

Performance Audit

# Skills Development Fund Training Stream

// Independent Auditor's Report



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# 1.0 Audit at a Glance

## // Why We Did This Audit

- The Skills Development Fund Training Stream (SDF) offers funding to organizations for innovative projects that address challenges to hiring, training or retaining workers, to drive Ontario's economic growth. Ontario's unemployment rate of 7.0% in 2024 was the highest since 2014, excluding the pandemic period.
- Over \$1.3 billion was provided to applicants over the first five rounds of the SDF (2021 to 2025). In 2025, the Province committed an additional \$805 million to the SDF for three fiscal years starting in 2025/26.

## // What We Found

### **The Minister's Office Chose to Fund Poor-, Low- and Medium-Ranked Applications 54% of the Time Instead of High-Ranked Applications**

- After Ministry of Labour, Immigration, Training and Skills Development (Ministry) staff evaluated and ranked the SDF applications, the Minister of Labour, Immigration, Training and Skills Development (Minister's) Office selected the applications to fund. Of the 1,014 selected applications, 465 (or 46%) were ranked "High" and 549 (or 54%) were ranked lower.
- Over the five rounds of the SDF, Ministry staff evaluated applications, based on the approved criteria, for the purposes of approval by the Minister's Office. Of these, 1,135 were ranked "High," 825 were "Medium," 1,065 were "Low," 52 were "Poor" and 266 were ranked "Ineligible."

- Sixty-four low- and medium-ranked applications that were selected by the Minister's Office, and received approximately \$126 million in funding, had hired registered lobbyists to lobby the Ministry and/or Minister on behalf of the applicants before they were selected and funded. As well, 39 high-ranked applications that were selected by the Minister's Office, and received approximately \$58 million in funding, had also hired lobbyists.
- Our analysis identified that high-ranked applications performed better overall on select key performance indicators (KPIs) than low-ranked applications.
- Similar programs in Alberta, British Columbia, Manitoba, and Newfoundland and Labrador do not involve a Minister's Office in the specific project-level funding decision. Some other Ministry programs also have Ministry staff evaluate applications where the Minister's Office is not involved in the selection of applications, including the Ontario Labour Market Partnerships Program.
- In Rounds 1 and 2 of the SDF, the Minister's Office did not share a documented reason for why it selected the 388 funded applications, which collectively received \$479 million in funding.
- Starting in Round 3, the Minister's Office documented reasons why the Minister's Office had selected individual applications. At times, the reasons provided by the Minister's Office conflicted with Ministry staff's evaluation of the selected applications.
- In addition to selecting which applications to fund, the Minister's Office also determines how much funding to provide a selected application. When the Minister's Office approves application funding that differs from the original amount requested in the application, it does not always document its rationale for these decisions.

» Recommendation 2

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**Criteria for Application Evaluations Have Not Been Updated Based on Actual Project Results**

- Our analysis of funded application evaluations and KPI results against targets identified that stronger-performing projects scored higher on certain evaluation criteria. These criteria included organizational capacity, project delivery plans and priority/focus area(s)/objective(s). Other criteria, such as demonstrated innovation, correlated less strongly with projects that performed well.

» Recommendation 1

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## Performance Measures Do Not Assess Performance on All Program Objectives

- No overall program-level KPIs exist for the SDF. Instead, each applicant agrees to report on certain KPIs related to its project as part of the Transfer Payment Agreement (TPA) it enters into with the Ministry.
- Project-level KPIs were not always met. This information was not made publicly available.

Project-level KPIs were not always met.

### » Recommendation 4

## // Our Conclusion

We found that the Ministry has processes and systems in place to ensure the fair, transparent and accountable management of the SDF application intake and evaluation processes in compliance with provincial policies, program objectives and publicly released guidance on how applications are assessed.

While application-selection processes are in compliance with provincial policies, program objectives and publicly released guidance, 549 (54%) of the applications selected by the Minister's Office and approved for funding were ranked as "Poor," "Low" or "Medium" against the stated program objectives and other program criteria. These applications received about \$742 million, or 56%, of the funding provided to SDF applicants over the SDF's first five rounds. There were 670 applications that ranked "High" that were not selected for funding. The selection process was therefore not fair, transparent or accountable, and there was little rationale to explain why the high-ranked applicants were not chosen.

The selection process was not fair, transparent or accountable.

The Ministry monitored recipient performance to assess compliance with TPAs and program expectations.

The Ministry did not use separate measures to assess overall SDF program performance and its impact on Ontario's labour force.

The Ministry has agreed with all four of our recommendations.



## 2.0 Background

### 2.1 Overview

In February 2021, the Ministry launched the Skills Development Fund as an initiative to respond to emerging labour market challenges created by the COVID-19 pandemic. The program has since become a central part of Ontario's workforce strategy. It funds projects that address short-term workforce skills retraining and prepares workers and industries for long-term economic growth and innovation.

The fund is divided into two streams:

- » **Training Stream:** This is the original stream of the fund, launched in 2021. It has funded selected applications over five rounds between 2021 and 2025.
- » **Capital Stream:** Its purpose is to fund eligible applicants to build, upgrade and/or convert training centres to train people for emerging and in-demand jobs in critical sectors in Ontario's economy. Eligible applicants include employers, professionals, industry or employer associations, and trade unions. Funded projects include multi-year projects. This stream's first intake was launched in June 2023 and closed on October 10, 2023. A second round was launched on November 29, 2024, and is ongoing.



This audit focuses on the Skills Development Fund Training Stream only.

The SDF funds eligible employers, unions and training providers. The funding is intended to support innovative projects and enable the quick identification and processing of market-driven training initiatives, particularly in high-demand sectors such as construction, manufacturing and technology as outlined by labour market studies and Minister direction. These projects can provide training for people currently looking to achieve employment or to improve the skill sets of the currently employed. The SDF also targets underrepresented groups, including youth, newcomers and Indigenous persons, to help them access employment opportunities.

**Projects funded by the SDF can provide training for people looking to achieve employment or improve the skill sets of the currently employed.**

Round 1 of the SDF focused on supporting workers who lost jobs during the COVID-19 pandemic, and on communities and industries facing significant labour shortages. Over time, the program has evolved into a more general training initiative by the Ministry, ensuring Ontario has a skilled workforce to meet evolving labour demands. **Figure 1** identifies key information relating to the SDF Rounds 1–5.

**Figure 1: Summary of Funding Rounds and Outcomes for the SDF**

Source of data: Ministry of Labour, Immigration, Training and Skills Development

	Round 1	Round 2	Round 3	Round 4	Round 5
Submission Period for Applications	Feb 5–28, 2021	Sep 29, 2021–Feb 7, 2022	Sep 29, 2022–Jan 31, 2023	Aug 25–Dec 4, 2023	Jul 29–Oct 11, 2024
<b>Total applications</b>	564	468	757	729	825
<b>Funding requested (\$ million)</b>	546	572	1,799	1,987	1,114
<b>Selected and funded applications</b>	146	242	209	171	246
<b>Funding provided (\$ million)</b>	177	302	257	247	345
<b>Targeted number of participants</b>	280,000	113,000	128,981	69,739	121,754
<b>Participants supported</b>	407,579	75,815	106,162	86,435	TBD*
<b>% of funds approved</b>	32	53	14	12	31
<b>% of applications selected</b>	26	52	28	23	30

\* As of August 2025, the outcomes of all Round 5 funded applications are not yet known.

