

Annual Report

Office of the Auditor General

February 2023



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR



Why We Did This Annual Report

We prepared this annual report in accordance with the Auditor General Act, 2021, to:

- Expand on our audit opinion and observations related to the province's financial statements for the year ended March 31, 2022;
- Provide updates on the status of recommendations from four 2019-20 performance audits;
- Update the unaudited report on government's financial response to the pandemic; and,
- Share information on the Office's work and the audits that are currently underway.



Observations on the Audit of the Public Accounts

- In 2022, the Auditor General provided a clean audit opinion on the Public Accounts.
- The Consolidated Summary Financial Statements have received an unqualified audit opinion for the past 28 consecutive years.
- The Provincial Government has yet to finalize its rate mitigation plan; the implementation of this plan may have a significant financial impact on the province in future years.
- Numerous incidents of potentially fraudulent actions by recipients of government funding or government employees were reported as part of the annual Public Accounts.
- The stability of the Province's fiscal situation remains a significant concern; in 2022 the deficit was \$271.91 million, the Net Debt \$16.37 billion, and the Net Debt to GDP was 42.5%.
- The timing of the release of the Consolidated Summary Financial Statements remains out of sync compared with other jurisdictions, and the relationship between the Estimates process and government accounting remains outdated. The Province should consider amendments to the Act to reflect modern accounting practices or pursue alternatives to ensure a timelier release.



Government's Financial Response to the Pandemic

- Our report summarized information gathered from government departments to provide an unaudited listing of government's actions in response to the pandemic.
- Significant impacts from the pandemic occurred or will occur throughout the 2020-21, 2021-22 and 2022-23 fiscal years.
- Based on our analysis, 79.9% of the total commitment has been spent to date; over \$141 million (20.1%) of the committed COVID-19 funding has not yet been utilized.



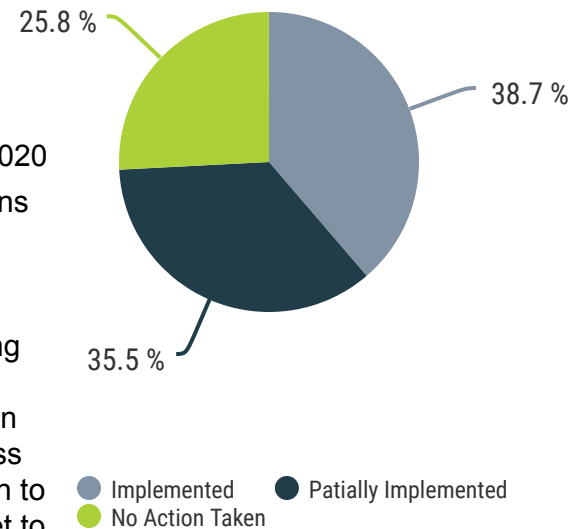
Annual Report on Operations

- In 2022, a modernized Auditor General Act, 2021 was proclaimed into law. The new legislation enhanced the Office's independence, expanded access to information, and increased transparency.
- Budget 2022 provided the Office with a significant increase in its operating budget; the budget increase supported the hiring of the necessary staff required to support the implementation of the new legislation.
- In 2022, the Office released two performance audits into Nalcor Energy, as well as an audit of Adult and Community Corrections. There were 26 financial audits, all of which met the statutory deadline.
- Significant progress was made in 2022 on a variety of performance audits, including audits of Memorial University, the Office of the High Sheriff, the Innovation and Business Investment Corporation, and the Food Premises Licensing and Inspection Program. All four audits are expected to be released in 2023.
- In 2022, five new financial audits were brought in-house, including the Eastern Regional Health Authority.

Update on 2019 Performance Audits

- There were four performance audit reports released during the 2019-20 fiscal year:
 - Healthy Eating in Schools - June 2019
 - Oversight of Provincial Wellness Priorities – June 2019
 - Student Transportation – June 2019
 - Newfoundland and Labrador Liquor Corporation – February 2020
- After three years, less than 39% (12 out of 31) of recommendations were fully implemented, and over 25% (8 out of 31) had no meaningful action taken at all.
- The Newfoundland and Labrador English School District only partially implemented four recommendations on the Healthy Eating in Schools Program.
- The Department of Health and Community Services took no action on three recommendations on Oversight of the Provincial Wellness Priorities, and has only partially implemented the recommendation to continue developing an action plan to support government's target to bring health indicators in-line with the Canadian average by 2025.
- The Department of Tourism, Culture, Arts and Recreation has taken no action on the four recommendations on the Oversight of Provincial Wellness Priorities, and only partially implemented the recommendation to continue to develop an action plan to support government's health target indicators.
- The Newfoundland and Labrador English School District only partially implemented five recommendations for Student Transportation, and the Department of Education took no action on the recommendation to require the English School District to establish and report on key performance indicators and targets for student transportation safety and efficiency.
- The Department of Justice and Public Safety has taken no action on the recommendation to adequately address conflicts of interest within the public service and Crown entities, including consideration of any legislative amendments required to improve accountability and transparency.

Status of Recommendations After 3 Years



After reading this report, you may want to ask the following questions of government:

1. When will government conclude and release its rate mitigation plan?
2. Why are there ten issues previously recommended for action by the Auditor General from financial statement audits unresolved for three years or more?
3. What action is being taken to address the concerns raised in audit management letters?
4. How are government's actions impacting the sustainability, flexibility, and vulnerability of the financial health of the province?
5. What strategies is the government pursuing to manage its various forms of risk, such as those stemming from post-pandemic economic conditions, population demographics, global inflation, and the uncertainty of rate mitigation?
6. Are legislative or operational changes being made to help improve the timeliness of the release of the Public Accounts?
7. What processes does government have to ensure the Auditor General's recommendations are being pursued in a timely manner?
8. Will the unspent commitment relating to the pandemic be utilized?
9. Is government on track to implement the new accounting and assurance standards?

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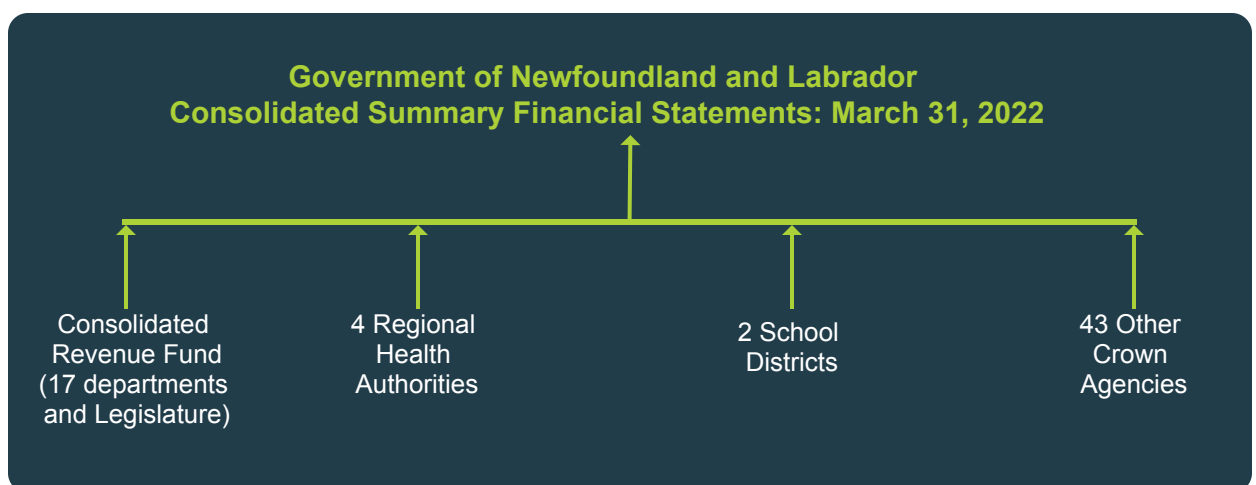
Audit of the Consolidated Summary Financial Statements

Background

The Consolidated Summary Financial Statements (also referred to as the Public Accounts) provide the most complete information about the financial position and operating results of the Province. They are the principal means by which government reports to the House of Assembly and to the people of the Province on its accountability and management of public funds.

