the last 125 years. Where the Auditor once had the support of just one bookkeeper and a single clerk, today's Office of the Auditor General has more than 100 employees. As the following pages illustrate, the Auditor's role has gone from pre-approving every single proposed government expenditure to examining—and not only from an accounting perspective—the operations of all facets of public services funded by the taxpayer.

Above: The Office of the Auditor General serves the Legislative Assembly on behalf of all Ontarians by helping it keep an eye on government spending.

A Broad Mandate

The Auditor General's mandate covers three broad areas of responsibility: attest audits, value-for-money audits, and the review of government advertising.

Attest audits come closest to reflecting what most people envision when they think of auditing. Here, the Office examines the financial statements of the province and many of its agencies to ensure the numbers are reliable and offer a true picture of Ontario's finances.

As well, the *Fiscal Transparency and Accountability Act, 2004* requires that in an election year, the government release a pre-election report on Ontario's finances and that the Auditor review that report and deliver an opinion on its reasonableness. The Office's first such opinion was published in 2007, with another due before the 2011 election.

Value-for-money audits, however, have accounted for the bulk of the Office's work in recent years. And with the recent expansion of the Office's mandate into the broader public sector, such audits now go far beyond ministry-run programs to include such diverse areas as operating-room utilization in hospitals, medication management in long-term-care homes, university and college capital-development programs, and purchasing practices at the power corporations, school boards, and

Children's Aid Societies. To perform these audits, staff fan out across the province to gather the information needed to help paint a broader picture of an organization's operations than would be reflected in their financial statements alone.

Since 2005, the Office has also been active with its newest activity—the review of government advertising. Ontario may be the only jurisdiction in the world where the Auditor General has a legal mandate to pre-screen government advertising to ensure that no partisan messages are financed with public money. Any television or radio commercial, print ad, billboard, or householder that a government office plans to broadcast, publish, or distribute must first be submitted to the Office. Each year, hundreds of government ads worth millions of dollars are reviewed.

Public Reporting

The Office publishes the results of its activities, along with analysis and recommendations for improvement, in an Annual Report that usually appears in the late fall. The Report typically generates plenty of media attention and is the subject of much debate in the Legislature. While the Annual Report often highlights what is bad news for the government of the day, it also identifies

instances where the government and civil servants are doing things well.

Occasionally, the Office is also asked to undertake special audits at the request of the Standing Committee on Public Accounts or a Minister of the Crown. The results of such audits are published as Special Reports, and these often generate significant public interest.

The Auditor's Ally—The Public Accounts Committee

While the Auditor General's office has no enforcement powers to have its recommendations implemented, it is fortunate to have the support of an active Standing Committee on Public Accounts. The Committee, composed of government as well as opposition MPPs, conducts public hearings on audits featured in the Auditor General's Annual Report. This committee has never been reluctant to call in executives in charge of audited operations to investigate further the problems that the Auditor identified and, in the words of more than one member, "hold their feet to the fire," especially when organizations fail to make progress in addressing the Auditor's recommendations.

The Auditor General's staff assembled in front of the Legislative Building for an official anniversary photograph.



1886–1949

The Early Years

Treasury's Auditor

Although 1886 marks the year Ontario appointed its first provincial auditor, the push for oversight of public finances dates back earlier, to the late 1860s. Before then nobody was really watching the flow of money in and out of provincial coffers. In fact, during the 1850s the government spent nearly half a million dollars for six consecutive years without the consent of Parliament. An opposition member of the day urged that there be some audit function because it was “better to prevent over-issue than to condemn it when it is too late.”

In 1869, the cabinet created an Audit Branch within the Treasury (the precursor to today's Ministry of Finance) to establish “the proper auditing of the accounts and disbursements connected with all the branches of the Public Service.” The Order in Council creating the new Branch said supervision of people entrusted with public funds was necessary because of the “wholesome effect which will be produced on such persons by the ever recurring dread that their acts and doings will be subject to the closest surveillance.”

Headed by William Cayley, a former member of the Legislative Assembly, the new Audit Branch would be responsible for keeping formal records of all money paid into the Treasury and would track outflows to ensure they were appropriate. All cheques were to be signed by the Treasurer and countersigned by the Auditor. By 1879, that had become a considerable burden, with 10,000 cheques being issued yearly. As an employee of the Treasury, the Auditor had no operational independence from government.

In 1885, it came to light that there was a discrepancy of more than \$14,000—not a small amount at that time—between the balance of accounts in the Treasury's books and what the government actually had in

Sealing wax and the seal of the Provincial Auditor of Ontario were used to affix a seal on packages of securities and bonds during audit verification procedures.

the bank. An outside investigation uncovered irregularities in the accounting system stretching back about 15 years. It also found “errors of a grave nature”—fraud had occurred.

A More Independent Auditor

In 1886, the government passed the first Audit Act, an *Act to Provide for the Better Auditing of the Public Accounts of the Province*, which provided for a Provincial Auditor appointed by the Lieutenant Governor and independent of the Treasury. The Auditor’s staff was to be appointed by the Lieutenant Governor in Council (essentially the Premier and Cabinet, with the Lieutenant Governor’s approval). The Auditor was to ensure that no money was spent without legislative authority. He was to provide each government department with a monthly statement—and sure to keep the Auditor busy, he was to continue to countersign *every* cheque issued by the Treasurer!

The Auditor had the power to examine under oath any person connected with any account being audited.

But he still did not have a completely free hand: if he disagreed with the Treasury Department, his decision could be overruled by the Treasury Board, which consisted of the Treasurer, Premier, and Attorney General.