Between January and May 2025, the Government of Ontario committed an additional \$805 million over three years to the program. \$100 million of this was included in Round 5 and the remaining \$705 million will be used in SDF Rounds 6, 7 and 8, which are planned to occur between 2025/26 and 2027/28. See **Figure 2** for the amount of funding provided or expected to be provided by SDF round.

**Between January and May 2025, the Government of Ontario committed an additional \$805 million over three years to the program.**

**Figure 2: Summary of Funding Provided and Committed Across SDF Rounds (\$ million)**

Source of data: Ministry of Labour, Immigration, Training and Skills Development

	Round 1	Round 2	Round 3	Round 4	Round 5*	Rounds 6, 7 & 8*
<b>Funding provided</b>	177	302	257	247	345	n/a
<b>Funding committed</b>	n/a	n/a	n/a	n/a	n/a	705

\* Between January and May 2025, the Government of Ontario committed an additional \$805 million over three years to the SDF. \$100 million was included in Round 5 and the remaining \$705 million is allocated for use over Rounds 6, 7 and 8 of the SDF, which are expected to occur between 2025/26 and 2027/28.

## 2.2 SDF Objectives

The SDF program objectives have changed throughout the program’s five rounds. Across all five rounds, some common program objectives have been:

- » supporting workforce resilience by promoting partnerships between employers, training providers and industry groups;
- » encouraging innovation in training;
- » building a resilient and inclusive workforce by supporting underrepresented groups; and
- » reducing employment barriers by addressing hiring and training challenges.

## 2.3 Eligible Applicants

Across all rounds of the SDF, applications were accepted only from eligible organizations. These included primary applicants, or organizations that can apply directly for funding, such as:

- » Ontario employers;
- » non-profit organizations with a presence in Ontario;
- » non-college apprenticeship training delivery agents;
- » professional/industry/employer/sector associations;
- » trade unions/union-affiliated organizations; and
- » municipalities.

School boards can also apply for this funding, but only in partnership with primary applicants. In Round 1, school boards could apply directly for funding. Other co-applicants included entities such as publicly assisted colleges, universities or Indigenous Institutes, and career colleges registered under the *Ontario Career Colleges Act, 2005*.

Applicants also had to demonstrate that their projects were associated with a targeted sector as well as a client group and a focus area that aligned with that round’s requirements.

**Figure 3** identifies common targeted sectors, client groups and focus areas across the first five rounds.

### Figure 3: Common Examples of Targeted Sectors, Client Groups and Focus Areas Across the First 5 Rounds of the SDF

Source of data: Ministry of Labour, Immigration, Training and Skills Development

Area	Common Examples Across the First 5 SDF Rounds
<b>Target sectors</b>	<ul style="list-style-type: none"> <li>• Skilled trades, other high-skilled, technical occupations</li> <li>• Manufacturing</li> </ul>
<b>Client groups</b>	<ul style="list-style-type: none"> <li>• Employers and apprenticeship sponsors</li> <li>• Job seekers and workers at risk of job displacement</li> <li>• Underrepresented groups in the labour market*</li> </ul>
<b>Focus areas</b>	<ul style="list-style-type: none"> <li>• Support for in-demand sectors (or COVID-19 pandemic impacted sectors)</li> <li>• Innovative training solutions that modernize skills development</li> <li>• Partnership-driven approaches that address shared sectorial workforce development needs</li> </ul>

\* While the exact groups identified differed by round, this generally included groups such as women, youth, racialized individuals, Indigenous persons and persons with disabilities.

## 2.4 Application Evaluation

The SDF application guidelines provided details on the weighted criteria used to evaluate applications in each round. These criteria were intended to ensure project alignment with the SDF’s objectives and priorities.

Common categories evaluated included how well the project aligned with that SDF round’s priority/focus area(s)/objective(s), how well the project need was demonstrated, the applicant’s organizational capacity to deliver the project, the project delivery plan and the project budget.

**Figure 4** lists the criteria and weighting used for the SDF by round.

In each round, Ministry staff evaluated applications against standard criteria developed separately for that round. Based on the results of the evaluation, a specific percentage weighting was applied for each criterion. The individual scores were then totalled to form a comprehensive score out of 100.

**In each round, Ministry staff evaluated applications against standard criteria developed separately for that round.**

### Figure 4: Criteria and Weightings by SDF Round

Source of data: Ministry of Labour, Immigration, Training and Skills Development

Criterion	Criterion Weighting (%)				
	Round 1	Round 2	Round 3	Round 4	Round 5
Priority/focus area(s)/objective(s)*	20	20	20	20	20
Project need	25	25	25	25	20
Organizational capacity	25	13	13	13	13
Project delivery plan	20	20	20	20	20
Budget	10	10	10	10	10
Demonstrated innovation	-	12	12	12	7
In-demand sector	-	-	-	-	5
Cost sharing	-	-	-	-	5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* Rounds 1 and 2 had a criterion related to priority/focus area(s). Rounds 3–5 had this criterion modified to focus area(s) and SDF objective(s).

Ministry staff then assigned a rank to each application based on its total score. This scoring differed slightly among rounds. **Figure 5** shows the general ranges of scores for each rank throughout the five rounds.

At each round, Ministry staff provided the Minister’s Office with summarized details on SDF applications. These are details such as the applicant’s organization, a description of the project, the funding requested, the risks associated with the project and the overall ranking of the application based on the Ministry staff’s evaluation. The Minister’s Office used this information to determine which applications to fund.

The Minister’s Office informed Ministry staff in writing of the applications it approved for funding. Ministry staff then worked with applicants to enter into TPAs based on the funding approved by the Minister’s Office.

## 2.5 Project Monitoring

Funding is distributed to the successful applicants only after they have entered into a TPA with the Ministry. After the TPA is signed, Ministry staff review the applicant’s scheduled activity and financial reports and meet with the applicant to assess whether the projects are proceeding as expected. Ministry staff survey people who participated in the funded programs after their projects are completed to understand their experience with the project.

When the project is completed, the applicant sends the Ministry staff a final report, including details of final costs incurred to deliver the project. Upon the Ministry staff’s review of final costs, staff release a holdback portion of funding to the applicant, which is generally up to 15% of the originally approved funding amount.

**Figure 5: SDF Ranks with Associated Scoring Ranges**

Source of data: Ministry of Labour, Immigration, Training and Skills Development

Rank	Scoring Range (%)
<b>Ineligible/Poor*</b>	1–33
<b>Low</b>	34–62
<b>Medium</b>	63–72
<b>High</b>	73–100

\* The “Ineligible” rank was used in Rounds 1–3 to identify not only those applications that did not meet eligibility guidelines, but also those with a very low overall score. This rank was changed to “Poor” starting in Round 4 to distinguish very low-scoring applications from those that were truly ineligible.

## 2.6 Program and Project Measurement

The SDF application guidelines state the standard KPIs that projects must report on. These KPIs are identified as requirements in each successful applicant's TPA, and they differ by round and by type of project. **Figure 6** contains examples of common KPIs for different types of projects.