The Government of Newfoundland and Labrador (government), through the Office of the Comptroller General, is responsible for providing the House of Assembly with these financial statements, which are prepared in accordance with Canadian Public Sector Accounting Standards. The financial statements include a statement of responsibility which outlines government's responsibility for maintaining a system of internal control in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, financial records are properly maintained, and financial statements are prepared that are free from material misstatement whether due to fraud or error. A copy of the Consolidated Summary Financial Statements is available on the government's website.

As per Section 17 of the Auditor General Act, 2021, the Office of the Auditor General (Office) must conduct an annual financial audit of the Public Accounts. These statements show financial results for all organizations in the government reporting entity. The government reporting entity includes government departments and the Legislature, government organizations, government business enterprises, and a proportionate share of a government business partnership, as listed in Schedule 15 of the Consolidated Summary Financial Statements.



The Consolidated Summary Financial Statements are audited by our Office to support our opinion on the Public Accounts. Of the other 49 entities, 16 are audited by our Office, 30 are audited by component auditors, and three are unaudited. For the year ended March 31, 2022, component auditors, also known as private sector auditors, completed the financial statement audits for the following:

Atlantic Lottery Corporation
 Board of Commissioners of Public Utilities
 Central Regional Health Authority
 Chicken Farmers of Newfoundland and Labrador
 College of the North Atlantic
 Conseil Scolaire Francophone Provincial de Terre-Neuve et Labrador
 Credit Union Deposit Guarantee Corporation
 Dairy Farmers of Newfoundland and Labrador
 Discovery Health Care Foundation Inc.¹
 Dr. H. Bliss Murphy Cancer Care Foundation¹
 Eastern Regional Health Authority
 Egg Farmers of Newfoundland and Labrador
 Health Care Foundation of St. John's Inc.
 Janeway Children's Hospital Foundation¹
 Labrador-Grenfell Regional Health Authority
 Marble Mountain Development Corporation
 Memorial University of Newfoundland
 Multi-Materials Stewardship Board
 Municipal Assessment Agency Inc.
 Nalcor Energy
 Newfoundland and Labrador 911 Bureau Inc.
 Newfoundland and Labrador Centre for Health Information
 Newfoundland and Labrador English School District
 Newfoundland and Labrador Film Development Corporation
 Newfoundland and Labrador Sports Centre
 Newfoundland Hardwoods Limited
 Oil and Gas Corporation of Newfoundland and Labrador
 The Burin Peninsula Health Care Foundation Inc.¹
 Trinity - Conception - Placentia Health Foundation Inc.¹
 Western Regional Health Authority

Canadian Auditing Standard (CAS) 600 outlines the requirements for our Office's involvement with component auditors. Each year we obtain an understanding of, and satisfaction with, the component auditors' ethics and independence, professional competence, and their ability to accommodate our Office's involvement in their work to the extent we consider necessary for us to obtain sufficient audit evidence to support our opinion on the financial statements.

There are three entities that were unaudited: the Churchill Falls (Labrador) Corporation Trust and the Newfoundland and Labrador Farm Products Corporation are either immaterial to the financial statements or inactive and no statements are prepared. A new Crown corporation, Celebrate NL, was incorporated on March 7, 2022; the audit of Celebrate NL will commence for the March 31, 2023 year-end.

1. These foundations/associations were not consolidated into the Eastern Regional Health Authority's financial statements and were consolidated separately by the Office of the Comptroller General into the 2021-22 Consolidated Summary Financial Statements of the Province.

Audit Opinion

An unqualified audit opinion on the Consolidated Summary Financial Statements for the year ended March 31, 2022, was issued on October 26, 2022. It concluded that the statements were presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards. This audit opinion does not extend to the effectiveness of internal controls. However, if we identified issues during our audit that result in recommendations to improve controls or management practices, those issues were communicated to government.

Government includes a financial statement discussion and analysis report with the Consolidated Summary Financial Statements, entitled 'Understanding the Financial Health of the Province of Newfoundland and Labrador.' Our opinion on the statements does not cover this analysis report and we do not express any form of conclusion on it. However, generally accepted auditing standards require us to review the analysis report and, in doing so, consider whether this information is materially inconsistent with the financial statements, the information obtained during the audit, or otherwise appears to be materially misstated. If we conclude that there is a material misstatement, we are required to report that. For the year ended March 31, 2022, there was no material misstatement identified in the analysis report presented with the Public Accounts.

Other Matter - Rate Mitigation

Generally accepted auditing standards allow an auditor to include additional information in the Independent Auditor's Report if deemed necessary. One such section is an 'Other Matter' paragraph. An Other Matter paragraph refers to an issue other than those presented in the financial statements.

In April 2019, government released a proposed framework that outlined possible options to mitigate anticipated electricity rate increases as a result of the Muskrat Falls Project coming online. Since that time, government has been working on its rate mitigation plan, but the plan remains incomplete. Implementation of this plan may have a significant impact on the Consolidated Summary Financial Statements in future years.



The Consolidated Summary Financial Statements have received an unqualified audit opinion for the past 28 consecutive years.



After reading this report, you may want to ask:

When will government conclude and release their rate mitigation plan?