Under the 1886 Audit Act, the Auditor was also required to annually prepare the Public Accounts of the province. He was to deliver these to the Treasurer, who would then present them to the Legislature. Charles Sproule, already serving as head of the Audit Branch of the Treasury after Mr. Cayley’s retirement, was appointed the first official Provincial Auditor of Ontario. No one could accuse him of being overstaffed: he employed one bookkeeper and one clerk, and he had an office budget of less than \$5,000—with nearly half of that going to his annual salary.

By 1905—the year that James Clancy, a former member of the Legislative Assembly and the House of Commons, was appointed Auditor—the Office of the Provincial Auditor (Office) had a staff of seven and expenditures of \$8,000 a year. The Provincial Auditor’s annual salary was \$2,500.



Above: In the days before inexpensive and widely available printing, the original cabinet decisions outlining the duties of the Auditor in 1877 and appointing Charles Sproule as Auditor in 1878 were written out in longhand.

Below: At the turn of the 20th century, bookkeeping was very much a clerical task involving a number of people.



Toronto Public Library



Archives of Ontario



Toronto Public Library

In 1893, the government with all its departments and the Auditor's Office moved into the new Parliament Buildings at Queen's Park (bottom) from their old quarters on Front Street West (top). At that time, and for years to follow, the Provincial Auditor's office was located in the Main Legislative Building, beside the offices of the Provincial Treasurer on the third floor.

Advent of the Auditor's Report

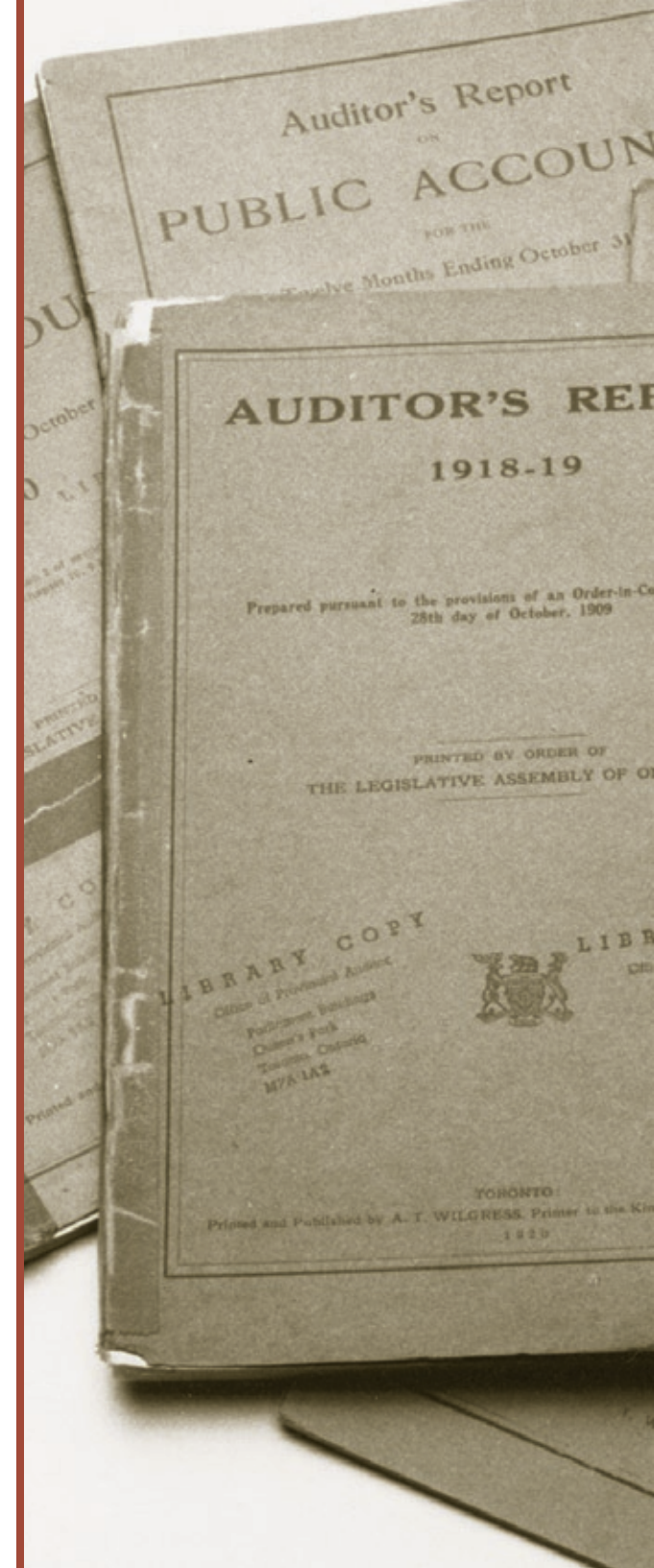
In 1909, the Legislature voted to change the government's fiscal year from the calendar year to the 12 months between November 1 and October 31. A clause in the law making this change stipulated that if the Auditor was overruled by the Treasury Board, he was to prepare a statement on the situation to be presented to the Legislature at the beginning of the next session. This introduced the practice of an Auditor's Report that was separate from his responsibility to prepare the Public Accounts. From 1909 onwards, the Auditor's Annual Report was printed as a separate document.

