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STANDING COMMITTEE ON PUBLIC ACCOUNTS

VALUE-FOR-MONEY AUDIT: TOURISM SUPPORT PROGRAMS

(2023 ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL OF
ONTARIO)

1st Session, 44th Parliament
4 Charles III

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The Honourable Donna Skelly, MPP
Speaker of the Legislative Assembly

Madam,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House as agreed by the Committee on Monday, May 26, 2025 that the report adopted by the Standing Committee on Public Accounts on Monday, December 2, 2024, as the Committee's Report on Value-for-Money Audit: Tourism Support Programs (2023 Annual Report of the Office of the Auditor General of Ontario) shall be re-adopted, shall be bilingual and shall be reported to the House.

A handwritten signature in cursive script, reading 'Tom Rakoccevic'.

Tom Rakoccevic, MPP
Chair of the Committee

Queen's Park
October 2025

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ONTARIO)

1st Session, 43rd Parliament
3 Charles III

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The Honourable Ted Arnott, MPP
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House.

A handwritten signature in black ink, reading "Tom Rakocevic".

Tom Rakocevic, MPP
Chair of the Committee

Queen's Park
December 2024

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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JENNIFER (JENNIE) STEVENS regularly served as a substitute member
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INTRODUCTION

On April 22, 2024, the Standing Committee on Public Accounts held public hearings on the performance audit of Tourism Support Programs (*2023 Annual Report* of the Office of the Auditor General of Ontario). At the time of the audit, Ontario's tourism support programs were administered by the Ministry of Tourism, Culture and Sport, now the Ministry of Tourism, Culture and Gaming (Ministry).

The Committee welcomes the Auditor's findings and recommendations and now presents its own findings, views, and recommendations. The Committee requests that the Ministry provide the Clerk of the Committee with written responses to the recommendations within 120 calendar days of the tabling of this report with the Speaker of the Legislative Assembly, unless otherwise specified.

ACKNOWLEDGEMENTS

The Committee extends its appreciation to officials from the Ministry. The Committee also acknowledges the assistance provided by the Office of the Auditor General, the Clerk of the Committee, and Legislative Research.

BACKGROUND: ONTARIO'S TOURISM SECTOR

In 2019, about 132 million tourists visited Ontario, which contributed almost \$37 billion to the province's gross domestic product (GDP), or about 4% of total GDP. In addition, in 2019, tourism provided about 396,000 jobs and represented 5% of Ontario's total employment. Spending by tourists impacts a number of sectors including transportation, accommodation, and food and beverage.

Like other sectors, starting in 2020, Ontario's tourism industry was negatively impacted by the COVID-19 pandemic. In 2021, the sector added about \$15 billion to Ontario's GDP, a 59% decrease from 2019. Tourism stakeholders estimate that the sector will not recover to 2019 levels until at least 2025.

ONTARIO'S TOURISM SUPPORT PROGRAMS

The Ministry provides financial and non-financial support to the tourism sector. This support includes direct funding to tourism operators, such as grants to help with the cost of hosting events. In 2022/23, the Ministry provided \$45 million to the tourism sector through funding programs.

The Ministry also funds Destination Ontario and regional tourism organizations (RTOs). Destination Ontario is a provincial agency responsible for promoting Ontario as a destination to tourists. In 2022/23, Destination Ontario received \$33 million in funding from the Ministry. RTOs are independent non-profit organizations with funding agreements with the Ministry. They are responsible for leading the co-ordination of tourism in each of Ontario's 13 tourism regions. RTOs in 11 of the 13 regions are funded by the Ministry, with approximately \$19 million in total provided to them in 2022/23.

The Ministry is also responsible for providing strategic support, developing tourism policy, attracting private sector investment, and performing research and analysis of tourism statistics to support its policy decisions.

AUDIT OBJECTIVE AND SCOPE

The audit objective was to assess whether the Ministry had “effective systems and processes to:

- develop and execute on a strategic plan and oversee Destination Ontario and regional tourism organizations to support and grow Ontario’s tourism industry;
- design and deliver funding programs that efficiently and effectively support the tourism industry and maximize the industry’s economic impact; and
- collect information to evaluate the effectiveness of provincial tourism supports in growing the tourism industry and report the results to the public or tourism stakeholders.