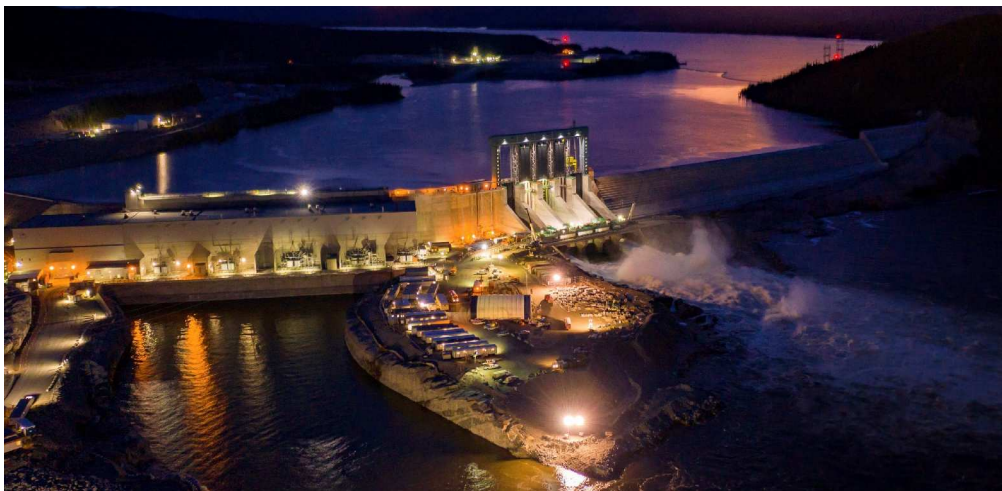


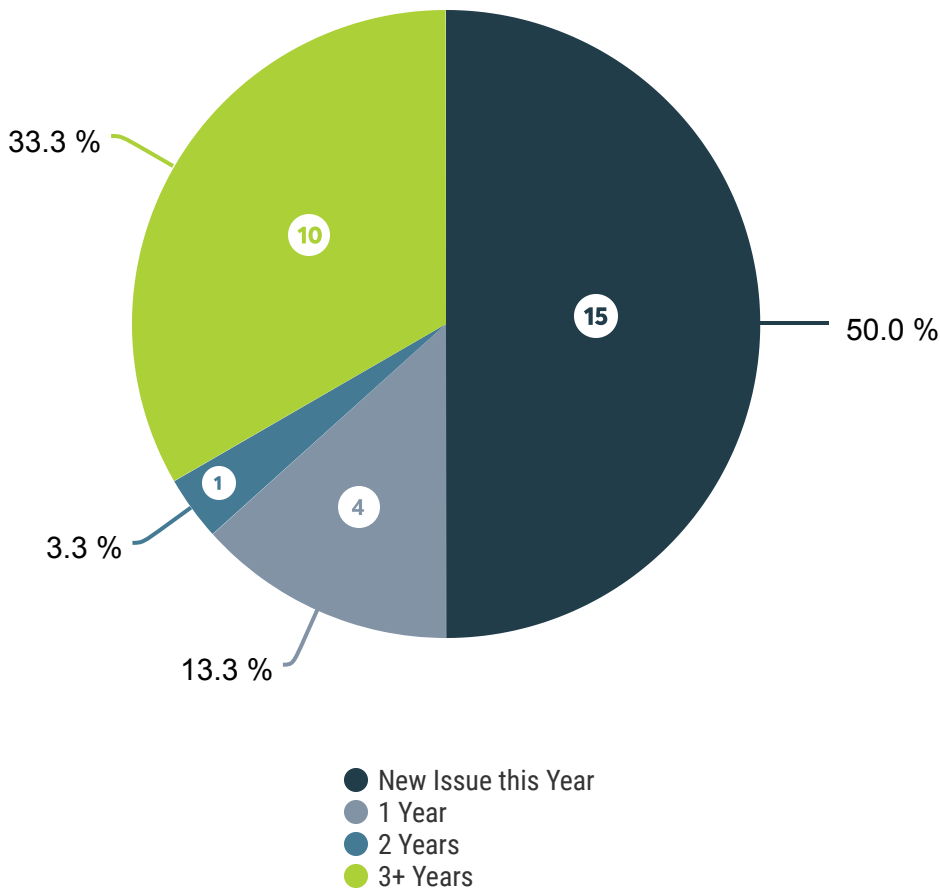
Photo: NL Hydro

Management Letters

During financial audits, we often identify opportunities for management to improve various areas of operations such as accounting practices, governance, internal control or compliance with policies, legislation, and regulations. Management letters explain these areas of opportunity, offer recommendations on improvements, and include a response from the organization. Issues raised in management letters do not indicate that financial statements are materially misstated; however, the issues are deemed by the auditor to be important enough to be reported to an entity's board of directors or those charged with governance.

Some management letter issues are resolved in the year following the letter's release, and others remain an issue in subsequent management letters. The Office follows up on points raised in the prior year to monitor an organization's progress in addressing the recommendations. The chart below summarizes the length of time that the 30 issues outlined in the 2021-2022 Public Accounts and entity management letters have been outstanding. Management letter issues for Crown agencies which our Office did not audit are not included.

**Management Letter Issues
Years Outstanding
2021-22 Fiscal Year**



Significant, but unaddressed, deficiencies increase the risk that financial statements could be materially misstated.

? After reading this report, you may want to ask:

Why are there ten issues previously recommended for action by the Auditor General from financial statement audits unresolved for three years or more?



Improvement opportunities identified in the management letters for the 2021-22 Public Accounts and entity audits are grouped into the four categories outlined below:

Management Letter Issues by Category

Categories	Prior Year Issues	New Issues 21/22	Total Management Letter Issues	Resolved in 21/22	Net Outstanding Management Letter Issues
Accounting Practices	14	8	22	2	20
Governance	3	1	4	2	2
Internal Control	4	6	10	3	7
Compliance with Policies, Legislation, and Regulations	3	0	3	2	1
Total	24	15	39	9	30

Management Letter Issues by Source

Categories	Public Accounts	Office of the Auditor General Audited Entities	Total
Accounting Practices	14	6	20
Governance	0	2	2
Internal Control	4	3	7
Compliance with Policies, Legislation, and Regulations	0	1	1
Total	18	12	30

? After reading this report, you may want to ask:

What action is being taken to address the concerns raised in audit management letters?



Prior Years' Management Letter Issues

Offshore Royalties – Carryback of Decommissioning Costs

As noted in last year's report, the carryback of net decommissioning costs may result in the Province having to reimburse the operator(s) for royalties previously paid regarding the four oil production facilities. For all current projects, except Hibernia, Part VII of the Royalty Regulations, 2003 allows operators to carry back actual net decommissioning costs incurred, net of decommissioning revenue, against earlier net royalty revenue, commencing in the period of substantial completion of the decommissioning. As of March 31, 2022, no project operators have submitted or indicated their intent to submit a decommissioning proposal so there is no reimbursement owing.

Under the Hibernia Royalty Agreement, the Province acknowledged there should be a sharing of abandonment or decommissioning costs for Hibernia on an agreed basis and will enter into discussions with project owners regarding this matter at a future date. As we reported last year, and is still the case at the time of this report, no discussions have commenced under this Agreement.

The Province has disclosed a contingent liability regarding the carryback of decommissioning costs in the Public Accounts for the year ended March 31, 2022. The Province indicates that there is currently uncertainty with respect to the existence, nature, and extent of any obligation that the Province has for future decommissioning carryback amounts due to several factors beyond its control.

In our opinion, government should conclude its work to determine the impact that the carryback of expected decommissioning costs will have on offshore royalties and ensure that these costs are accounted for in the Public Accounts in accordance with Canadian Public Sector Accounting Standards. The Province could estimate the future liability for decommissioning costs from the financial statements of the operators of the oil production facilities. The operators use International Financial Reporting Standards to prepare their financial statements and, as such, are required to recognize a liability for decommissioning costs in their financial statements.

Estimation of Taxation Revenues

As noted last year, the province often has significant funds owing from, or to, the Government of Canada related to underpayments or overpayments under the Tax Collection Agreement. These underpayments or overpayments are included with, or recovered from, future entitlements under the Agreement. The Government of Canada provides revenue estimates to the Province for corporate income tax, personal income tax, and the harmonized sales tax. These estimates are revised in subsequent periods as more accurate information becomes available. The resulting adjustments are recorded as they become known in future periods, and often result in significant changes between fiscal periods, impacting the comparability of financial results year over year.

In our opinion, continued review of the methodology used to estimate these revenues may provide opportunities to improve the reliability of the estimates, reduce the likelihood of significant adjustments, and improve comparability across fiscal periods.

Revenues from the Disaster Financial Assistance Arrangement

As noted last year, the federal government, under the National Disaster Financial Assistance Arrangement, assists provinces with the costs of dealing with disasters that have placed a significant burden on a province's economy. The Province currently recognizes revenues under the assistance arrangement when it actually receives the funding. It is our understanding that some jurisdictions in Canada recognize revenue under the assistance arrangement prior to the funding actually being received.