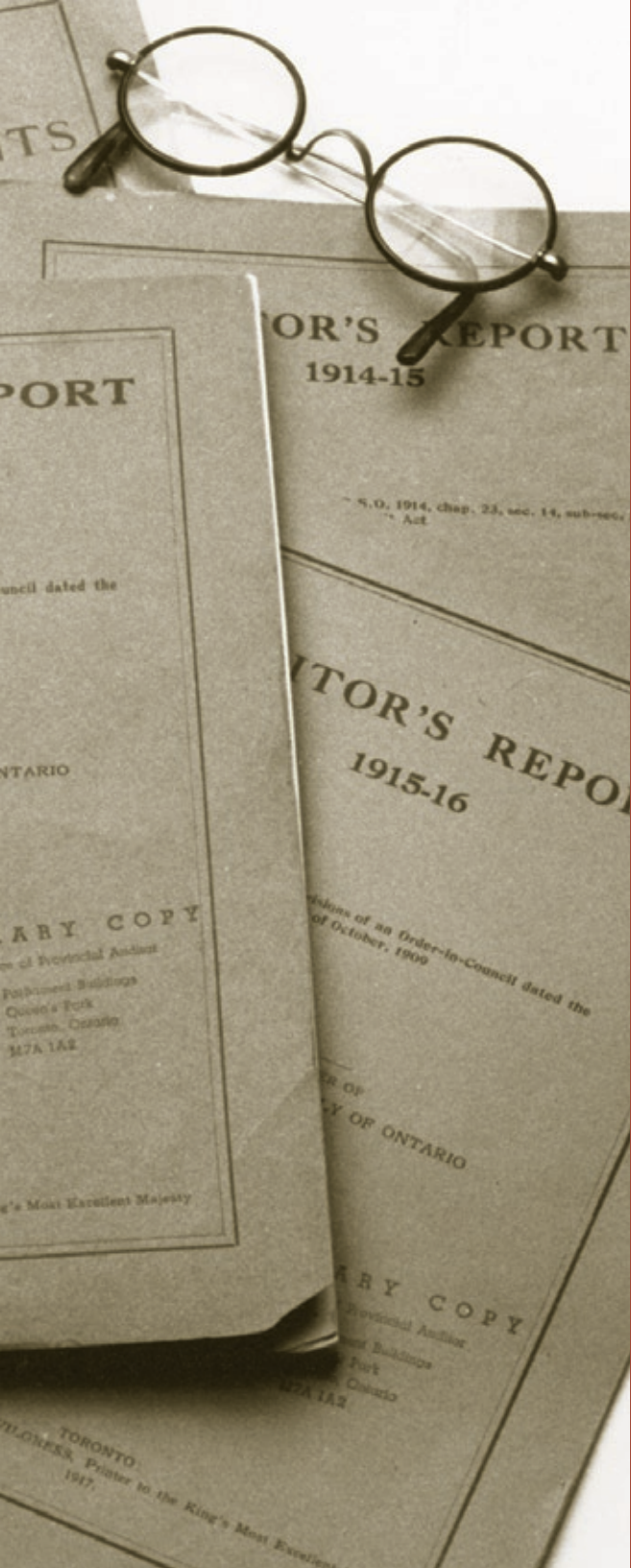
In the fall of 1920, Gordon Brown was appointed Provincial Auditor at a salary of \$5,000. By this time, the Office had a staff of 23 with annual expenses of more than \$52,000.

Steady Growth and "Economies"

In 1921, amendments to the Audit Act specified that any appointments to the Auditor's staff could only be made on the recommendation of the Auditor himself. An Assistant Auditor could now be appointed, and, in a concession to the wear and tear on his cheque-signing hand, the Auditor could now designate a staffer to countersign cheques on his behalf. Story has it that for many years, this job fell to one Frank Howard Lee—who signed himself F.H. Lee—because he had the shortest name in the Office!

In his Budget speech of 1924, the provincial Treasurer pointed out an astonishing fact: since Confederation, there had been regular auditing of expenditures, but not of the revenues received by the province. He described going into the Amusement Tax Branch and finding cash "sticking out of the files ... five-dollar and ten-dollar bills, and cheques there for months." New





intensive audits ensued, and the Provincial Auditor corroborated that these had been effective, and reported that “an increase of revenue will be shown in nearly every department.”

By 1935, the Provincial Auditor’s Office had a permanent staff of 48 with annual expenditures of \$90,000. Faced with the devastating impact of the Depression, the Premier of the day, Mitch Hepburn, announced a major initiative to eliminate unnecessary government expenditures and to tighten up administration. He appointed the Deputy Minister of Public Works to investigate all government departments “to learn where economies might be effected.” The Provincial Auditor’s Office was among the first up for inspection. All 48 employees were interviewed, sometimes with cross-examination tactics that bordered on intimidation. The first employee on the witness stand was questioned about his political activity, his drinking habits, and his debts.

Even the Assistant Auditor was chastised for failing to keep an attendance record. A number of staff were let go, something the press of the day viewed as an exercise in political housecleaning. Some changes were made in the running of the Office, including the introduction of a Scriptograph machine that signed four cheques simultaneously, a boon for the Office, which by this time was signing 300,000 cheques a year, all by hand.

“Professionalizing” the Office

In 1938, Harvey Cotnam became the first chartered accountant to be appointed Provincial Auditor. His accounting and auditing expertise led to improvements in the way the Office operated, such as the requirement that work done be documented on “audit papers.”

During Mr. Cotnam’s term, the Office had a smooth working relationship with the Treasury and the govern-

Early Provincial Auditor’s reports were slim volumes that catalogued and reported on government expenditures, legal opinions, Treasury Board over-rulings, special warrants, and Treasury Board Minutes.

Canada Science and Technology Museum, CN Collection



In the mid 1930s, the Scriptograph machine—a multiple cheque-signing device similar to the one above—was put to good use in the Auditor’s office. It allowed someone to sign four cheques at once, significantly increasing productivity on that front!

ment of the day. In fact, according to an employee who had worked for the Auditor for more than 25 years, “we considered ourselves under the Treasury. We were supposed to be a separate office, but we dovetailed with the Treasury pretty closely.”