MAIN CONCLUSIONS OF THE AUDIT

The audit found that the Ministry has not developed and executed on a long-term strategic plan to grow Ontario’s tourism industry since its last five-year plan was released in 2016 (which covered the years 2016-2021). In contrast, British Columbia, Alberta, and Quebec all released long-term strategic plans for tourism recovery and growth between 2021 and 2023, with a focus on post-pandemic recovery.

The audit also found that “not all tourism funding programs were designed or delivered efficiently and effectively to support the tourism industry.” For example, one program did not have defined criteria for evaluating applications. Further, the audit found that the Ministry has not collected information to evaluate the effectiveness of provincial tourism supports in growing the tourism industry and reported the results to the public or stakeholders.

ISSUES RAISED IN THE AUDIT AND BEFORE THE COMMITTEE

The Committee heard that in 2022, tourism in Ontario generated \$33 billion in economic activity and over 360,000 jobs. While challenges from the pandemic remain, the Ministry is confident in its approach and that of its industry partners. The Ministry said that the Auditor’s report provided an opportunity for the Ministry to align its strategies with the highest standards of accountability and service.

With respect to the Auditor’s recommendation that the Ministry establish a strategy to maximize the economic impact of tourism and aid post-pandemic recovery, the Ministry said that it is dedicated to continuing to work to grow the sector. The Ministry said it will continue to work internally, and with agencies and industry partners, to gain feedback and explore opportunities to improve support for Ontario’s tourism sector.

Over the past four years, the Ministry has engaged with the tourism industry to gather feedback for growth post-pandemic. Feedback was collected through various channels, including advisory councils, an industry task force, and stakeholder consultations. The Ministry anticipates “having more to share” as its strategies begin to take shape.

The Auditor also called on the Ministry to promote destination development (i.e., the strategic planning and creation of activities with a focus on developing the tourism product and experience) and foster collaboration between tourism operators. In October 2023, the Ministry released an updated program guide for RTOs that included additional guidance on destination development. Going forward, the Ministry will review strategies and approaches to destination development and incorporate best practices into future updates of the guide, funding agreements, and business plans as applicable.

Strategic Planning

As noted above, the Auditor found that the Ministry has not developed a long-term strategic plan for tourism since 2016, while British Columbia, Alberta, and Quebec all published multi-year strategic plans between 2021 and 2023. The Committee asked why the Ministry does not have a strategic plan with a focus on pandemic recovery, and why the Ministry has not developed a long-term strategic plan since 2016.

The Ministry responded that it has been embarking on a few years of stakeholder consultations. The Ministry has had conversations with tourism operators and other provinces and territories and has been collecting data to analyze Ministry programs. Tourism today is different than it was in 2019, and some of the Ministry’s earlier strategic planning is less relevant now. The Ministry is taking a comprehensive view, and working with the Tourism Industry Association of Ontario, to make sure that what the Ministry plans is responsive, appropriate, and strategic for the sector. These conversations will guide Ministry planning. However, whether this work will culminate in a strategy is not a decision the government has made yet.

The Ministry also said that it wants to make sure that it is supporting the industry now. The intent is not to have a strategy that becomes a static document but to have a real time plan that reacts and responds to on-the-ground activities. As a result, the Ministry is assessing their programs to ensure that their work and investments are reaching the right audiences and getting returns on their objectives. Further, creating a strategic plan was not a priority during COVID-19. Rather, the focus was on emergency measures to support the industry.

Addressing the Auditor’s Recommendations

The Committee also asked whether the Ministry would address the work required by the Auditor’s recommendations within a project framework and commit to delivering certain items within a specific timeframe, rather than treating the action items in the report as ongoing tasks.

The Ministry said that a number of the Auditor's recommendations speak to items that require continuous improvement. There is unlikely to be an end date because the Ministry is charged on behalf of taxpayers and Ontarians to think continuously about seeking value for money, to make the right decisions, and to consider opportunities to collaborate in new and different ways. The Ministry also said that they would have more specific updates once they have had a chance to define more work against the 17 recommendations. At the time of the hearings, the Ministry had been in receipt of the Auditor's report for about four months.