We recommend government conclude their policy review for recognizing revenues received from the Disaster Financial Assistance Arrangement.

Financial Statement Audits for the Office of the High Sheriff

The Office of the High Sheriff operates the Judgement Enforcement Registry, which receives funds from third parties and holds the funds in trust for distribution to other third parties in accordance with court orders. The funds are recorded as a trust in Schedule 9 of the Consolidated Summary Financial Statements; the fees charged to its clients are recorded as provincial revenue.

As noted last year, and unchanged at the time of this report, the most recent year for which our Office has been able to complete the audit is for the fiscal year ended March 31, 2017. We are pleased to note that the Office of the High Sheriff has provided information for the fiscal years ended March 31, 2018, and 2019 and our Office is currently conducting audit work on the information provided. However, the audit information relating to the fiscal years ending March 31, 2020 to 2022 remains outstanding.

In our opinion, completing these financial statement audits is critical, especially when there is a risk that undetected errors have occurred and could be repeated. We encourage the Department of Justice and Public Safety to assist the Office of the High Sheriff so the gathering and provision of information can be prioritized and the remaining financial statement audits can be initiated.



Government Reporting Entity

The Office of the Comptroller General is responsible for assessing whether entities should be included or excluded from the government reporting entity, based on an assessment of government control. Public Sector Accounting Standard 1300 (PS 1300) provides guidance as to which entities to include. Per PS 1300, the issue of control requires the application of professional judgment based on many factors. Some examples would include whether government has the ability to unilaterally appoint or remove a majority of the members of the governing body, unilaterally dissolve the organization, or establish or amend the mission or mandate of the organization.

Some entities which government has assessed as being part of the government reporting entity have indicated that they do not agree and have declined to provide information to the Office of the Comptroller General to facilitate their consolidation into the Public Accounts. As a result, the Office of the Comptroller General uses estimates and publicly available information to consolidate these entities into the Public Accounts and is concluding its reviews of these entities to confirm inclusion. These entities include:

- Egg Farmers of Newfoundland and Labrador
- Dr. Bliss Murphy Cancer Care Foundation²
- Janeway Children's Hospital Foundation²

In addition to the above, we identified that the Canada-Newfoundland and Labrador Offshore Petroleum Board should be considered for inclusion in the government reporting entity and our Office had requested the Comptroller General to determine whether control exists. We have reviewed the re-assessment conducted by the Office of the Comptroller General and disagree with their assessment. It is our opinion that this entity should be consolidated as a government partnership.

We recommend that the Office of the Comptroller General conclude its review of entities, both included and excluded, to ensure the accuracy and completeness of the government reporting entity. For those entities confirmed to be included in the government reporting entity but decline to provide the required information to the Comptroller General, government should assess available options to compel the submission of this information to government.

Preparation of the Public Accounts

As noted last year, concerns remain with respect to some processes and systems used to prepare the Consolidated Summary Financial Statements.

The Office of the Comptroller General uses a financial reporting system to assist in preparing the Consolidated Summary Financial Statements. As currently configured, this system imports balances from spreadsheets to build the financial statements. The system relies heavily on departments to manually enter complete and accurate information into the spreadsheets. Our Office noted instances where the Office of the Comptroller General was required to make adjustments to spreadsheets from departments, agencies, boards and/or commissions to correct the information provided. Utilization of manually completed spreadsheets by departments and consolidated entities increases the risk of errors due to information being excluded or not recorded correctly.

2. The Eastern Regional Health Authority has assessed Dr. Bliss Murphy Cancer Care Foundation and Janeway Children's Hospital Foundation as not being within their control and therefore do not consolidate them within Eastern Health financial statements.

Eastern Health has also assessed the Burin Peninsula Health Care Foundation Inc., Discovery Health Care Foundation Inc., Health Care Foundation of St. John's Inc. and Trinity Conception Placentia Health Foundation Inc. as not being within their control and therefore do not consolidate them within Eastern Health financial statements. However, these entities do provide financial information to the Office of the Comptroller General for consolidation purposes.

Government's financial management system operates on the modified cash basis of accounting in accordance with the requirements of the Financial Administration Act. The Act provides for a 'write-back' period to record certain expenditures and revenues against the cash budget. In order to account for the write-back period, customizations have been made to the financial management system. As a result of these customizations, the system, as currently configured, does not produce full accrual financial information. Specifically, information on assets and liabilities that would be included in financial statements is not readily available directly from the system.

We recommend government review the Financial Administration Act to reassess the requirement for government's financial management system to operate on the modified cash basis of accounting.

As noted last year, instances where budget information was presented in the Public Accounts had to be revised to present the budgeted results on a basis consistent with the actual results. The comparison of actual and budgeted financial results provides key accountability information about government's performance in achieving its operational goals.

We recommend the Province should prepare budget information that is consistent with the presentation and classification in the Consolidated Summary Financial Statements.

Our audit also found errors with tangible capital asset balances. There were instances where the Office of the Comptroller General was not notified when work-in-progress assets were placed into service. As a result, the required amortization of these assets was not initially recorded. We also noted an instance where the disposal of an asset was recorded when that asset was not actually disposed of and was still in use.

In addition, there were a number of equipment leases which were recorded as operating leases but should have been recorded as capital leases. As an operating lease, the lease payments were expensed as they were incurred. However, as a capital lease, the asset and corresponding lease liability should have been recorded in the Public Accounts. These instances resulted in errors in the information provided for audit.

We recommend the Office of the Comptroller General reinforce government's policy with all departments to ensure assets are reviewed monthly to determine whether any assets that have been placed into service, disposed of, or leased are properly recorded.



New Management Letter Issues

Public Private Partnerships (P3s)

As of March 31, 2022, the total contractual obligations for P3s disclosed in the Public Accounts is \$1.8 billion. This amount includes two components: capital payments of \$1.2 billion, and operating payments of \$600 million. The operating payments are determined based on the amounts included in the P3 contracts, plus an increase for estimated annual inflation over the remaining duration of the contracts.

During the audit, we discovered that government does not review the inflation rate factored into the operating payments. A small change in the inflation rate could have a significant impact on the total contractual obligations for P3s disclosed in the Consolidated Summary Financial Statements. Without reviewing the inflation rate used, there is a risk that contractual obligations for P3s would change and could be materially incorrect.

Public Sector Accounting Standards recommend disclosing a sensitivity analysis when there is a range of reasonably possible amounts related to an item that is recorded or disclosed in the financial statements. A sensitivity analysis that explains the impact of changes in inflation on the total value of contractual obligations disclosed related to P3s is not currently included in the Public Accounts. This information would be beneficial in assessing the impact that inflation changes could have on the Province's contractual obligations related to P3s.

We recommend that government ensure the inflation rate used for contractual obligations for P3s is reviewed on an annual basis. Government should also include in the Public Accounts an inflation sensitivity analysis for P3s.

Loans, Advances, and Mortgages Receivable

The Province records an allowance against loans, advances, and mortgages receivable to account for the possible non-collection of amounts. The audit showed that a significant number of loans were fully included in the allowance. A number of these loans have had an allowance for many years. In these cases, there does not appear to be any reasonable probability that any type of recovery is likely.

For loans which have had a full allowance against them for a number of years, their existence as a true asset may be questionable. Although the net impact to the deficit has already been recognized in the financial statements, it is good accounting practice to remove from the accounting records loans and receivable balances which management has no intention to pursue any further.