**Figure 6: Examples of Common KPIs for SDF Projects, by Type of Project**

Source of data: Ministry of Labour, Immigration, Training and Skills Development

Type of Project	Example of Project	Example of KPI
<b>All applicable projects</b>	All projects eligible for funding per SDF application guidelines	<ul style="list-style-type: none"> <li>Number of individuals who participated in the project, including the number of participants who self-identified with an underrepresented group, such as women, youth, persons with disabilities, racialized groups, Indigenous peoples</li> <li>If applicable: number of projected organizational partners; projected employers/industry associations; and projected education and training providers involved in the project</li> </ul>
<b>Workforce development</b>	Improve skills in a general population or of existing employees	<ul style="list-style-type: none"> <li>Number of participants who completed the program</li> <li>Number of unemployed participants who achieved employment 60 days after completion of the SDF initiative</li> <li>Number of participants who indicated improved industry and local labour market employability skills as a result of the training</li> </ul>
<b>Skilled trades and apprenticeship</b>	Training and other support for apprentices, including tutoring and exam preparation supports	<ul style="list-style-type: none"> <li>Number of new apprenticeship registrations</li> <li>Number of apprentices who participated in the funded project and progressed to the next level of their apprenticeship program</li> </ul>
<b>Research/prototyping and development projects</b>	Innovative approaches and solutions to modernize skills development	<ul style="list-style-type: none"> <li>Number of participants in research and innovation projects</li> <li>Number of draft reports or findings from a research project</li> </ul>

Note: Not all the above KPIs were standard/required for each round of the SDF.

Generally, KPI targets pertaining to who completed the program are determined and agreed to separately for each project based on what the applicant believes the project will achieve. Since Round 2, a standard target rate of 80% was included for the KPIs targeting most populations related to the number of participants who completed the program and number of unemployed participants who achieved employment 60 days after completion of the SDF initiative. Projects primarily supporting persons with disabilities had a target of 65% completion in Rounds 2–5. Projects primarily supporting vulnerable groups, such as Indigenous people, other racialized groups, Francophones and newcomers to Ontario, also had a target of 65% completion in Round 5.

At the time of our audit, information on results for Rounds 1–4 of the SDF was available. Some key results were:

- » **over 679,000** individuals participated in SDF-funded projects, including unemployed and employed individuals;
- » **over 486,000** individuals completed the SDF-funded project they participated in. (Generally, the Ministry targets 80% of participants to complete the projects due to the expectation that some individuals will not complete training for various reasons, such as changes in these individuals' personal circumstances);
- » **over 101,000** individuals who were unemployed before attending an SDF-funded project achieved employment within 60 days after completing the program; and
- » **over 263,000** individuals who participated in an SDF-funded project self-identified as belonging to an underrepresented group (in Rounds 1 and 4) or a group that was disproportionately impacted by COVID-19 (Rounds 2 and 3). Examples of underrepresented groups include women, youth, persons with disabilities, racialized groups and Indigenous persons.



## 3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Labour, Immigration, Training and Skills Development has processes and systems in place to ensure the fair, transparent and accountable management of the SDF to:

- » design and manage the application intake, evaluation and selection processes in compliance with provincial policies, program objectives and publicly released guidance on how applications are assessed;
- » monitor recipient performance to assess compliance with Transfer Payment Agreements and program expectations; and
- » measure, evaluate and report on the overall outcome and impact of the program on Ontario's labour force in relation to identified key performance indicators.

Our audit was of the Skills Development Fund Training Stream. We did not include in our scope the Skills Development Fund Capital Stream. Our audit scope focused on the Ministry's processes related to application evaluation and selection over the first five rounds of the SDF, and processes related to project monitoring and performance measurement over the first four rounds of the SDF, as those are the only rounds where information was available at the time of our audit.

For more details, please see our **Audit Criteria**, **Audit Approach** and **Audit Opinion**.



## 4.0 What We Found

### 4.1 Application Evaluation

#### 4.1.1 Evaluation of Applications Was Accurate

We selected 25 funded applications from each of the five rounds of the SDF, for a total sample of 125 applications. We assessed the evaluation of the applications by Ministry staff to determine whether it was:

- » reasonable, based on details included by the applicants in their applications; and
- » accurate, meaning that scores on each question totalled correctly to determine the application's overall score and rank.

We found that applicant evaluation was reasonable and accurate for the applications in our sample.

#### 4.1.2 Criteria for Application Evaluation Have Not Been Updated Based on Actual Project Results

The Ministry has not performed an evaluation using all completed SDF project results to determine how the criterion weightings for selecting applications can be updated to better identify and select applications that will achieve their targeted outcomes.

For each SDF round, the Ministry developed the selection criterion weightings that are to be used to score and rank applications for the Minister's approval. The selection criterion weightings are identified in each SDF round's application guidelines. These criteria and weightings remained unchanged between Rounds 2 and 4.

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**High-ranked applications performed better overall than low-ranked applications across the three KPIs assessed.**

Some criteria were used across all five rounds, including how well the project aligned with the round's priority/focus area(s)/objective(s), how well the project need was demonstrated, the organizational capacity to deliver the project, the project delivery plan and the project budget. See **Figure 4** for criterion weightings for each round.

The Ministry performed two analyses that looked at application scoring and associated results for select projects. In February 2024, the Ministry performed a statistical analysis to assess the overall ranking of applications funded in Rounds 1 and 2, and compared their performance on three KPIs, after removing outlier projects with extremely high or low results. The three KPIs were:

- » **KPI #1 (participated)**: % of actual participants who participated in funded projects compared to the target;
- » **KPI #2 (completed)**: % of actual participants who completed their participation in funded projects compared to the target;
- » **KPI #3 (employed)**: % of actual participants who gained employment within 60 days of the funded projects' completion dates compared to the target.



For Rounds 1 and 2, the Ministry’s statistical analysis identified that there was no significant relationship between the ranking of assessed applications and overall results on KPIs.

We performed a similar analysis of our own, comparing the results for applications ranked “High” and “Low” across all four rounds of the SDF that had been completed at the time of our audit. As shown in **Figure 7**, high-ranked applications performed better overall than low-ranked applications across the three KPIs assessed.

**Figure 7: KPI Results for High-Ranked and Low-Ranked Applications by Ministry Staff Rank, Rounds 1–4**

Prepared by the Office of the Auditor General of Ontario using data provided by the Ministry of Labour, Immigration, Training and Skills Development

Ministry Staff Rank of Funded Applications	Result (%) <sup>1</sup>		
	KPI #1 Participated	KPI #2 Completed	KPI #3 Employed
High	98	90	68
Low <sup>2</sup>	70	71	51