But by the late 1940s, members of the Legislative Assembly were voicing their concern about that “dovetailing.” Some suggested the Auditor should be free to do his duty without any direction from the Treasury. A number of discussions took place in the Legislature’s Public Accounts Committee, which passed a motion recommending that the Audit Act be amended. Among other provisions, the Committee suggested that “the Provincial Auditor present to the Provincial Legislature an auditor’s report, dealing with such qualifications and recommendations as he wishes to make” This would lead to significant changes for the Auditor’s Office.

The Highways Scandal

In 1953, a routine examination by the Provincial Auditor of the Highways Department led to the exposure of what a Toronto newspaper called “one of the biggest scandals in the province’s history.” Following up on a tip that a department clerk had ordered a road built to his summer property, audit investigators scrutinized engineering records and found they had been revised so as to fabricate obstacles on the terrain where none existed. The Provincial Auditor’s report to the legislative committee that was struck to investigate the matter revealed that some records had been deliberately destroyed by junior department staff in an attempt to block the investigation.



Les Caillan/The Toronto Star

Kevin Thom Photography

1950-1972

From Accounting to Auditing

Towards Greater Independence

A period of greater independence for the Provincial Auditor was ushered in with the passage in 1950 of amendments to the Audit Act. The amendments pulled the Office further away from Treasury Board control by strengthening the Auditor’s right to access all necessary documents and giving him the authority to refer any questionable payment or request for payment to the Lieutenant Governor in Council (that is, the cabinet) rather than Treasury Board. The Act also stipulated for the first time that the Auditor was to present the Public Accounts to the Lieutenant Governor in Council, not the Treasurer, and within a definite timeframe.

In addition, a separate section of the Act specifically provided for the Provincial Auditor to issue an Annual Report; and, for the first time, he was to say in the report whether, “in his opinion, they [the Public Accounts] are properly drawn up so as to present fairly the financial position of the province.” The Act also gave the Auditor the right to inform the Legislature—rather than the Treasurer—of any matter “he desires to bring to the attention of the Assembly.”

Above: With the change over to a post-audit examination of government activities, the Provincial Auditor’s report went from being a slim volume primarily featuring charts and balance sheets to a more hefty book containing detailed comments on the adequacy of financial procedures and controls.

The story that finally emerged was that department employees and private contracting firms had colluded to defraud the federal and provincial governments of an estimated \$7 million. Harvey Cotnam, Provincial Auditor during the Highways Department scandal, said: “No Auditor ever previously had the gall to question engineering records. But I questioned them and we cleared the matter up.”

From Pre- to Post-Audit

After Mr. Cotnam’s 25-year tenure ended, George Spence was appointed Provincial Auditor in 1963. He presided over the Office’s move from pre-audit to post-audit work. Traditionally, the Office conducted post-audits of revenues and pre-audits of expenditures. Pre-audit essentially means auditing a transaction before it is processed, while post-audit means auditing the transaction after it has been processed. In the words of one employee: “Treasury had to get our blessing to pass payments.” The idea behind the pre-audit of expenditures was that a careful review before cheques were issued would reduce the risk of theft and fraud.

By the 1960s, with the public service at over 34,000 employees and the provincial budget at \$738 million, cheque volumes were getting out of hand, and it was becoming increasingly difficult for the Office to approve payments within a reasonable time frame. In 1964, the Provincial Auditor, the Deputy Provincial Treasurer, and the Secretary of the Treasury Board appeared before the Public Accounts Committee to explain and discuss their responsibilities. The Committee recommended at that time that further consideration be given to a post-audit system.

Although Canada’s Parliament had relieved the federal Auditor General of pre-audit work in 1931, it wasn’t

until 1971 that Ontario took the same step. The Committee on Government Productivity recommended, among other things, that pre-audit duties be shifted from the Provincial Auditor to government departments. The new system made government managers responsible for overseeing the processing of revenues and expenditures. The Provincial Auditor’s Office could now focus on assessing financial-system procedures and controls rather than on verifying individual transactions. As a newspaper of the day observed, this new system represented “a change from government over the pork barrel at the corner store to government as giant corporation.”

Greater Collaboration with the Public Accounts Committee

The change to post-audit also resulted in a strengthening of the relationship between the Provincial Auditor and the Public Accounts Committee, which recognized at this time that the Provincial Auditor was its “most important resource.” Traditionally, the Committee met only infrequently, and was generally unable to navigate its way through the government’s massive and murky finances. However, as the new post-audit work proceeded, the Auditor increasingly became an adviser to the Committee that, in addition to answering questions, was able to deliver reports based on the post-audit of government-account payments. The Committee itself began to meet more frequently and assumed a more influential role.

The Rise of Professional Accountants

The move to post-audit work also involved a notable change in the composition of the Office’s staff. In the pre-audit days, many employees were clerks hired to

perform the routine checking of proposed expenditures. They lacked the training and experience needed to assess financial accounting systems. Eventually, most were transferred elsewhere in the public service and new staff with the appropriate skills were hired. A news article of the day observed that “bright young accountants who have avoided the place for years are rushing to get jobs.”

In the 1970s, the Auditor’s Annual Report began its transformation from a dry verification of accounts to a serious examination and reporting of questionable government spending practices, which was of greater interest to a much wider audience of legislators and citizens. This was supported by the next major development in the Office’s evolution—value-for-money auditing.

By the 1960s, Ontario’s budget had risen to over \$700 million and its public service numbered more than 30,000. To house this growing bureaucracy, the government erected the largest building ever undertaken in Toronto at that time—seen here during its construction. The complex, which occupies two city blocks, today still houses a number of government offices.