We recommend government review this portfolio to identify accounts for which there is no reasonable probability of recovery and consider write-off.

Review of Information Technology General Controls

During the audit, our Office completed a review of information technology general controls for the government's financial management system. Some of the issues noted included:

- departments did not always document a new employee's acknowledgment of operating practices and business conduct with respect to government information technology assets;
- changes to job scheduling which were not properly approved prior to being actioned; and
- system generated alerts were not always tracked in a manner which allowed us to determine whether appropriate corrective action had occurred.

We recommend that Government address these issues to enhance information technology controls.

Entity Management Letter Issues

In addition to the management letter issues outlined for the Consolidated Summary Financial Statements audit, there were 12 issues included in the 2021-22 entity financial audits we conducted.

A summary of selected issues identified by category includes:

- There was an issue identified which led to a qualified opinion on the accounting treatment for an equity investment in the audit of the Newfoundland and Labrador Industrial Development Corporation. An impairment is usually recorded when the underlying economic resource related to an investment is diminished in a manner that is other than temporary. We were unable to determine whether an adjustment to the value of a portfolio investment was necessary. We recommended that the entity continue to monitor its equity investments and assess any impairment in value.
- The Newfoundland and Labrador Government Sinking Fund has been preparing special purpose financial statements for several years which has met their needs. An amendment to the Financial Administration Act in June 2022 could possibly change certain investment activity of the entity, making Public Sector Accounting Standards more applicable. Considering the change in entity operations, we recommended that it may be a suitable time for the entity to determine whether using a generally accepted basis of accounting to prepare financial statements would be more appropriate.
- We also identified issues within the Supreme Court of Newfoundland and Labrador and the Court of Appeal of Newfoundland and Labrador related to the approval of voided receipts, including cases where approval was not obtained or cases where the preparer and reviewer were the same individual. Proper approval of voided receipts is necessary to ensure the accuracy of the receipting process and to prevent employees from voiding a receipt and obtaining the cash received. We recommended that the entity ensure that all voided receipts are approved by an employee's supervisor.
- We identified a situation with the C.A. Pippy Park Golf Course where board member appointments did not go through the Public Service Commission as required by the Independent Appointments Commission Act. The process that was being followed was outlined in the entity's corporate by-laws. We recommended the entity discuss an appropriate process for future appointments with the Department of Tourism, Culture, Arts and Recreation.
- During the audit of the Newfoundland and Labrador Pooled Pension Fund (the Fund), there was an issue identified where a terms of reference does not exist to guide an oversight committee. Terms of reference should specify the frequency of meetings to ensure the committee meets on a regular basis. We recommended that the Fund consider developing and approving a Terms of Reference to guide the committee, which includes specifying the frequency of meetings to ensure the committee meets on a regular basis.
- During the audit of the Newfoundland and Labrador Municipal Financing Corporation (the Corporation), we identified issues regarding bank reconciliations not being prepared and approved on a timely basis. The timely preparation and approval of bank reconciliations are key control activities in determining if certain financial processes are working as intended. It also ensures unusual transactions, which may be caused by fraud or an accounting error, are identified in a timely manner. This control is of more importance in small office environments where the segregation of duties may not always be present. We recommended that the Corporation ensure its monthly bank reconciliations are prepared and approved in a timely manner.
- During the audit of the C.A. Pippy Park Commission, we again reported an issue where a Minute in Council issued in 2004 containing direction to enter into an agreement was not acted on. It was recommended that the entity comply with the direction given or seek further direction from Cabinet.

- During our audit of the Newfoundland and Labrador Government Sinking Fund, we were informed there were no minutes kept for any board meetings held during the past two fiscal years. Board minutes serve to document important decisions. We were unable to confirm that the meetings occurred given we did not receive any agendas, minutes, confirmation of the topics discussed, or who attended meetings. We were also informed that there was no formal annual meeting held. We recommended that minutes be kept for all board meetings in the future.

Incidents Reported to the Lieutenant Governor in Council

Pursuant to section 20 of the Auditor General Act, 2021, the Auditor General must report to the Lieutenant Governor in Council any situation that may involve the improper retention or misappropriation of public money, or any activity that could constitute an offence under the Criminal Code, or another act, which became evident during the audit process.

The Act also requires that a list of incidents that could be reported to the Lieutenant Governor in Council be attached to the annual report. Incidents are discovered as a result of our audits, or may be reported to the Auditor General by government and its agencies, boards, and commissions in response to inquiries during our financial audits. In some instances, these cases may be voluntarily reported to the Auditor General throughout the year.

Again this year, we were informed of numerous instances of attempted cheque fraud using remote deposit functionality. We are pleased to report that based on the information provided by government, internal controls are in place to catch these instances resulting in no loss to government.

More cases of attempted fraud being committed by government employees are also being observed by our Office. These cases have involved the use of government credit cards, time fraud, theft of assets, and violation of conflict of interest rules. In recent years, government has put processes in place for reporting instances of fraud to promote accountability and to raise awareness of roles and responsibilities around the issue of fraud within government. While we are pleased to report that this system is being used, the fact that these instances are occurring is of concern. To ensure the interests of the public are protected, all reported instances must be treated in a manner appropriate to the situation. Similarly, it is important that government continue consistent messaging to employees around fraud awareness and the expectations for reporting cases of fraud.

Appendix III details all activity reported to the Minister of Finance in accordance with sections 20 and 38 of the Act.

Other Observations

Government provides an unaudited financial statement discussion and analysis report preceding the Public Accounts which gives an overview of the Province's financial position, highlights key indicators, and outlines a risk analysis.

The key indicators included in the analysis report are among those recommended for reporting by the Public Sector Accounting Board's Statement of Recommended Practice – 4: Indicators of Financial Condition. The indicators reported are meant to provide additional information on the Province's financial condition, such as those related to sustainability, flexibility, and vulnerability. These tools can assist the Province's Consolidated Summary Financial Statement users to interpret its information.

It is important to note that no single indicator can provide a full picture of the Province's financial health. Residents of the province are encouraged to review many indicators and think about how they interact together to assess the financial health of the Province.