1. Percentages show actual results against total targeted numbers.

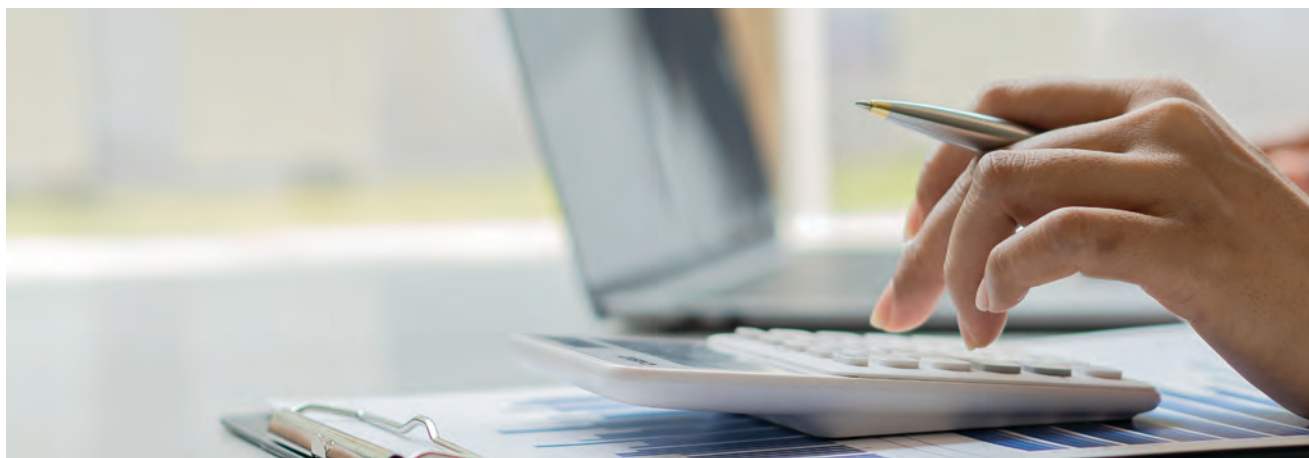
2. This includes one application ranked as “Poor.” See **Figure 5** for the scoring ranges of the ranks.

Between Rounds 1 and 4, there were 561 applications that reported project results to the Ministry that were ranked as either “High,” “Low” or “Poor.” We excluded projects for which all three of these KPIs were not part of their TPA with the Ministry as well as others that we deemed to be outliers (such as having results for any KPI that were equal to or greater than 1,000% of what was targeted). This resulted in 540 projects being included in our analysis.

In February 2025, the Ministry completed its second analysis of project performance for applications funded in Round 3 only. This analysis looked at project performance by total rank, overall score as well as a score on each of the 16 individual questions that SDF applications were evaluated on.

Each of the questions corresponded to one of the six stated criteria for that round (see **Figure 4** for a listing of criteria by round). This analysis assessed the same three KPIs as the previous analysis of Rounds 1 and 2, and two additional KPIs:

- » actual results for completed KPI divided by actual results for participated KPI; and
- » actual results for employed KPI divided by actual results for completed KPI.



The Ministry's analysis found that low scores on certain questions had some correlation with projects that achieved less than 100% of their targeted KPIs. For example, better predictors of lower-achieving project results were low scores on questions related to project delivery plans, priority/focus area(s)/objective(s), and most questions related to organizational capacity.

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**The Ministry's analysis found that low scores on certain questions had some correlation with projects that achieved less than 100% of their targeted KPIs.**

Ministry staff did not change criterion weightings for subsequent SDF rounds based on the results of this analysis.

We planned to reperform the Ministry's second analysis by looking at the results of the six stated criteria across all completed rounds of the SDF (1–4). As noted, the Ministry performed its second analysis on Round 3 alone. However, the data was not available to perform this analysis across all applications. The Ministry informed us that data for Rounds 1 and 2 are decentralized and would require manual review. As a result, we used our sample of 100 applications from the first four rounds to conduct our analysis (see **Section 4.1.1**). These were applications that we had reviewed complete evaluation scores for. We considered the same three KPIs that the Ministry used in the previous two analyses it had performed.

After removing outliers from the 100 samples, we were able to analyze 83 projects that had results on all three KPIs. Next, we selected the applications that scored in the top 33% and bottom 33%, or generally 27 applications for each category, in each individual evaluation criterion from our testing sample to assess how important each criterion was in predicting project success.

As shown in **Figure 8**, overall, we found that applications that were assessed by Ministry staff to have stronger organizational capacity, project delivery plans and priority/focus area(s)/objective(s) performed better than applications that scored lower in those areas. In contrast, applications that scored high in demonstrating innovation were, overall, not always able to better meet their KPIs than applications that scored lower.

**Figure 8: KPI Results for High-Scoring and Low-Scoring Applications on the 6 SDF Criteria<sup>1</sup>**

Prepared by the Office of the Auditor General of Ontario using data provided by the Ministry of Labour, Immigration, Training and Skills Development

Criterion	Score	% of Target Achieved		
		KPI #1 Participated <sup>2</sup>	KPI #2 Completed <sup>3</sup>	KPI #3 Employed <sup>4</sup>
<b>Demonstrated innovation</b>	High	<b>97</b>	<b>111</b>	34
	Low	85	102	<b>74</b>
<b>Priority/focus area(s)/ objective(s)<sup>5</sup></b>	High	<b>91</b>	<b>110</b>	<b>44</b>
	Low	52	76	35
<b>Project need</b>	High	<b>109</b>	<b>110</b>	43
	Low	51	75	<b>44</b>
<b>Organizational capacity<sup>5</sup></b>	High	<b>105</b>	<b>106</b>	<b>80</b>
	Low	49	74	37
<b>Project delivery plan<sup>5</sup></b>	High	<b>103</b>	<b>107</b>	<b>81</b>
	Low	80	104	68
<b>Budget</b>	High	<b>99</b>	<b>118</b>	40
	Low	51	75	<b>41</b>

1. All criteria apply to all four rounds sampled, except for demonstrated innovation, which only applies to Rounds 2–4. Rounds 1 and 2 had a criterion related to priority/focus area(s). Rounds 3–5 had this criterion modified to focus area(s) and SDF objectives. As these are related, we included them as one criterion. The high KPI result for each criterion is **bolded**.
2. KPI #1 (participated): actual results of individuals who participated in the projects against the total targeted number.
3. KPI #2 (completed): actual results of individuals who participated in and completed the project against the total targeted number.
4. KPI #3 (employed): actual results of unemployed project participants who achieved employment 60 days after the project was completed against the total targeted number.
5. On these criteria, high-scoring applications achieved higher overall results on all three KPIs than low-scoring applications.



### Why It Matters

Updating SDF evaluation criterion weightings based on the results of past KPI outcomes can improve the effectiveness of Ministry staff's evaluations in identifying those applications that will be more successful at achieving their KPIs. If successful applications are selected for funding, the SDF can achieve better overall results as a program and value for money.

#### Recommendation 1

We recommend that the Ministry:

- compile the score for each application question and evaluation criterion for applications funded in all SDF rounds;
- assess the above data to identify how useful each question and criterion is at predicting overall project performance;
- update the criterion weightings used to evaluate SDF applications to put more weight on questions and criteria that are proven to be indicative of project performance;
- update the SDF application guidelines for future rounds based on the updated criterion weightings determined; and
- repeat the above analysis after each subsequent SDF round.

For the auditee responses, see **Recommendations and Auditee Responses**.



## 4.2 Application Selection

### 4.2.1 The Minister's Office Chose to Fund Poor-, Low- and Medium-Ranked Applications 54% of the Time Instead of High-Ranked Applications

As noted in **Section 2.4**, Ministry staff score and rank all applications and submit all applicant rankings to the Minister's Office for selection of applications to fund. This aligns with what is communicated to the public, as the SDF application guidelines for all five rounds noted that the Ministry has the sole discretion to decide which applications are funded. This is also allowed by the Transfer Payment Accountability Directive, which outlines the rules the government of Ontario uses to govern how transfer payments are made.