Archives of Ontario

Expanded Audit Powers

Bill Groom, who had served as Assistant Provincial Auditor since 1971, was appointed Provincial Auditor in 1973. Though his time in the new post was short—tragically, he and his wife were killed in a car accident months after his appointment—he was to have a major impact. He is credited with transforming the Auditor's Annual Report from a dry record of accounts into a sober assessment of questionable spending practices. As well, he was instrumental in the establishment of the Conference of Canadian Legislative Auditors. This gathering of Auditors General from across Canada (since renamed the Canadian Council of Legislative Auditors) continues to meet every year to strengthen working relationships and discuss common issues.

In 1974, Norman Scott was appointed Provincial Auditor. Under Mr. Scott, the nature of the Office's work continued its steady transformation—pre-auditing was completely phased out and it became the responsibility of the Treasurer rather than the Auditor to prepare the Public Accounts.

In 1978, new amendments to the Audit Act marked a radical shift in the work of the Provincial Auditor by giving the Office for the first time a clear mandate to conduct value-for-money audits. Up to this time, the Provincial Auditor's work had focused on verifying that money spent was accounted for correctly and that adequate accounting procedures and controls existed. A value-for-money auditing mandate provided the Auditor with much greater scope to look beyond the numbers. Value-for-money auditing involves assessing whether government programs are being well managed and whether they provide good value for the taxpayer.

Under the new amendments, all ministry-run programs and operations came under the Provincial

Bottom left: City of Toronto Archives

In 1986, just in time for its centennial celebration, the Office of the Provincial Auditor of Ontario moved into brand-new quarters on the top floor of the Atrium at Bay, at the corner of Yonge and Dundas streets in downtown Toronto, where it remains to this day.

1973–2002

Value-for-money Auditing Comes of Age



Auditor's watchful eye, but it would be decades before other institutions receiving direct government funding would be captured in the Auditor's mandate.

The new amendments also strengthened the independence of the Provincial Auditor from the government of the day. Previously, the Office's staff had been appointed by the Lieutenant Governor in Council, and the Auditor was required to submit the Office's budget to the Management Board of Cabinet. Under the new Act, the Office was to secure both staff and financial resources through the Board of Internal Economy, an all-party legislative committee operating independently of the government's administrative processes. Moreover, the Provincial Auditor would now report to the Legislature through the Speaker of the House rather than through the government or its ministers.

A Rising Profile

The 1980s saw the rise of the Provincial Auditor as a more public figure. Doug Archer, appointed Provincial Auditor in 1982, recognized that greater media coverage of the Office's work would help better inform legislators and the public and thus contribute to greater accountability in government spending and improvements to service delivery. Encouraged by the Public Accounts Committee, Mr. Archer held the Office's first-ever news conference when he released his *1984 Annual Report*. The media welcomed this new openness, and news coverage of the Annual Report that year, and in successive years, increased substantially.

The rise in the Auditor's public profile fell in step with the coming of age of value-for-money auditing. These developments in turn reflected the changing times. The 1980s saw growing public demand that governments deliver the maximum benefit possible for

taxpayer money. It was only natural then that the Auditor play a more prominent role as his Office could assess and comment on the performance—good and bad—of government administration.

In the mid 1980s, the Office had outgrown its space and the search for new accommodation began. A location was chosen in the heart of downtown Toronto, across from the bustling Yonge and Dundas intersection and the Eaton Centre. This location undoubtedly helped in the recruitment and retention of staff, most of whom were younger professional accountants.

More Rigorous Accounting, Improved Reporting

Concerns about accounting practices and their effect on the deficit had been raised in the late 1980s and early 1990s—the Auditor's *1991 Annual Report*, for example, said that existing practices could be “viewed as an attempt to ‘manage’ operating results.” At the urging of Erik Peters, who became Provincial Auditor in 1993 and who that same year delivered what he believes was the only qualified opinion ever issued on the province's public accounts, the province made significant changes to institute more rigorous accounting practices through the 1990s. These included moving from a cash basis of accounting (where income is recorded when it is received and expenses recorded when they are paid) to accrual accounting (where income is reported when it is earned and expenses accounted for when they are incurred).

Mr. Peters also added a valuable new feature to the value-for-money audit reports: *recommendations*. Each audit report not only described audit findings but also recommended specific actions that ministries should take to address problems. The logical next step in encouraging action and accountability was to follow up

later to verify what steps had (or had not) been taken in response to the Auditor's recommendations. The *1995 Annual Report* included, for the first time, a chapter containing follow-ups on audits that had occurred two years earlier. These two innovations, which continue to this day, ensure that ministries and other audited entities know that the Auditor's staff will be checking back with them and reporting on how well they have responded to the Auditor's recommendations.

Just as the work changed over the years, so too did the composition of the staff performing that work. In step with major societal changes that had been occurring in Ontario, the Office's staff became increasingly diverse, with greater numbers of women and visible minorities joining the ranks of the Office's highly trained professionals.



Provincial Auditor Doug Archer (pictured, right) began the tradition of holding a news conference on the release of the Auditor's Annual Report. The new openness was warmly received by journalists, who gave substantially more coverage to the report that first year and in those that followed.





2003–2011

Accountability Strengthened

Kevin Thom Photography

Upheaval in the World of Auditing

The business world ushered in the first decade of the new millennium with some spectacular audit-related scandals and bankruptcies that reverberated through the world of auditing. The controversies sparked a call for major reforms to audit practices, including ways to better ensure the independence and objectivity of auditors and audit committees. Although the new accounting and auditing standards arising from these debacles were largely directed toward the private sector, they reinforced the commitment the Office of the Provincial Auditor had upheld throughout its history to maintain the highest standards of practice.