Financial Highlights

	Five-Year Trend												
Sustainability:	The government's ability to maintain its existing programs and commitments without having to increase debt or tax rates.												
Annual Surplus (Deficit) 2022 - (\$271.91 million) 2021 - (\$1,491.82 million) 2020 - \$1,117.18 million 2019 - (\$552.53 million) 2018 - (\$910.75 million)	This indicator has had significant fluctuations during the five-year period. The surplus in 2020 was due to revenue from the Federal Government related to the Atlantic Accord Agreement (2019) which will be received over 38 years. In accordance with accounting standards, the Province recorded \$2.4 billion as revenue in 2019-20.												
<table border="0"> <tr> <td>Net Debt</td> <td>Total Borrowing</td> </tr> <tr> <td>2022 - \$16.37 billion</td> <td>\$16.97 billion</td> </tr> <tr> <td>2021 - \$16.02 billion</td> <td>\$15.96 billion</td> </tr> <tr> <td>2020 - \$14.43 billion</td> <td>\$14.88 billion</td> </tr> <tr> <td>2019 - \$15.38 billion</td> <td>\$12.80 billion</td> </tr> <tr> <td>2018 - \$14.67 billion</td> <td>\$11.51 billion</td> </tr> </table>	Net Debt	Total Borrowing	2022 - \$16.37 billion	\$16.97 billion	2021 - \$16.02 billion	\$15.96 billion	2020 - \$14.43 billion	\$14.88 billion	2019 - \$15.38 billion	\$12.80 billion	2018 - \$14.67 billion	\$11.51 billion	This indicator has worsened over the five-year period. The Province's total borrowings, which is combined with other liabilities in the calculation of net debt, has increased by at least \$1 billion each year since 2018.
Net Debt	Total Borrowing												
2022 - \$16.37 billion	\$16.97 billion												
2021 - \$16.02 billion	\$15.96 billion												
2020 - \$14.43 billion	\$14.88 billion												
2019 - \$15.38 billion	\$12.80 billion												
2018 - \$14.67 billion	\$11.51 billion												
Net Debt to GDP 2022 - 42.5% 2021 - 50.7% 2020 - 40.8% 2019 - 44.5% 2018 - 43.6%	This indicator has marginally improved with an upward fluctuation in the prior year. The higher ratio in 2021 was the result of a lower GDP, due to the pandemic's economic impacts.												
Flexibility	The government's ability to change its debt burden or raise taxes within its economy to meet its existing financial obligations.												
Debt expense as a % of total revenue 2022 - 11.0% 2021 - 15.4% 2020 - 11.1% 2019 - 13.3% 2018 - 13.7%	This indicator has improved steadily (with the exception of 2021) and is down from 2018. Debt expenses still represent a substantial burden on provincial revenues and have averaged over \$1 billion per year in the last five years.												
Own Source Revenues to GDP 2022 - 17.7% 2021 - 16.9% 2020 - 16.4% 2019 - 17.8% 2018 - 17.0%	This indicator is up slightly from 2018 but has increased in the last three years (gross domestic product has been down in recent years generally due to the global pandemic). An increase in this indicator over time suggests reduced flexibility for a government to access own-source revenues in the future. This must be considered in the context that Newfoundland and Labrador already has one of the highest per capita tax burdens in the country.												
Vulnerability	The government's dependency on revenue sources outside its control.												
Oil Royalties as a % of Total Revenue 2022 - 13.9% 2021 - 7.9% 2020 - 10.0% 2019 - 13.8% 2018 - 13.0%	This indicator has remained relatively stable over the last five years with the exception of 2021, when the oil and gas industry experienced a downturn. While this has improved significantly from prior years (this was as high as 31.7% in 2011-12), the Province is still heavily reliant on this volatile sector as a revenue source.												
Federal Transfers as a % of Total Revenues 2022 - 16.1% 2021 - 21.5% 2020 - 37.4% 2019 - 15.1% 2018 - 16.3%	This indicator is relatively unchanged from 2018. It was much higher in 2020 and 2021 due to Federal Government COVID-19 funding.												

The analysis report also includes a risk section, which provides information on the various forms of risk inherent in the nature of certain financial elements and financial markets. The Province is subject to risks from using accounting and other estimates to record certain transactions; debt-related risks such as foreign exchange risk; interest rate risk; credit and liquidity risk; and commodity price and production risks.

The report highlights three key risks that have the potential to significantly impact the provincial economy and fiscal position:

- 1. Muskrat Falls Projects:** Achieving rate mitigation remains one of the biggest challenges facing the Province. The cost of the project is ultimately borne by Newfoundlanders and Labradorians through the combination of increased electricity rates, increased taxation/fees, or reductions in government spending. On February 14, 2022, a financing agreement between the Province and the Government of Canada was finalized and signed regarding the financial restructuring of the Lower Churchill Projects. As noted earlier in this report, the rate mitigation plan remains incomplete.
- 2. Market and Demographic Factors:** Cost of living increases continue to impact the province's economy. Accelerated global inflation has resulted in cost of living increases becoming an even greater burden on a population with higher than average consumer debt (compared to the national average). Compared to other Canadian jurisdictions, Newfoundland and Labrador has the highest proportion of individuals over the age of 65 and the lowest proportion of children under the age of 14. The province's aging demographic has significant fiscal implications, including an expected future increase in demand for services such as healthcare. Rural populations are both declining and getting older. The need to provide high-quality services to a smaller and widely-dispersed population presents a significant challenge given the Province's fiscal situation.
- 3. The COVID-19 Pandemic:** Many of the pandemic costs to the Province's treasury were incurred in the 2020-21 and 2021-22 fiscal years with some programs being carried over to 2022-23 (refer to Appendix IV). The provincial and federal governments introduced a stream of programs to assist individuals and businesses and support economic activity; many of these programs have now concluded. The construction, tourism, and oil and gas industries have experienced some recovery since 2020. However, the pandemic did create some longer-term risks to economic recovery, such as supply chain issues and the risk of the further spread of new variants, which could further disrupt travel and tourism.

In our opinion, the Province should consider the various indicators of financial health and potential risks when planning its current and capital spending. The Province should also plan to become less exposed to the increased cost of borrowing through conscious strategies to reduce its debt.



After reading this report, you may want to ask:

When will government conclude and release their rate mitigation plan?

How are government's actions impacting the sustainability, flexibility, and vulnerability of the financial health of the province?

What strategies is the government pursuing to manage its various forms of risk, such as those stemming from post-pandemic economic conditions, population demographics, global inflation, and the uncertainty of rate mitigation?





Timing of Release of the Consolidated Summary Financial Statements

In 2017, the Financial Administration Act was amended to require tabling of the Public Accounts before November 1 of the following fiscal year. For the year ended March 31, 2022, government did satisfy this legislative requirement.

Year End	Statutory Deadline	Days After Year End	Audit Report Date	Days After Year-End
March 31, 2022	October 31, 2022	214	October 26, 2022	209
March 31, 2021	October 31, 2021	214	October 22, 2021	205
March 31, 2020	January 31, 2021	275	December 23, 2020	267
March 31, 2019	October 31, 2019	214	October 18, 2019	201
March 31, 2018	October 31, 2018	214	October 4, 2018	187
March 31, 2017	October 31, 2017	214	September 29, 2017	182

Source: Public Accounts

However, a review of other Canadian jurisdictions for the past two years indicates a range of audit report dates, with Newfoundland and Labrador continuing to be one of the latest to report each year:

Jurisdiction	Audit Report Date for the Year Ended March 31, 2022	Audit Report Date for the Year Ended March 31, 2021
Alberta	June 16, 2022	June 21, 2021
Saskatchewan	June 16, 2022	June 17, 2021
Nova Scotia	July 22, 2022	September 13, 2021
British Columbia	July 28, 2022	July 16, 2021
Canada	September 12, 2022 (November 21, 2022)	September 9, 2021 (November 19, 2021)
Ontario	September 12, 2022	August 27, 2021
New Brunswick	September 22, 2022	September 16, 2021
Manitoba	September 27, 2022	September 20, 2021
Newfoundland and Labrador	October 26, 2022	October 22, 2021
Prince Edward Island	October 28, 2022	October 25, 2021
Quebec	November 1, 2022	October 22, 2021

Source: Public Accounts – all provinces and Canada

Also in 2017, the Financial Administration Act was amended to further strengthen accountability by requiring that, in the year of a general election, the Public Accounts be tabled no less than 15 days prior to the fixed election date, generally the second Tuesday in October every four years. This would require the Public Accounts to be tabled in mid-September in the year of a fixed election date. Given past audit report dates, this would appear to be a challenge to achieve.