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**The selected applications that ranked "Medium," "Low" and "Poor" received about \$742 million, or about 56% of the funding provided to SDF applicants over the first five rounds of the SDF.**

An example of a high-ranked application from Round 3 that the Minister's Office selected for funding was one to provide supports for apprentices, including employer-led skills development, through experiential learning, mentorship and job placements. The Ministry evaluator noted that the applicant was performing well in its current agreement (from Round 2) and that the project was needed within the hospitality industry, based on labour market data. The evaluator ranked the application with a score of 84% and the Minister's Office selected the application for funding. The project achieved all 11 of its KPIs, including the completion and employment targets.

However, as shown in the **Appendix**, over the five rounds of the SDF, the Minister's Office selected 465, or 46% of its selections, from applications that ranked "High," and 549, or 54% of its selections, from applications that ranked "Medium," "Low" or "Poor." The selected applications that ranked "Medium," "Low" and "Poor" received about \$742 million, or about 56% of the funding provided to SDF applicants over the first five rounds of the SDF.

**Figure 9** contains details of the ranking of all applications assessed and selected across the five rounds of the SDF. In total, Ministry staff ranked 1,135 applications as “High,” and therefore 670 applications that ranked “High” were not selected for funding.

**Figure 9: Rankings of Applications and Minister’s Office Selection of Applications to Fund Across the First 5 Rounds of the SDF**

Source of data: Ministry of Labour, Immigration, Training and Skills Development

<b>All 5 Rounds</b>	<b>Total Applications, by Rank (A)</b>	<b>Applications Selected and Funded by the Minister’s Office, by Rank (B)</b>	<b>% of Applications Selected by the Minister’s Office, by Rank (B / A)</b>	<b>% of 1,014 Applications Selected, by Rank</b>
<b>High</b>	1,135	465	<b>41</b>	<b>46</b>
<b>Medium</b>	825	267	<b>32</b>	<b>26</b>
<b>Low</b>	1,065	281	<b>26</b>	<b>28</b>
<b>Poor*</b>	52	1	<b>2</b>	<b>0</b>
<b>Ineligible*</b>	266	0	<b>0</b>	<b>0</b>
<b>Total Applications</b>	<b>3,343</b>	<b>1,014</b>	<b>30</b>	<b>100</b>

\* The “Ineligible” rank was used in Rounds 1–3 to identify not only ineligible applications, which are those that do not meet eligibility guidelines identified in the specific round’s SDF application guidelines, but also those that had a very low overall score. This rank was changed to “Poor” starting in Round 4 to distinguish very low-scoring applications from those that were truly ineligible. The Ministry did not separately track applications in Rounds 1–3 that were truly ineligible versus very low-scoring applications (33% or lower).

For example, in Round 1 an applicant applied to connect skilled trades job seekers to employers, and to provide them with support, resources and training. The Ministry evaluator noted this was already an existing program, with many aspects aligning with Employment Ontario providers, and that the program was also already operating with federal funding. The application was ranked “Low” with a score of 54%. The Minister’s Office selected this application. The project met three of its 12 KPIs and did not meet its completion and employment KPIs.

In another example, in Round 3, an applicant applied to provide training to one individual for a specific trade certification. The Ministry evaluator noted a conflict of interest as the applicant was the one person intended to receive the training. The application was ranked “Low” with a score of 41%. The Minister’s Office selected the application. The project met all 12 of its KPIs, which related to the one individual receiving the training.

As identified in **Figure 7**, our analysis of performance on select KPIs found that as a group, applications ranked as “High” performed better against their targets than applications ranked “Low” and “Poor.”

#### 4.2.2 The Minister’s Office Chose Some Applications That Had Hired Registered Lobbyists to Lobby on Their Behalf

Based on publicly available information, we identified 64 low- and medium-ranked applications that had hired registered lobbyists to lobby the Ministry and/or Minister before they were selected by the Minister’s Office. These applicants received approximately \$126 million in funding.

**We identified 64 low- and medium- ranked applications that had hired registered lobbyists.**

We also identified 39 high-ranked applications that had hired registered lobbyists to lobby the Ministry and/or Minister before they were selected by the Minister’s Office. They received approximately \$58 million in funding.

While the use of registered lobbyists is governed by the *Lobbyists Registration Act, 1998*, given that the Minister’s Office selects the applicants for funding and does not select only the applicants that have the highest overall score, this can create an appearance of real or potential preferential treatment by the Minister’s Office in its selection of applicants to fund. It is also not fair, transparent or accountable to those applying for funding or to the public.

#### 4.2.3 Other Jurisdictions and Other Ministry Programs Select Applications Based on Ministry Staff Evaluation

Similar programs in Alberta, British Columbia, Manitoba, and Newfoundland and Labrador do not involve a Minister’s Office in decisions over which applicants to fund. These programs are:

- » the Alberta Jobs Now Program;
- » British Columbia’s Employer Training Grant;
- » the Canada-Manitoba Job Grant; and
- » the Newfoundland and Labrador Settlement and Integration Program.

These programs provide funding to organizations that can be used to provide skills training and/or employment support, among other resources. Applicants to these programs are assessed against a defined set of evaluation criteria, and staff at these other provinces’ ministries approve the successful ones for funding.



Similarly to these other jurisdictions' programs, for some of the Ministry's programs, Ministry staff evaluate applications and the Minister's Office is not involved in the selection of applications:

- » the Ontario Labour Market Partnerships Program, which provides financial aid to local communities, sector groups, employers and employee/employer associations to develop and implement strategies addressing economic developments, labour force adjustments and human resource planning; and
- » Skills Advanced Ontario, which aims to enhance skills development and training opportunities for Ontario's workforce needs. Eligible Ontario-based employers and training providers can apply to offer integrated employment services and training programs.

However, some other Ministry programs have operated similarly to the SDF, in that Ministry staff evaluated applications and the Minister's Office has selected final applications to fund:

- » the Apprenticeship Capital Grant, which offers funding to Training Delivery Agents to modernize equipment and facilities, ensuring apprentices are trained on current employer-used technology; and
- » the Pre-apprenticeship Training Program, which funds organizations that provide skilled trades training to aspiring apprentices, covering safety, academic skills, in-school training and short-term work placements.

There is an inconsistency in how this Ministry selects the applications it funds in many of its programs.

#### 4.2.4 The Minister's Office Did Not Document Reasons Why It Selected Individual Applications in Rounds 1 and 2 That Were Not Ranked "High"

The Minister's Office provided no written feedback to Ministry staff for the reasoning behind any of the 388 selected and funded applications in Rounds 1 and 2 of the SDF. This included 90 applications ranked "Medium" that received about \$106 million in funding, and 103 applications ranked "Low" that received about \$146 million in funding. These 388 applications received total funding of \$479 million.

Providing the rationale adds to the fairness, transparency and accountability in decision-making by the Minister's Office. Providing no documentation can create an appearance of real or potential preferential treatment by the Minister's Office in its selection of applicants to fund.

Without having a complete and accurate understanding of why applications are selected, Ministry staff are less able to propose redesigns to the evaluation criteria and the ranking system so that they align with the Minister's requirements and achieve the program's overall objectives.

