



Public Accounts of Ontario 2021/22

2022 Value-for-Money Audit

Why we did this audit

- The Auditor General is responsible for auditing the consolidated financial statements of the Province, which are prepared by the government.
- The Auditor General must determine whether the statements are presented fairly and in accordance with Canadian Public Sector Accounting Standards.

Why it matters

- The objective of the audit is to obtain reasonable assurance that the Province's consolidated financial statements are free of significant errors or omissions.

What we found

Provincial Surplus

- The Province posted a surplus of \$2.1 billion for the 2021/22 fiscal year.
- The Province was anticipating a deficit of \$33.1 billion based on the *2021 Ontario Budget* and revised that estimate to a deficit of \$13.5 billion for projected 2021/22 numbers in the *2022 Ontario Budget*.
- The surplus arose from higher-than-expected tax revenues of \$26.9 billion (mostly due to significant increases in personal income taxes, sales taxes and corporate taxes), higher-than-expected transfers from the Government of Canada by \$3.2 billion, higher-than-expected income from Government Business Enterprises of \$1.9 billion and lower-than-expected expenditures of \$3.1 billion (including lower interest on debt of \$0.5 billion).

Compliance with *Fiscal Sustainability, Transparency and Accountability Act*

- The government has met all reporting deadlines under the *Fiscal Sustainability, Transparency and Accountability Act* (Act) as of November 2022, this included meeting the revised budget release date of April 30 for the *2022 Ontario Budget*.
- The Province is required to include in its debt burden reduction strategy specific objectives regarding the projected provincial net-debt-to-gross-domestic product ratio as well as a progress report on actions supporting the implementation of the strategy from the prior year's budget. The Province has not met the second requirement.
- In addition, the Province did not include in the Fall Economic Statement a description of the key issues that should be addressed in the next budget, as required by the Act.

Corporations Income Tax Revenues

- The Ministry of Finance determined a new Corporations Income Tax estimation methodology for March 31, 2022 and we found that the estimates were reasonable.
- In reaching this conclusion, we encountered difficulties performing our work due to not having access to Ontario-related tax data maintained by the CRA.
- Changes are needed to either the federal *Income Tax Act* or Ontario's Tax Collection Agreement with the Government of Canada to grant our Office audit access to Ontario's tax data.
- A one-year only remedy was agreed upon by the provincial Ministry of Finance, the federal Department of Finance, the Canada Revenue Agency, the Office of the Auditor General of Canada and our Office to enable us to complete our work.

RECOMMENDATION 1

Financial Services Regulatory Authority of Ontario/Deposit Insurance Reserve Fund

- Under a 2018 amendment to the *Credit Unions and Caisses Populaires Act*, the Financial Services Regulatory Authority of Ontario (FSRA) is only liable to insure eligible deposits held in Ontario credit unions up to the asset balance in the Deposit Insurance Reserve Fund (DIRF) at any given time.
- In July 2022, we reviewed the updated FSRA-approved deposit insurance brochure, which was displayed at credit unions and caisses populaires, did not make any mention that deposits made by credit unions customers were only insured up to the amount of the DIRF. The DIRF had a fund surplus of \$372.9 million as at March 31, 2022.
- In September 2022, FSRA updated the brochure to state that the deposit liability was limited by the amounts in the DIRF.

RECOMMENDATION 2

Office of the Children's Lawyer

- The Office of the Children's Lawyer stopped preparing annual financial statements after its March 31, 2013 financial statements. Since that time, our Office has encouraged the Office of the Children's Lawyer to comply with the requirements of the *Courts of Justice Act* to prepare annual financial statements. If the historical information is not available, at a minimum, the Office of the Children's Lawyer should prepare information for the most recent fiscal year so that it can be audited by our Office.

RECOMMENDATION 3

Personal Protective Equipment

- In response to the COVID-19 pandemic, the Province established a procurement process for personal protective equipment. During the year, the purchasing activities increased significantly when compared to prior years to ensure adequate health care supplies for the broader public sector (i.e., hospitals, school boards and colleges) as well as other distribution channels within the province. As part of our audit of the Public Accounts we identified accounting risks over the tracking and completeness of these supplies.

RECOMMENDATION 4

Governance of Healthcare in Ontario

- Certain program funding was directly disbursed to the health-service providers from the Ministry of Health without prior authorization by Ontario Health. Ontario Health is responsible for the health system funding, planning and community functions that used to be the responsibilities of the local health integration networks.
- Although Ontario Health authorized the initial funding allocations for long-term-care homes, subsequent changes were made to the allocations by the Ministry of Long-Term Care without prior authorization by Ontario Health.
- The authorization of significant funding from the Ministry of Health to Ontario Health in 2021/22 was made without a signed funding agreement until after the year-end.
- There continues to be an unclear delineation of roles and responsibilities between the Ministries of Health and Long-Term Care and Ontario Health with respect to health-service provider funding.

RECOMMENDATION 5

Ontario Disability Support Program Overpayments

- Ontario Disability Support Program (ODSP) overpayments do not have a significant impact on the Public Accounts but represent a value-for-money issue leading to less money being available to spend on other transfer payment programs.
- In our current year transfer payment testing of ODSP payments, we identified deficiencies related to documentation of entitlements that may support overpayment.

RECOMMENDATION 6

Budget Estimates, Contingency Funds

- Our report on the reasonableness of the Province's Multi-Year Fiscal Plan included in the *2022 Ontario Budget* concluded that the revenue and expenses were reasonable except for the forecasted estimates on corporate tax revenues. As well, contingency funds of \$19.4 billion, over the medium-term outlook, appeared to be overly cautious.
- Contingency funds are not separately identified in the Estimates process and therefore the members of the Legislature are limited in their ability to scrutinize the contingency funds.
- Our work was carried out under confidential information-sharing agreements between the Ministry of Finance and our Office, to complete our report prior to the start of the election period on May 4, 2022. Without this new approach we would have had insufficient time to perform our work as the budget was tabled on April 28, 2022.
- Because the budget was tabled on April 28, 2022, Members of the Legislature could not debate the budget in the Legislature prior to the start of the election period.

RECOMMENDATION 7, 8

Conclusions

- The government prepared and fairly presented the consolidated financial statements of the province in accordance with Canadian Public Sector Accounting Standards.

Read the report at www.auditor.on.ca