As noted in last year's annual report, one obstacle to a more timely release is due to the Province's books remaining open for up to a month after year-end to facilitate invoice processing (a write-back period). This provision in the Act stems from when the Province used a cash basis of accounting, which was prior to the 1990s. This provision essentially means that the Province is one month late in starting to prepare the year-end financial statements, which thereby affects the timing of audit work. Newfoundland and Labrador is the only province that follows this practice.

To align with other Canadian jurisdictions' reporting time, there are options the Province could pursue to shorten the time needed to complete the Public Accounts release. Consideration of business process improvements, such as the utilization of consolidation thresholds, increased usage of estimates for non-material balances, or less time assigned to correcting trivial errors, would result in time savings for the government and for our Office, resulting in a more timely release.

In our opinion, the Province should strongly consider amendments to the Financial Administration Act and business process changes to reflect modern accounting and controllership practices. By pursuing alternatives to ensure that Public Accounts can be released in a timelier manner, the Province would improve the accountability and transparency that comes from the actual financial results.



After reading this report, you may want to ask:

Are legislative or operational changes being made to help improve the timeliness of the release of the Public Accounts?



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

Update on Previous Performance Audit Reports

Background

It has been our practice to update previous performance audit report recommendations three years after the release of the reports. There were four performance audit reports released during the 2019-20 fiscal year. The reports garnered 31 recommendations in total. The original report had a total of 27 recommendations; this increased to 31 at the time of our follow-up as a result of an allocation of responsibilities across two departments for four of the recommendations.

Healthy Eating in Schools – June 2019

This report involved the Newfoundland and Labrador English School District and the Department of Children, Seniors and Social Development. Since the release of the report in 2019, responsibility for the program moved to the Department of Health and Community Services. The report covered the audit period from September 2017 to March 2018 and dealt with the management of healthy eating in schools and whether School Food Guidelines reflected best practices. The report included audit findings that the food and beverage options available to children did not meet nutritional requirements, and parents and guardians did not have access to nutritional information. Findings also related to a lack of procedures and processes regarding compliance and monitoring of schools against established policies and guidelines. Finally, there was no district-wide nutrition policy for all schools. Overall, the audit concluded the District was not adequately managing healthy eating in schools.

Five recommendations were issued:

1. The District should work with schools and school food providers to ensure that foods and beverages available to school-aged children are meeting the nutritional requirements of the School Food Guidelines.
2. The District should develop a nutrition policy which applies to all regions and communicate the policy to clarify roles and responsibilities of the District, schools and school food providers in the promotion of healthy eating in schools.
3. The District should work with schools to promote and make menu nutritional information readily available to parents, guardians, and students to assist in making healthy food choices.
4. The District should identify the information it needs from schools to assist the District in its ongoing oversight of healthy eating policies, including compliance with these policies and whether they are contributing to better student eating behaviours.
5. The Department of Children, Seniors and Social Development, in conjunction with other key stakeholder departments, should consider updating the School Food Guidelines to meet best practice.

Oversight of Provincial Wellness Priorities – June 2019

This report involved the Department of Children, Seniors and Social Development. The report covered the audit period from April 2016 to December 2017 and extended back to March 2006 in one area. The report dealt with the development of an action plan and the monitoring, evaluation, reporting, and collaboration regarding wellness priorities. We found that there was no monitoring and evaluation framework, action plan, or tracking of progress on wellness programming, and also found opportunities for improved communication and coordination.



Four recommendations were issued:

1. The Department should continue efforts, in consultation with partnering department and entities, to develop an action plan for healthy active living to support the achievement of Government's targets to improve health outcomes and bring health indicators more in line with the Canadian average by 2025.
2. The Department should develop a monitoring and evaluation framework to guide the evaluation of overall healthy active living programming and the ongoing assessment of planned progress against established targets and desired outcomes. Such a framework should include and link documented goals with specific objectives and measurable performance indicators and targets. These goals, objectives, indicators and targets should be clearly communicated for incorporation into partnering department and entity plans as appropriate.
3. The Department should develop a reporting framework to provide clear guidance to the partnering departments and entities on information it requires to monitor and support ongoing evaluation and reporting on overall provincial progress of healthy active living priorities.
4. The Department should work with partnering departments and entities to identify and implement opportunities to improve the effectiveness of oversight processes for the communication and coordination of provincial healthy active living priorities across partnering Government departments and entities.



Student Transportation – June 2019

This report involved the Newfoundland and Labrador English School District and the then-named Department of Education and Early Childhood Development. The report covered the audit period of July 2016 to December 2017 and had findings pertaining to student transportation safety and efficiency processes and departmental oversight. Overall, the report concluded that better oversight and monitoring by the District was needed to ensure the safe transportation of students.

Thirteen recommendations were issued:

1. The District should improve its monitoring of the inspection processes designed to assess a vehicles mechanical condition. This could include, for example:
 - Development of a Memorandum of Understanding between the District and Service NL to facilitate the timely sharing of relevant information related to the various inspection processes required by legislation.
 - Requiring contractors to provide copies of all inspections completed to the District, for both buses and private vehicles.
 - Providing further guidance to District drivers on documentation requirements for completing daily trip inspection reports to improve the completeness of these reports.
 - Improving monitoring of preventative maintenance inspections on District-owned buses as they are fully implemented.
2. The District should develop documented guidance for staff on how to assess a driver's abstract and police records check to ensure they meet District expectations for qualified drivers, including that they would not pose a risk to the safety and well-being of students.
3. The District should improve its monitoring and enforcement of driver training.
4. The District should develop a district-wide policy that outlines training requirements for drivers of district-owned buses, including consideration of the development of an individual learning plan that will have the greatest benefit for each driver.
5. The District should ensure the approval process for contracted vehicles and drivers occurs on a timely basis, prior to the start of the school year.
6. The District should review its practice of accepting CPR Level A (adults only) as appropriate training for drivers used in student transportation.
7. The District should reiterate its expectations of schools to provide the required components of bus safety training to students and require confirmation to the District that this required training was provided.
8. The District should continue efforts to fully implement its risk management program, which includes developing and implementing responses to address the risks identified related to the safe transportation of students.
9. The District should continue efforts to improve the completeness of its complaints and accident/incident Occurrence Tracker and provide guidance on: how to categorize these occurrences consistently; what particular information should be recorded about each incident; and the establishment of response-time targets for addressing occurrences. This will improve the usefulness of this information in identifying risks and trends, and monitoring whether issues have been resolved
10. on a timely basis.
The District should conduct regular route audits and evaluate the findings from the pilot of the GPS
11. technologies that was conducted by the district subsequent to our audit period.
The District should continue efforts to fully implement the routing software to achieve the intended
12. efficiencies and facilitate evidence-based decision-making in student transportation routing decisions.
13. The District should ensure schools are complying with department policy for student transportation eligibility.
The department should require the districts to establish and report on key performance indicators and targets for student transportation safety and efficiency.

Newfoundland and Labrador Liquor Corporation – February 2020

This report into the Newfoundland and Labrador Liquor Corporation (NLC) covered the audit period from April 2009 to April 2019. It included findings related to the NLC's management of the procurement and sale of specialty wines and associated travel-related expenses. It also included findings related to a conflict of interest regarding a familial relationship that existed with respect to certain NLC acquisitions of specialty wines, and that the Liquor Corporation Act and the Province's Conflict of Interest Act did not adequately address conflicts of interest with respect to familial relationships.