#### 4.2.5 The Minister's Office Provided Written Rationales in 91% of Its Selections in Rounds 3, 4 and 5, but Rationales Did Not Always Address Evaluation Concerns or Seem Accurate

Starting with Round 3, the Minister's Office provided Ministry staff with written rationales to support its selection of applications. This was done in 569 of 626 cases, or 91% of applications selected for funding between Rounds 3 and 5. In the 57 instances where the Minister's Office did not provide a written rationale, 38 had been ranked as "Poor," "Low" or "Medium," and were still selected for funding.

**We noted cases where the explanations provided by the Minister's Office were inaccurate.**

Explanations that the Minister's Office provided included that the project would cover one or more SDF priority groups, and that the applicant had performed well in previous rounds with similar projects. However, we noted cases where the explanations provided by the Minister's Office were inaccurate.

For example, in Round 5, the Minister's Office provided rationales for five applications it selected for funding that explained that the applications had been scored "High" by Ministry evaluators. All five of these applications had actually been ranked either "Low" or "Medium."

We also noted instances where the Minister's Office's rationale for selecting an application did not seem to address the risks raised by a Ministry evaluator.

In Round 3, one applicant applied to provide youth professional training in management and marketing, among other planned initiatives. The Ministry evaluator noted several significant risks, such as:

- » the organization had been active for only three years with no governing board;
- » it had no experience managing public monies and the accompanying data collection;
- » it had limited experience delivering employment and/or workforce development-related programming; and
- » it presented an inflated budget with no quotes provided for capital expenditures.

The application was ranked "Low" with a score of 47%. The Minister's Office selected the application, stating that:

The [Minister's Office] would like to fund this project for \$4M for 1 year. The reduced amounts should be accompanied with reduced targets that can be negotiated as part of the TPA. Therefore, the risks indicated in the evaluation – capacity to reach targets, specific KPIs, details about the reporting etc. – can be dealt with in the TPA phase. This organization focuses on participant groups...that are key groups for this round of SDF. The [Minister's Office] believes that the work and wrap around services provided by this organization will allow these communities to gain meaningful, long-term employment.

This rationale did not directly address the Ministry evaluator's concerns regarding the organization having no governing board or experience managing public monies, including identifying exactly how this could be dealt with in the TPA phase. While the Minister's Office agreed to fund this applicant for \$4 million, or approximately 67% of the \$6 million requested, that amount of funding was more than what 199 (95%) of the applications selected in that round were approved for. The project subsequently had compliance issues with its TPA requirements, including missed targets, failing to meet on-site monitoring requirements, incomplete participant activity reports and late or missing project activity submissions.

Across all rounds, the Minister's Office did not provide a rationale for not selecting some applications that scored "High."

#### 4.2.6 Ministry Staff Do Not Know How Application Funding Is Determined by the Minister's Office

In addition to selecting which applications to fund (see **Section 4.2.1**), the Minister's Office also determines how much funding to provide to applicants it selects. We could not identify a standard rationale used to determine how much funding is provided.

SDF application guidelines for the different rounds do not identify a maximum amount of funding that an applicant can request. Instead, the guidelines identify eligible and ineligible expenses, which may have a cap, depending on the type of expense. On average, successful applicants received about 84% of the funding they requested, or about \$1.3 million.

**We could not identify a standard rationale used to determine how much funding is provided.**

When the Minister's Office approves funding that differs from the original amount requested in the application, the rationales behind these decisions are not always documented.

For example, an applicant in Round 3 applied to build upon its Round 1 and 2 projects and expand into two new regions. The Ministry evaluator ranked the application "Medium" with a score of 69%, noting that the proposed budget was very high. The Minister's Office selected the application, approving the applicant for \$2.7 million, 71% of the amount requested. It is not clear how the Minister's Office determined the approved amount. The project achieved six of its 11 KPIs and did not achieve its completion KPI.

In another example, an applicant in Round 5 applied to provide youth in certain trades with paid, hands-on, work-integrated learning. The Ministry evaluator ranked the application "High" with a score of 75%. The requested amount was \$5 million. The applicant was approved for 50% of the amount (\$2.5 million). No rationale was provided to identify how the Minister's Office determined the approved amount. Project results are unavailable at the time of our audit, as Round 5 is still ongoing.

The programs operating in Alberta, British Columbia, Manitoba, and Newfoundland and Labrador identified in **Section 4.2.3** publicly state eligibility criteria for expenses as well as the maximum funding that can be applied for.

We noted that there is no government-wide or Ministry policy that requires these decisions to be made in the Minister's Office. The Ministry's Delegation of Financial Management Authority, which was reviewed and approved by the Office of the Provincial Controller Division, specifically states that Ministry staff have the authority to enter into a TPA up to \$4,999,999.99. Of the 3,343 applications evaluated, 3,090 (or 92%) requested \$4,999,999.99 or less in funding across the five SDF rounds.

## Why It Matters

Funding the highest-scoring applicants in each round in accordance with pre-established criteria protects the Minister's Office from the appearance of real or potential preferential treatment of applicants. It shows that the selection decisions are fair, transparent and accountable to the applicants.

Funding the highest-scoring applicants is also likely to increase the overall impact of the SDF program, as funding is provided to applicants who are evaluated as being the best suited to achieve the targeted results, as their projects are more closely aligned with the agreed-upon objectives of the SDF.

Clear and accurate feedback from the Minister's Office on any exceptions to the above would allow Ministry staff to modify the program in subsequent rounds to better meet the policy objectives of the SDF.

### Recommendation 2

Our overall recommendations for this program are that:

- Ministry staff should approve TPA expenditures in alignment with the Ministry's Delegation of Financial Management Authority and the SDF round's application guidelines on eligible expenses;
- in future rounds of the SDF, selections should be made from the highest-scoring applications;
- the Minister's Office should provide clarification to Ministry staff in exceptional cases where selections are made by the Minister's Office that are not the highest-scoring applications;
- Ministry staff should request that the Minister's Office clarify application selection and/or funding rationales that appear to be inaccurate or are not supported by the Ministry staff's evaluation of the application;
- Ministry staff should seek broader feedback when the Minister's Office makes funding decisions for each round on how the evaluation criteria can be changed to better meet the objectives of the SDF;
- such changes based on Minister's Office feedback are incorporated into the program's design; and
- the application process document whether an applicant has hired a registered lobbyist, to ensure transparency over decision-making in these cases.

For the auditee responses, see **Recommendations and Auditee Responses**.

#### 4.2.7 Risks Associated with the Use of Consultants Are Not Monitored

Applicants are allowed to use consultants for various government granting and funding programs to help complete an application. This is of particular benefit to applicants who are inexperienced in making submissions to government funding programs.

The Ministry does not do formal tracking of applicants' use of consultants in their submissions to know which applications used consultants and the identities of the consultants.

The Ministry is aware that applicants at times do use consultants to assist with their submissions. It informed us that this is something it could consider tracking in future rounds when evaluating applications.

**The Ministry does not do formal tracking of applicants' use of consultants in their submissions to know which applications used consultants and the identities of the consultants.**

#### Why It Matters

Consideration of the use of a consultant when evaluating applications for the SDF can allow Ministry staff to identify all applications a consultant worked on if staff are aware that a specific consultant was involved with, for example, assisting on an application that contained false or misleading data.