New Identity, More Responsibilities

The Office had sought new changes to the Audit Act as far back as 1990. Primarily, it proposed a significant amendment to expand the value-for-money audit mandate to include institutions in the broader public sector—like colleges, hospitals, school boards, and universities—which account for more than half of the province’s annual

Above: Their predecessors sat on stools and tallied up long columns of numbers. But today’s auditors spend much of their time out in the field, assessing the operations of public services.

expenditures. In late 2004, the Legislature unanimously approved this and other amendments in a new *Auditor General Act*. The new Act also changed the Auditor’s title, from Provincial Auditor to Auditor General. Shortly thereafter, the Legislature appointed Jim McCarter, who had been serving as Acting Provincial Auditor since the retirement of Erik Peters in 2003, to become the province’s first Auditor General under the new Act.

Two more statutes, also enacted in 2004, further expanded the work of the Office. The *Government Advertising Act* mandated that before the government could broadcast or publish most kinds of advertisements, it would have to first submit them to the Auditor General for review and approval to ensure they were non-partisan and conformed to the standards of the Act. The Office supported this legislation, as it responded to concerns previously expressed about the need for government guidelines for advertising to help distinguish between informative government advertising and partisan political advertising, which should not be funded by taxpayer dollars.

Mr. McCarter recalls that when the Minister responsible for introducing the draft advertising legislation called to advise him of the role the government wanted the Auditor to play, his first question was: “Are you sure the Auditor’s Office is best suited to perform this review function? Some might feel that our expertise lies in areas other than advertising.” He considered it quite a compliment for the Office when the Minister replied that he and his colleagues had discussed this but felt that from the public’s perspective a sign-off by the Auditor General would be the ultimate stamp of approval.

From its first ad review in November 2005 through to the end of the 2009/10 fiscal year, the Auditor General, his staff, and a panel of external advertising experts



Kevin Thom Photography

For most of its history, the Office of the Auditor General of Ontario used the Legislative coat of arms as its visual identifier. In 2005, it adopted the new logo above, which depicts a watchful eye under the stylized silhouette of the legislative building at Queen's Park.

reviewed more than 3,700 ads worth about \$240 million. They have also been involved in countless discussions with government officials to help ensure that advertising under development adheres to the established standards.

In 2004 a second new statute affecting the work of the Office came into effect. The *Fiscal Transparency and Accountability Act* requires that, in an election year, the Ministry of Finance publish a pre-election report on Ontario's expected financial performance over the next three years. The Auditor General must review the government's published figures and report on whether the forecasts are reasonable. While this new function of commenting on projections falls well outside an auditor's traditional comfort zone of opining on past activities, the Office supported the move as it felt there was value in providing some independent assurance on these fiscal projections, especially in an election year. The first

Auditor's report on the government's pre-election report was issued in 2007; a second is anticipated in advance of the October 2011 election.

In recognition of the importance of all of these increases in the Office's responsibilities, in 2004 the Office embarked on a project to revitalize its visual identity. Until then, it had used the legislative coat of arms as its identifier. In 2005, the Office launched its own logo and redesigned the annual report and website to mark the start of a new era.

Of all the changes implemented since 2003, the expansion of the value-for-money audit mandate to broader-public-sector organizations has had the greatest impact on the Office's operations. Once this authority was granted by the Legislature, recognizing that more than 50% of provincial spending goes to such organizations, the Auditor General's Office began aggressively conducting value-for-money audits in the broader public sector. The list of organizations audited includes school boards, hospitals, universities and colleges, social service agencies, and Crown-controlled corporations. In fact, close to one-half of all value-for-money audits in the past five years have focused on the broader public sector or Crown corporations.

An Increase in Special Assignments

The Office's enabling legislation has long allowed for special audits to be conducted when requested by the Legislature, the Standing Committee on Public Accounts, or a Minister of the Crown. Typically, these audits are made public on completion. Except for a few years in the mid-1980s, these requests have been relatively infrequent in the past. In the last few years, however, they have become much more common.

Some of the special audits have been requested by the government and others by the Public Accounts Committee, with which the Auditor General's Office has a close working relationship. No matter the origin of these special reports, they offer an independent perspective on often high-profile issues, such as the creation of an electronic-health-records system and year-end grant spending. The attention paid to them, and to the Auditor General's Annual Reports, by legislators, the media, and the public, clearly demonstrates the extent to which legislators and Ontarians have come to view the Auditor General's Office as an objective, professional, and non-partisan voice in enhancing government accountability.



Kevin Thom Photography

For decades the Office has had the authority to carry out and report on special assignments. Recently it has been asked to produce Special Reports on a regular basis, publishing eight between 2007 and 2010.



Kevin Thom Photography

Looking Ahead to the Future

The Office of the Auditor General has certainly changed a great deal in its 125-year history. From its beginnings as a small adjunct to the Treasurer’s Office, it has grown to become an independent organization with over 100 professionals the people and legislators of Ontario increasingly turn to for reliable, useful information on Ontarians’ tax dollars at work.

But what of the next 125 years, or even the next few decades? What sorts of changes can be expected for future Auditors General?

Over the Next Few Years

In the short term, the Office will continue to include an emphasis on value-for-money audits in the broader public sector. In the five years since the Auditor’s mandate was expanded beyond government ministries and agencies, the Office has conducted work at dozens of organizations, like hospitals, colleges and universities, and social-service agencies. However, many large organizations have yet to receive a visit from the Auditor’s staff, and these are certainly on the Office’s radar for the future.

Above: Auditors today spend much of their time out in the field, scrutinizing the operations of organizations in the broader public sector. They have access to documents, activities, and places their predecessors from 125 years ago could only dream of.

The Office’s auditors already make extensive use of electronic tools and modes of communication to maintain and share digital files while out in the field and to access the wealth of information available on the Internet, including best practices from around the globe. The Office is also working to transform the promise of the “paperless office” into reality. Throughout its history, the Office has generated thousands of pages of paper to support its audit work. The Office is currently implementing a system of “electronic working papers,” which generates all of that documentation electronically and stores it digitally. The advantages are obvious—data is instantly retrievable, permanently available, and highly secure.