The Committee also asked whether the Ministry is working to clearly delineate responsibility for addressing the ongoing action items. The Ministry responded that there is certainty within the Ministry about which divisions and agencies are working on specific recommendations. Further, the recommendations themselves speak to whether they are directed at the Ministry or Destination Ontario. The Ministry has confidence that the teams will be deployed appropriately to get the work completed.

Committee Recommendation

The Standing Committee on Public Accounts recommends that:

1. The Ministry of Tourism, Culture and Gaming should develop a long-term strategic plan, as recommended by the Auditor General of Ontario, and report back to the Committee within 12 months, or as early as practicable, on its efforts. This report should include the following:
 - a. an outline of preliminary goals;
 - b. proposed key performance indicators;
 - c. an account of actions taken up to the point of the report being provided; and
 - d. a timeline for future actions specifying potential milestones.

Tourism Marketing

The audit report notes that Destination Ontario's mandate includes marketing Ontario as a travel destination within Ontario, Canada, and internationally. However, the audit found that Destination Ontario's marketing within the province is not always done in partnership with other tourism organizations such as RTOs. The Committee asked why Destination Ontario is not working with the RTOs to market Ontario tourism.

The Ministry responded that Destination Ontario and the RTOs have a long and collaborative relationship, but there is more work to be done. The Ministry also said that a lot of their work is complementary and not duplicative. For example, Destination Ontario collects fees from RTOs to pool them in provincial marketing campaigns. Further, the Ministry looks forward to seeing the progress that the RTO working group will make and expects there will be opportunities to report on its progress in the future.

The audit also noted that Destination Ontario's own analysis showed that the province could see 86,000 more tourists and \$38 million more in tourism spending if \$2 million was reallocated from advertising within Ontario to advertising to the United States (US). The Committee asked whether the Ministry is reconsidering where advertising dollars are spent in light of this finding.

The Ministry responded that Destination Ontario gathers and analyzes data on a regular basis to evaluate the effectiveness of their campaigns and then pivots, where appropriate, on funding and campaigns between domestic, US, and international markets.

Committee Recommendation:

The Standing Committee on Public Accounts recommends that:

2. The Ministry of Tourism, Culture and Gaming should conduct a review of Regional Tourism Organizations (RTOs) to evaluate their operation, goals, and reporting system to the Ministry. The Ministry should report back to the Committee within 12 months, or as soon as practicable, on the progress that has been made on this review. This review should:
 - a. establish clear objectives and key performance indicators for RTOs;
 - b. identify measures to prevent duplication between RTOs, Destination Ontario, and the Ministry; and
 - c. ensure improved efficiency and return on investment in tourism marketing.

Dated Research Data

The audit found that many of the tourism statistics that the Ministry reports are based on trends from several years prior. As a result, Destination Ontario and the RTOs have commissioned their own research to obtain more timely data. The Auditor recommended that the Ministry assess the research that RTOs need and whether cost savings could be achieved by obtaining this data provincially.

To address this recommendation, the Ministry said that the RTO working group has begun to create a list of data holdings by organization to review opportunities for collaboration. The Ministry also said that it would work with RTOs on solutions to provide cost-effective and timely research across the province.

The Committee also asked whether the Ministry knew that RTOs were paying for access to more timely information and data. The Ministry said that this information would have been articulated in RTO business plans, so the Ministry would have been aware. Going forward, the RTO working group will be instrumental as an information sharing venue. The Ministry hopes to receive advice from the working group on how best to manage information sharing going forward.

Increasing International Tourism

The Committee also asked about the challenges Ontario faces with respect to bringing in international tourists due to the amount of time it takes some embassies to process visa applications.

The Ministry responded that the domestic tourism market was strong throughout COVID-19 and beyond. However, international tourists have not returned to 2019 levels, so there is still some work to be done. Evaluating the effectiveness of marketing campaigns is a top priority for Destination Ontario and, in the future, they will also look at whether there is an opportunity to engage with RTOs on this issue. The Ministry said that it could not speculate on geopolitical matters, but that it is interested in doing whatever it can to support the growth of tourism, whether that be through reducing red tape or working with other levels of government.