#### Recommendation 3

We recommend that the Ministry:

- obtain and track details of consultants used to assist with SDF applicant submissions;
- share with its staff the details of consultants who assisted with SDF applications at each round so that staff can identify whether they have conflicts of interest with the consultant; and
- track and assess risks associated with consultants as part of the application evaluation and performance monitoring of funded projects.

For the auditee responses, see **Recommendations and Auditee Responses**.



## **4.3 Financial and Performance Oversight of Projects**

### **4.3.1 The Ministry Performs Financial and Performance Oversight of Projects**

All SDF applicants selected for funding must enter into a TPA with the Ministry to receive their funding. The TPA specifies the reporting the applicant must do to receive its full funding. As part of their final reports, applicants report on their performance on all KPIs specified in their TPAs. They usually submit these within 60 days after completion of their programs.

This financial and performance oversight of SDF-funded projects allows the Ministry to work with the funded applicants to take corrective action where projects are not progressing. It also helps the Ministry determine whether it should provide funding that has been held back at the completion of a project and/or initiate the recovery of previously provided funding. The Ministry initiates recovery of its funding when it deems an applicant has taken insufficient action to accomplish the agreed-to activities.

We found that the Ministry is monitoring projects as it specifies in each TPA, including the collection of the final reports. As of August 11, 2025, only 29 of the 765 projects funded that required final reports in Rounds 1–4 (4%) had not submitted their final reports.

The Ministry informed us that it will not follow up on the missing reports for 15 applicant projects funded in Rounds 1 or 2, as the Ministry no longer has a connection with these organizations.

The collection of final reports is important, as this is how the Ministry gets its information on project results against KPIs. As part of its planned improvements to the program, the Ministry's current funding period in Round 5 will use a case management system to make the collection and reporting of participant data easier.



## 4.4 Performance Measurement of Projects

### 4.4.1 Performance Measures Do Not Assess Performance on All Program Objectives

The Ministry does not have overall program-level KPIs for reporting on the objectives of the SDF.

On a project basis, each applicant agrees to report on certain KPIs related to its project as part of the TPA it enters into with the Ministry. Standard KPIs exist for each project type, and applicants can suggest and report on additional KPIs.

We examined program objectives and identified some gaps in the Ministry's assessment of performance measures against outcomes related to these objectives. For example, starting in Round 2, the SDF had the following two program objectives:

- » supporting access to the labour market, and/or retention and capacity-building for employers; and
- » empowering workers and job seekers who face higher entry barriers and enhancing pathways into meaningful and gainful employment.

Part of both objectives can be measured by the employment results for trained people who were previously unemployed. The Ministry did not consistently develop any performance measures relating to capacity-building of employers or employment results specific to marginalized groups.

For example, some rounds had a specific priority pool to identify applications supporting persons with disabilities or had a minimum standard in place for persons with disabilities and/or vulnerable groups, but the Ministry did not report on employment results separately for these participants.

The Ministry informed us that starting with Round 5, it will use a performance management framework to review and revise the KPIs annually and ensure their continued alignment with SDF program objectives for Round 6 onwards.

#### 4.4.2 Performance Measures Generally Target What Applicants Say They Can Do Versus What the Ministry Wants the Program to Achieve

The TPAs between the Ministry and funded applicants stipulate targets for all SDF project-specific KPIs. The Ministry generally negotiates the targets for the KPIs with the funded applicant based on what the applicant and Ministry believe a project can achieve, as opposed to a Ministry-established standard. A lack of standardized targets can result in differential treatment, as some applicants may be able to negotiate less ambitious targets than others. This makes it more challenging to assess performance both at an individual project level and at the overall program level.

#### 4.4.3 Project KPI Targets Are Not Always Being Met or Publicly Reported

While the Ministry obtains information on how well SDF projects perform against their targets, we found that KPI targets are not always met by applicants.

For example, when looking at the same three KPIs that the Ministry reviewed when assessing project performance between SDF Rounds 1 and 3 (see **Section 4.1.2**), we found that combined, the projects achieved 64% of their employment target. This aggregated information is not publicly reported.

**Figure 10** shows aggregate results of 708 funded projects for select KPI targets during Rounds 1–4 of the SDF.

**Figure 10: Aggregated Results Against Select KPI Targets, SDF Rounds 1–4**

Source of data: Ministry of Labour, Immigration, Training and Skills Development

KPI	Actual Results	Target	% of Target Achieved
KPI #1: Individuals who <b>participated</b> in the project	473,930	518,171	91
KPI #2: Individuals who <b>completed</b> the full project	284,325	337,082	84
KPI #3: Unemployed project participants <b>employed</b> 60 days after the project was completed	100,857	158,154	64

Note: Numbers are rounded to whole numbers.

We excluded projects for which all three of these KPIs were not part of their TPA with the Ministry as well as others that we deemed to be outliers (such as having results for any KPI that were equal to or greater than 1,000% of what was targeted).



We compared the same projects analyzed in **Figure 10** to see whether performance on three standard KPIs changed by SDF round. As **Figure 11** indicates, overall performance between Rounds 1 and 4 of the SDF improved for all three KPIs. The Ministry informed us it believes that Round 4 results exceeded prior rounds as a result of improved monitoring of project performance by Ministry staff, and projects being less impacted by the COVID-19 pandemic.

**Figure 11: Results Against Select KPI Targets, by SDF Round**

Source of data: Ministry of Labour, Immigration, Training and Skills Development

KPI	Target Achieved (%)			
	Round 1	Round 2	Round 3	Round 4
KPI #1: Individuals who <b>participated</b> in the project	76	98	101	132
KPI #2: Individuals who <b>completed</b> the full project	90	91	59	93
KPI #3: Unemployed project participants <b>employed</b> 60 days after the project was completed	58	54	77	85

Starting in Round 4 of the SDF, KPI results have been updated quarterly to track the progress to date based on prorated targets for each project and made available to the Minister's Office. Since Round 4, the Assistant Deputy Minister's Office is also provided with an SDF Placemat report, which is meant to:

- » provide a summary view to executives on the regional and provincial performance of SDF projects;
- » flag any potential risks with respect to projects that are not meeting their performance targets; and
- » flag compliance issues with reporting.

### Why It Matters

Performance measurement at a program level allows for an assessment of how effective the SDF is at meeting its overall program objectives. Sharing this information with the public increases transparency and accountability of this government-funded program.

#### Recommendation 4

We recommend that the Ministry:

- develop and implement program-level KPIs and associated targets for the SDF that cover all program objectives;
- assess performance against targets at the end of each SDF round;
- establish a process to identify and implement changes to subsequent rounds based on the results of the above analysis; and
- report performance against program-level KPIs publicly after the completion of each SDF round.

For the auditee responses, see **Recommendations and Auditee Responses**.

## Recommendations and Auditee Responses

### Recommendation 1

We recommend that the Ministry:

- compile the score for each application question and evaluation criterion for applications funded in all SDF rounds;
- assess the above data to identify how useful each question and criterion is at predicting overall project performance;
- update the criterion weightings used to evaluate SDF applications to put more weight on questions and criteria that are proven to be indicative of project performance;
- update the SDF application guidelines for future rounds based on the updated criterion weightings determined; and
- repeat the above analysis after each subsequent SDF round.