The increase in official requests over the past few years for special audit work suggests a growing tendency to rely on the Office to examine high-profile fiscal-responsibility issues when they arise in the Legislature or the media. It is quite likely that the Office will continue to be asked to look into such issues from time to time to provide an objective, credible assessment of whether there is a problem and, if so, just how serious it is.

Politics are, by nature, partisan. The Auditor General’s Office, however, is strictly non-partisan and has always endeavored to adhere to that principle. Now, and in the future, this is one principle that all Auditors General will need to uphold if the Office is to continue to be respected as an independent watchdog of the public purse.

Our People

Governments the size of Ontario’s fund and deliver an enormous array of services, many involving complex transactions that challenge both the public servants who deliver and oversee them and the auditors who analyze them. The Office’s emphasis on value-for-money

Right: The key to an effective value-for-money audit is good planning—especially as operations being audited are becoming increasingly complex. It takes a diverse team of professionals to get it right.

auditing, as well as the diversification of that work into the broader public sector, has placed increasing demands on the Office's auditors, whose work now extends far beyond understanding the numbers and the basic service-delivery models and procedures. Today's auditors, and those of the future, need to understand far more—for instance, how hospitals manage their operating rooms, or how to assess the risks and costs of refurbishing nuclear power plants.

As Auditor General Jim McCarter has said on more than one occasion, the success of the Office in meeting the needs of legislators and the public can be aptly summed up by the adage: "You are only as good as your people." Fortunately, the Office has a team of very talented professionals, most of them accredited professional accountants, and engages specialists from various fields to supplement its work. Tomorrow's Office will likely see the addition of other professionals and

specialists from various disciplines as the Office continues to audit both the finances and the operations of the multitude of diverse organizations that deliver services to Ontarians.

One Thing is For Sure

The Office saw some significant changes in the first decade of the 21st century—it assumed new responsibilities for broader-public-sector audits and for the review of proposed government advertising, along with a mandate to issue opinions on the government's pre-election financial projections. If the breadth of these changes is any indication, more change can certainly be expected. But one thing is for sure: the Auditor General's Office will continue to play a critical role in enhancing the accountability of government to the Legislature and to the people of Ontario by providing credible information on the way tax dollars are spent.



Kevin Thom Photography



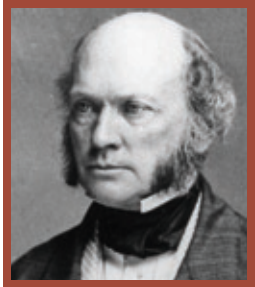
Kevin Thom Photography



Kevin Thom Photography

The Office generates thousands of pages of hard-copy documents each year but the shift to a system of "electronic working papers" should dramatically reduce that volume while ensuring information remains accessible and just as secure.

Ontario's Auditors



Hon. William Cayley

1869–1878

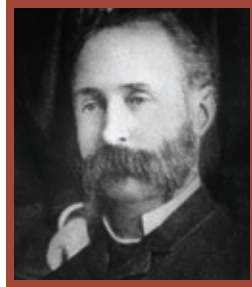
William Cayley served seven years as Inspector General of Accounts in pre-Confederation administrations before being named Auditor in 1869.



Charles Sproule

1878–1905

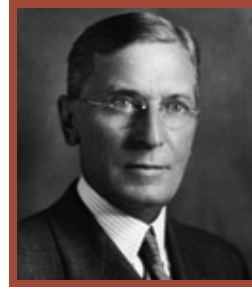
Charles Sproule started out as a junior clerk in the Treasury in 1867 and served as a bookkeeper under William Cayley. He was appointed Auditor in 1878 upon Cayley's retirement.



James Clancy

1905–1920

James Clancy was a farmer and lumberman who served 11 years as a member in the Legislative Assembly and eight more as an MP in the House of Commons before becoming Auditor in 1905.



Gordon Brown

1920–1938

Gordon Brown joined the Audit Office in 1898 and made his way through the ranks from Clerk to Chief Audit Clerk before being appointed Provincial Auditor in 1920.

Assistant Provincial Auditors: Thomas Jennings, 1921–37; Harvey Cotnam, 1937–38.



Harvey Cotnam

1938–1963

Harvey Cotnam started out as an accountant with the Treasury Board in 1933 and by 1935 had become Assistant Provincial Auditor. He was Acting Provincial Auditor for a time and was appointed Provincial Auditor in 1938.

Assistant Provincial Auditors: Donald Scott, 1938–40; George Spence, 1941–63.



George Spence

1963–1973

George Spence, son of senator James Spence, graduated from the University of Toronto in Commerce and Finance and received his CA in 1938. He was appointed Assistant Provincial Auditor in 1941 and Provincial Auditor in 1963.

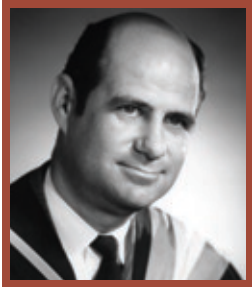
Assistant Provincial Auditors: Bruce Cranston, 1963–71; William Groom, 1971–73.

Office Milestones

- 1869** ■ Audit Branch created in the Department of Treasury
- 1886** ■ *Audit Act* establishes an Audit Office separate from the Treasury
 - First official Provincial Auditor, Charles Sproule, is appointed
 - Auditor to prepare and deliver to the Treasurer the Public Accounts, with report on any money spent without the Auditor's approval

- 1909** ■ Launch of an Auditor's Annual Report, to be tabled by the Treasurer separately from the Public Accounts

- 1950** ■ Substantial revisions to Audit Act
 - Independence and powers of Provincial Auditor strengthened
 - Auditor to present Public Accounts to Lieutenant Governor in Council instead of to the Treasurer
 - Annual report expanded to include matters the Auditor feels should be brought to the attention of the Legislature



William Groom

1973

Bill Groom first joined the office in 1956 and returned in 1971 as Assistant Provincial Auditor. He was appointed Provincial Auditor in 1973 but was killed along with his wife in a tragic highway accident a few months later.