The audit report also noted that Toronto and Ottawa act as gateway cities for international tourists and recommended that the Ministry evaluate the role of gateway cities in attracting such tourists. The Ministry said that it accepts this recommendation and recognizes the role that gateway cities play in attracting visitors. The Ministry is exploring ways to support gateway cities year-round, increase visitation from international travellers, and increase the length of their stays. International travellers tend to spend more money and stay longer, so they are very important travellers to bring back to Ontario.

The Ministry also said that some of the work with respect to evaluating gateway cities is happening with the RTOs. The intent of some of the discussion at the RTO working group, which now includes Destination Ontario, was to have a comprehensive conversation about international advertising investments. International advertising is very expensive and making sure that Destination Ontario uses its funding to obtain value for money will drive future decisions about Destination Ontario's investments.

Promoting Domestic Tourism

The Committee also asked what the Ministry is doing to promote domestic tourism and to encourage Ontarians to travel within the province. The Ministry responded that Destination Ontario is making investments in the domestic market, along with RTOs. Going forward, Destination Ontario will need to consider how to allocate marketing funding between domestic and international travel. The Ministry said that the spirit of the Auditor's recommendations in this area was that some thought should be put into how to be effective in investing advertising funds, and Destination Ontario is doing that work.

The Ministry also noted that it invests in a number of areas to promote domestic tourism. For example, Experience Ontario is a \$19.5 million annual investment the Ministry makes in festivals across the province. In addition, the Ministry's Ontario Cultural Attractions Fund invests in cultural institutions to help them promote their activities. This investment complements other Ministry programs.

Committee Recommendation

The Standing Committee on Public Accounts recommends that:

3. The Ministry of Tourism, Culture and Gaming should consider using a staycation tax credit to increase domestic tourism.

Funding Paid to Ineligible Applicants

The Committee asked about the Auditor's finding that approximately \$1.5 million was paid under the Ontario Tourism Recovery Program, the Ministry's COVID-19 Support Grant, to six applicants that were ineligible and eight that were potentially fraudulent.

The Ministry said that it was the Ministry's work that detected the issue of the potentially fraudulent applicants and raised it to the Auditor, which speaks to the Ministry's staff training. The Auditor also suggested that there may be some other activity that the Ministry could explore and evaluate, and the Ministry said that work is underway.

The Ministry also said that they are focusing their efforts on ensuring that they have the tools to assess the financial information provided by applicants. The Ministry has every interest in ensuring that applicants are providing the best possible information to them, and that the accuracy of that information is verified. The Ministry will also apply the lessons learned from this incident to their other grant programs.

The Committee also learned that the Ministry is working with other ministries to explore ways to verify the accuracy of financial data against supporting documents, including considering how to use tax data to validate revenue by applicants for next year's festival and event program (Experience Ontario 2025).

Committee Recommendation:

The Standing Committee on Public Accounts recommends that:

4. The Ministry of Tourism, Culture and Gaming strengthen its processes for verifying the accuracy of financial data provided by funding applicants, such as by collaborating with other ministries to utilize tax data and other documents to ensure that funds are awarded only to eligible applicants. The Ministry should report back to the Committee within 12 months, or as soon as practicable, on any verification measures that have been implemented, any pilot initiatives tested, and any initial improvements in safeguarding public funds.

Delay in Funding Decisions

The audit found that Ministry delays in making and communicating funding decisions to applicants hampered the operations of tourism operators and the effectiveness of funding delivered. The Committee asked what happened last year with respect to delayed funding and what the Ministry is doing to improve outreach to funding applicants.

The Ministry said that last year's application window was opened late and there were a significant number of applications – about 680 – which was a lot for the Ministry to evaluate. This experience informed their commitment to open their application window earlier this year and let festival organizers know about funding sooner. The Ministry also said that it is working to prioritize and negotiate transfer payment agreements based on when events are scheduled to take place. For example, the Ministry will prioritize approvals and notifications for events in early spring.

The Ministry also explained their outreach process for the Experience Ontario program this year. The Ministry said that it informed all those who had applied in the last three years of when the funding application window would open. They also created a video to assist applicants in creating a strong application. The Ministry also provides advice directly to applicants who have questions and has committed to notifying festival organizers of funding decisions at the soonest date.