### Ministry of Labour, Immigration, Training and Skills Development Response

The Ministry agrees with this recommendation. The Ministry compiled the scores on questions and evaluation criteria for funded SDF applications in Round 3 to assess the predictive impact of questions and criteria on project performance. The same exercise will be done for Round 1 and 2 projects. The criterion weightings, application questions and SDF Training Stream Application Guide will be updated to align with the findings. This analysis and recalibration will be carried out for all future rounds of the SDF.

The preliminary analysis conducted has provided a foundation to influence criterion weighting updates in Round 7 as directed in the recommendation.

### Recommendation 2

Our overall recommendations for this program are that:

- Ministry staff should approve TPA expenditures in alignment with the Ministry's Delegation of Financial Management Authority and the SDF round's application guidelines on eligible expenses;

- in future rounds of the SDF, selections should be made from the highest-scoring applications;
- the Minister's Office should provide clarification to Ministry staff in exceptional cases where selections are made by the Minister's Office that are not the highest-scoring applications;
- Ministry staff should request that the Minister's Office clarify application selection and/or funding rationales that appear to be inaccurate or are not supported by the Ministry staff's evaluation of the application;
- Ministry staff should seek broader feedback when the Minister's Office makes funding decisions for each round on how the evaluation criteria can be changed to better meet the objectives of the SDF;
- such changes based on Minister's Office feedback are incorporated into the program's design; and
- the application process document whether an applicant has hired a registered lobbyist, to ensure transparency over decision-making in these cases.

### **Ministry of Labour, Immigration, Training and Skills Development Response**

The Ministry agrees with this recommendation and will continue to provide guidance to the Minister and Minister's Office based on thorough evaluation and analysis of SDF applications. To support transparency in project selection, the Ministry will continue to request feedback from the Minister's Office to ensure stronger alignment between evaluation outcomes and final selections.

The Ministry will continue to work with the Minister's Office to adjust program criteria to align with the feedback received on selected projects. As has generally been the case in Rounds 4 and 5, the Minister's Office will continue to provide individualized rationales for its selections, while working with the Ministry to address areas where broader feedback is needed.

Ontario has a lobbyist registry in place to track Minister's Office engagements. The Ministry will leverage the existing registry and consider the need to implement additional processes so that there is more transparency over whether an applicant has hired a registered lobbyist as part of the application process.

### Recommendation 3

We recommend that the Ministry:

- obtain and track details of consultants used to assist with SDF applicant submissions;
- share with its staff the details of consultants who assisted with SDF applications at each round so that staff can identify whether they have conflicts of interest with the consultant; and
- track and assess risks associated with consultants as part of the application evaluation and performance monitoring of funded projects.

### Ministry of Labour, Immigration, Training and Skills Development Response

The Ministry agrees with this recommendation.

The Ministry will review its current risk-based monitoring and evaluation approaches to assess how they can be modified to address consultant-related risks, including obtaining, documenting and internally sharing details of consultants used to assist with SDF applicant submissions, and tracking and assessing risks associated with consultants as part of the application evaluation and performance monitoring of funded projects.

### Recommendation 4

We recommend that the Ministry:

- develop and implement program-level KPIs and associated targets for the SDF that cover all program objectives;
- assess performance against targets at the end of each SDF round;
- establish a process to identify and implement changes to subsequent rounds based on the results of the above analysis; and
- report performance against program-level KPIs publicly after the completion of each SDF round.

### Ministry of Labour, Immigration, Training and Skills Development Response

The Ministry agrees with this recommendation. The Ministry has implemented several improvements to how performance is measured for SDF projects from prior reviews. Work is

currently under way to develop and implement program-level KPIs that align with the program objectives for subsequent rounds. These KPIs will be used to assess performance against targets at the end of each SDF round, and the analysis will be used to identify and implement changes.

The Ministry will continue to identify the target outcomes and integrate them into future reporting. The Ministry will consider publicly reporting the outcomes, while maintaining the confidentiality of business information.

## Audit Criteria

In planning our work, we identified the audit criteria we would use to address our audit objectives (outlined in **Section 3**). These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at the Ministry reviewed and agreed with the suitability of our objectives and associated criteria:

1. The program was designed to meet the program's objectives.
2. Application scoring is done accurately based on clear, documented and transparent criteria that align with program eligibility requirements.
3. Selection and funding decisions are made in accordance with the scoring of applications that align with program objectives. If there are exceptions, explanations are documented to explain why exceptions were made.
4. Policies and processes exist and are followed to ensure that the program funding recipients comply with government directives related to transfer payment agreements, the transfer payment agreements themselves and program objectives.
5. Performance measurement frameworks, including key performance indicators, are in place to evaluate the effectiveness of funded projects in meeting objectives, and the impact of the program on Ontario's labour force as it relates to the program's scope. The results of these are publicly reported.

## Audit Approach

We conducted our audit between January 2025 and August 2025. We obtained written representation from the Ministry's management that, effective September 17, 2025, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

As part of our audit work, we:

- » interviewed relevant staff from the Ministry of Labour, Immigration, Training and Skills Development; and
- » reviewed and performed detailed testing on select financial and operational data.
- » This included reviewing:
  - a sample of SDF applications, Ministry staff evaluations, summary evaluation information shared with the Minister's Office, Minister's Office communication identifying applicants to fund and how much funding was approved;
  - a sample of activity reports, financial statements, final reports and other documents submitted by applicants to the Ministry as part of performance management required reporting per the terms of SDF applicant TPAs; and
  - a sample of project monitoring reports completed by Ministry staff for projects selected in Rounds 1–4 of the SDF. We received KPI results for projects selected in Rounds 1–4 as those were the only rounds where the Ministry had data.
- » We spoke with representatives from Alberta, British Columbia, Manitoba, and Newfoundland and Labrador to understand how employment funding programs work in their provinces.

## Audit Opinion

To the Honourable Speaker of the Legislative Assembly:

We conducted our work for this audit and reported on the results of our examination in accordance with Canadian Standard on Assurance Engagements 3001—*Direct Engagements* issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

October 1, 2025



**Shelley Spence, FCPA, FCA, LPA**

Auditor General  
Toronto, Ontario

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## Acronyms

Acronym	Definition
KPI	key performance indicator
SDF	Skills Development Fund Training Stream
TPA	Transfer Payment Agreement

## Appendix: Minister’s Office Selection of Applications to Fund Across the First 5 Rounds of SDF, by Rank

Source of data: Ministry of Labour, Immigration, Training and Skills Development

Rank	Round 1	Round 2	Round 3	Round 4	Round 5	Total	%
High	59	136	114	78	78	<b>465</b>	<b>46</b>
Medium	37	53	48	45	84	<b>267</b>	<b>26</b>
Low	50	53	47	47	84	<b>281</b>	<b>28</b>
Poor*	n/a	n/a	n/a	1	–	<b>1</b>	<b>0</b>
Ineligible*	–	–	–	–	–	–	–
<b>Total</b>	<b>146</b>	<b>242</b>	<b>209</b>	<b>171</b>	<b>246</b>	<b>1,014</b>	<b>100</b>

\* The “Ineligible” rank in Rounds 1–3 grouped applications that did not meet eligibility guidelines along with applications that had a very low overall score. Starting in Round 4, the rank of “Poor” was introduced to distinguish very low-scoring applications from those that were truly ineligible.



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