Assistant Provincial Auditor: Norman Scott, 1973–74.

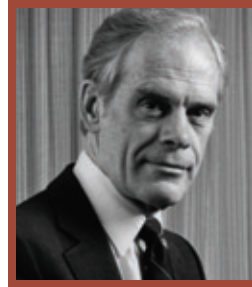


Norman Scott

1974–1981

Norm Scott started his career in the public service in 1940, served in the Royal Canadian Air Force overseas during World War II, and joined the Office in 1952. He was appointed Assistant Provincial Auditor in 1973 and Provincial Auditor in 1974.

Assistant Provincial Auditors: Howard McLaughlin, 1974–78; Douglas Archer, 1978–82.



Douglas Archer

1982–1991

Doug Archer joined the public service in 1966, working in the Department of Health, and came to the Office in 1971 as Director of the Crown Agency Audit Branch. He was appointed Assistant Provincial Auditor in 1978 and Provincial Auditor in 1982.

Assistant Provincial Auditor: James Otterman, 1982–94.



James Otterman

1992–1993

As Assistant Provincial Auditor, Jim Otterman assumed the duties of Provincial Auditor in 1992 and continued in the role until Erik Peters was appointed Provincial Auditor in 1993.



Erik Peters

1993–2003

Erik Peters had a successful accounting career in both private and public sectors before he was appointed Provincial Auditor in 1993.

Assistant Provincial Auditors: Ken Leishman, 1994–2000; Jim McCarter, 2000–2003.



Jim McCarter

2004–Present

Jim McCarter spent four years as Ontario's Assistant Provincial Auditor and then Acting Provincial Auditor and was appointed Auditor General of Ontario in 2004. Prior to that, he was the government's first Assistant Deputy Minister/Chief Internal Auditor.

Deputy Auditor General: Gary Peall, 2004–Present

Ashley and Crippen Photography

Kevin Thom Photography

- 1971** ■ Legislation passed to change all audit activities from pre-audit to post-audit
 - Pre-approval of cheques to be issued reassigned to government departments
 - Auditor's duties now focused on assessing financial-system procedures and controls
- 1978** ■ Start of value-for-money audits
 - Auditor to report directly to Legislature rather than through the government or its ministries

- 2004** ■ *Auditor General Act* extends value-for-money audits to the broader public sector and to Crown-controlled corporations, and updates title to Auditor General
 - *Government Advertising Act* mandates Auditor General to pre-screen advertising proposed by the government to ensure that it meets standards and is not partisan

- *Fiscal Transparency and Accountability Act* requires the Ministry of Finance to release in an election year a report on Ontario's finances and the Auditor General to review the report to determine if it is reasonable

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1	2	3
4	5	6

1, 3, and 5: Kevin Thom Photography

2: Office of the Auditor General of Ontario

4: Legislative Assembly of Ontario – March 25, 1886 Journals

6: Ontario Archives #4011

Photos/Illustration Sources

Pages 2–3 Office of the Auditor General of Ontario (OAGO)

Page 4 GetStock.com

Page 5 Legislative Assembly of Ontario

Page 6 OAGO, *The First One Hundred Years*

Page 7 *Bottom left and top right:*

Source of photos: OAGO, *The First One Hundred Years*

Source of documents: Archives of Ontario

Bottom right: Toronto Public Library #S-5722

Page 8 *Top left:* Parliament Buildings, Front St.

Toronto #C 7-3, 17923, I0003633, Archives of Ontario

Bottom left: Toronto Public Library #T10225

Pages 8–9 *Across page:* OAGO, *The First One Hundred Years*

Page 9 *Top right:* Canada Science and Technology Museum/Musée des sciences et de la technologie du Canada/CN Collection #CN003891

Page 10 *Left:* OAGO

Right: The Toronto Star

Page 11 Queen's Park Project Site with steelwork for Hepburn Block and Macdonald Block foundation walls in foreground, October, 1965 #RG 42-89-1, I0018777, Archives of Ontario

Page 12 *Bottom left:* City of Toronto Archives Fonds 124, File 8, Id 0322

Top and bottom right: OAGO, *The First One Hundred Years*

Page 13 OAGO

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Office of the Auditor General of Ontario
20 Dundas Street West, 15th Floor
Toronto, ON M5G 2C2
Telephone: 416-327-2381

www.auditor.on.ca





...ter is a person who may by law affirm, ...
 ... Deputy Returning Officer should hereupon show the ...
 ... to be here inserted in administering the oath is the day certifi-
 ... of the municipality to be the date of the return by the assessor of the
 ... t roll upon which the voters list used at the election is based.
 ... name of the voter's father, or step-father, or mother or step-mother,
 ... inserted here, ... or "grandson," or "son-in-law," then
 ... the name of the voter's mother is inserted, then for "his" substitute
 ... as a "step-son" or "grandson," or "son-in-law," then
 ... substitute the word "step-son," or "grandson," or "son-in-law,"
 ... on the list of voters for the municipality of

CHAPTER 4.
An Act to provide for the better Auditing of the
Public Accounts of the Province.
[Assented to 25th March, 1886.]

HER MAJESTY, by and with the advice and consent of the
 Legislative Assembly of the Province of Ontario, enacts

1. For the purpose of reference and decision in
 matters hereafter referred to it, a Treasury Board
 members of the Executive Council
 Governor, and the three
 Board for the