The Committee also asked whether there were mechanisms in place to get feedback from funding applicants, researchers, and organizations to make improvements to programs year to year. The Ministry said they receive a lot of feedback, which has guided some changes. For example, the Ministry made some changes to the Experience Ontario criteria this year to consider regional distribution of festivals, recognizing that larger cities tend to have more festivals. The Ministry wanted to make sure that they were not missing opportunities to invest in other parts of the province.

Tracking Use of Funds and Reporting Obligations

The Auditor also recommended that the Ministry improve its tracking of projects funded through the Tourism Development Fund against its performance measures and outcomes. To that end, the Ministry said that it redesigned the fund and relaunched it in August 2023. The redesigned fund included performance metrics relevant to the projects being funded and outcomes expected. The Ministry continues to review the Tourism Development Fund performance measures required from funding recipients to ensure they are reasonable, attainable, and aligned with the project outcomes. The Ministry is also working to improve tracking of performance metric outcomes.

The Committee asked how the Ministry ensures that its funding programs are achieving program goals. The Ministry explained that when they fund a festival, they create a transfer payment agreement (TPA). These agreements are essentially contracts with festival organizers that say that the organizer will deliver what was set out in their application.

In addition, the Ministry does not make all the payments in one installment. Rather, they hold back and expect the festivals to provide a report to them against their TPAs. Then, the Ministry determines whether the festival organizer delivered against the program's criteria and the purposes for which they were awarded funding. These measures provide some assurance that festival organizers are using funds for the intended purposes. In addition, if an event is not in good standing with the Ministry, they would be disqualified from funding in future years.

The Committee also asked how the Ministry's funding programs work in terms of proportionality between the size of grants and reporting obligations and noted that heavy reporting obligations can be burdensome on smaller organizations.

The Ministry said that for Experience Ontario 2024, they took this issue into consideration and adopted a tiered approach, which allows the Ministry to appropriately streamline events through the evaluation process. There were three tiers depending on the size of the festival. While smaller festivals are held to the same standards in terms of delivering against the program requirements and their TPAs, it is not the same burden as for a top tier festival.

Affiliated Organizations and Funding Eligibility

The audit found that the design of the Ontario Tourism Recovery Program, a COVID-19 support program, resulted in similar businesses receiving different amounts of funding based solely on differences in ownership structure. This was the result of the fact that the Ministry required all businesses to apply individually, except for those that were fully owned by another corporation, which were required to submit one application for the group.

The Auditor recommended that the Ministry consider whether it is appropriate for any funding program's criteria to allow different funding to be awarded based solely on ownership and/or management structure. In response, the Ministry changed two of its annual tourism funding programs (Experience Ontario and the Tourism Development Fund) to allow only one application per organization, including affiliated organizations. The Committee asked how the Ministry came to this decision.

The Ministry said that this change was a response to oversubscription to the program. The Ministry wants to fund as many individual events as possible and this change is a step toward being able to provide funding to more organizations. The Ministry also said that they would take the feedback they receive from the 2024-25 year and consider whether to re-evaluate this change in criteria.

CONSOLIDATED LIST OF COMMITTEE RECOMMENDATIONS

The Standing Committee on Public Accounts recommends that:

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 - d. a timeline for future actions specifying potential milestones.
2. The Ministry of Tourism, Culture and Gaming should conduct a review of Regional Tourism Organizations (RTOs) to evaluate their operation, goals, and reporting system to the Ministry. The Ministry should report back to the Committee within 12 months, or as soon as practicable, on the progress that has been made on this review. This review should:
 - a. establish clear objectives and key performance indicators for RTOs;
 - b. identify measures to prevent duplication between RTOs, Destination Ontario, and the Ministry; and
 - c. ensure improved efficiency and return on investment in tourism marketing.
3. The Ministry of Tourism, Culture and Gaming should consider using a staycation tax credit to increase domestic tourism.
4. The Ministry of Tourism, Culture and Gaming strengthen its processes for verifying the accuracy of financial data provided by funding applicants, such as by collaborating with other ministries to utilize tax data and other documents to ensure that funds are awarded only to eligible applicants. The Ministry should report back to the Committee within 12 months, or as soon as practicable, on any verification measures that have been implemented, any pilot initiatives tested, and any initial improvements in safeguarding public funds.