Five recommendations were issued:

1. Introduction of new programs by NLC, such as the former Bordeaux Futures program, should be supported by an approved business case.
2. Acquisition of specialty wines should follow a well-documented and approved process that achieves transparency and accountability in the procurement of these wines.
3. The NLC should ensure that there is prescribed guidance for the pricing of all products, including any required pricing exceptions, which would promote transparency in pricing.
4. To reduce the risk of overpayment related to travel, entertainment and board expenses, NLC should ensure that:
 - all staff are aware of the related policies, and
 - the reimbursement of any expenses are supported by adequate documentation. This would include reconciling any pre-paid travel-related expenses, such as flights and hotels, with final trip details.
5. The Department of Justice and Public Safety should complete the planned Government-wide review to adequately address conflicts of interest within the public service and Crown entities, including the NLC. This review should consider any necessary legislative amendments required to improve the accountability and transparency with respect to conflict of interest and the definition of "family".




Status of Recommendations


We expect that it is reasonable for departments and entities to fully implement recommendations within three years of the audit report being issued. Progress on the 31 recommendations from the four performance audit reports is reported as of November 30, 2022.

Healthy Eating in Schools

Newfoundland and Labrador English School District

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The District should work with schools and school food providers to ensure that foods and beverages meet the School Food Guidelines		✓	
2. The District should develop and communicate a nutrition policy which applies to all regions.		✓	
3. The District should work with schools to promote and make nutritional information available to support healthy food choices.		✓	
4. The District should identify information needed from schools to assist its ongoing oversight of healthy eating policies.		✓	

 After three years, less than 39% (12 out of 31) of the recommendations were considered by our Office to be fully implemented and over 25% (8 out of 31) had no meaningful action taken at all.

 After reading this report, you may want to ask:

What processes does government have to ensure the Auditor General's recommendations from performance audits into government programs are being pursued in a timely manner?



Department of Health and Community Services (formerly Children, Seniors and Social Development)

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The department, in conjunction with other departments, should consider updating the School Food Guidelines to meet best practices.	✔		

After three years, the District has not fully implemented the recommendation regarding working with schools and school food providers to ensure that the food and beverages available to school-aged children meet the nutritional requirements of the School Food Guidelines. The District has created and updated documentation and training materials on nutritional requirements including an updated School Food Guidelines document, which was distributed to schools and school food providers. While the District has identified a need for a healthy food fundraising resource to assist school administrators, this resource has not been developed. As a result, there is a risk that schools are not receiving enough support to manage their healthy eating programs, and that the food served is not meeting nutritional requirements as outlined in the updated School Food Guidelines.

The District has not fully implemented the recommendation regarding a nutrition policy which applies to all regions. The district informed us “the revised Nutrition Policy is not yet finalized but will likely be ready to be shared early in 2023.” By not working under a district-wide policy, there is a risk that schools may be functioning under inconsistent and outdated processes for healthy eating in schools.

The District has not fully implemented the recommendation regarding promoting and making school menu nutritional information readily available to parents, guardians and students. The District advised that they have been working with schools and have created/updated multiple support documents. However, there is no menu listing nutritional information. By not specifically publishing the nutritional information of food and beverages, parents, guardians and students may not have all the information they need to make informed decisions about healthy eating in schools.

The District has not fully implemented the recommendation regarding the information it needs from schools to assist in the ongoing oversight of healthy eating policies, including compliance and better student eating behaviours. While some work has been done between the District, departmental partners, and school administrators, information and actual data collection to assist in ongoing oversight has not started. Without the regular collection and evaluation of this information, the District is at risk of not knowing whether appropriate oversight is happening and if the objectives of developed policies and resources are being achieved.







Oversight of Provincial Wellness Priorities

Department of Health and Community Services

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The department should continue to develop an action plan for healthy active living to support the achievement of government's health outcome targets and bring health indicators more in line with the Canadian average by 2025.		✓	
2. The department should develop a monitoring/evaluation framework for overall healthy active living programming and ongoing assessment of progress against established targets and desired outcomes.			✗
3. The department should develop a reporting framework for partnering departments on information required to monitor, evaluate, and report on the progress of healthy active living priorities.			✗
4. The department should work with partnering departments to improve the effectiveness of oversight of provincial healthy active living priorities across government.			✗



Department of Tourism, Culture, Arts and Recreation

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The department should continue to develop an action plan for healthy active living to support government's health outcome targets and bring health indicators in line with the Canadian average by 2025.			
2. The department should develop a monitoring/evaluation framework for overall healthy active living programming and ongoing assessment of progress against established targets and desired outcomes.			
3. The department should develop a reporting framework for partnering departments on information required to monitor, evaluate and report on the progress of healthy active living priorities.			
4. The department should work with partnering departments to improve the effectiveness of oversight of provincial healthy active living priorities across government.			

As a result of government restructuring in 2020, the provincial wellness recommendations in the June 2019 report became a shared responsibility between the Department of Health and Community Services and the Department of Tourism, Culture, Arts and Recreation. The Department of Health and Community Services is responsible for the oversight and development of wellness actions and planning related to health priorities. The Department of Tourism, Culture, Arts and Recreation is responsible for oversight and the development of the active living-related wellness actions and planning.

It appears that the Department of Health and Community Services did not take any meaningful action with respect to the recommendations. There was some confusion over responsibilities when we began inquiring about an update in the fall of 2022. The new public health plan work in progress coincidentally contributed to our assessment of a partially implemented status on the recommendation related to developing an action plan for healthy active living.

After three years, the Department of Tourism, Culture, Arts and Recreation has been working on developing an action plan regarding the active living wellness actions. The Department advised us that progress on their action plan was delayed due to the COVID-19 pandemic and the need to align with broadened government strategies regarding provincial wellness.


It is important that government has effective oversight processes to coordinate, monitor, evaluate and report on the implementation of wellness priorities that support healthy living and chronic disease prevention. At the time of the release of the report in 2019, government's goal was to improve health outcomes and bring health indicators more in line with the Canadian average by 2025. The new target date set by government is now 2031.

Student Transportation

Newfoundland and Labrador English School District

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The District should improve its monitoring of vehicle inspection processes.			
2. The District should develop staff guidance on assessing and meeting District expectations for qualified drivers.			
3. The District should improve its monitoring and enforcement of driver training.			
4. The District should develop a training requirements policy for District-owned bus drivers.			
5. The District should ensure the approval for contracted vehicles and drivers occurs prior to the start of the school year.			
6. The District should review its practice of accepting CPR Level A for drivers used in student transportation.			
7. The District should reiterate its expectations of, and require confirmation from, schools on the required components of bus training to students.			
8. The District should continue efforts to fully implement its risk management program, including the risks related to the safe transportation of students.			
9. The District should continue efforts to improve its complaints and accident/incident system and provide guidance on it.			
10. The District should conduct regular route audits and evaluate the findings from the pilot of the GPS technologies.			
11. The District should continue efforts to fully implement the routing software.			
12. The District should ensure schools are complying with the department policy for student transportation eligibility.			

Department of Education

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The department should require the District to establish and report on key performance indicators and targets for student transportation safety and efficiency.			

After three years, the Newfoundland and Labrador English School District partially implemented five of the 12 recommendations (42 per cent) and fully implemented seven of the 12 recommendations (58 percent) for which it was responsible. The Department of Education did not implement its one recommendation.

The District has not fully implemented the recommendation to improve its monitoring of the inspection processes designed to assess a vehicle's mechanical condition. For example, the District did not develop a Memorandum of Understanding with Service NL to facilitate the timely sharing of relevant information related to the various inspection processes required by legislation and did not require contractors to provide copies of all inspections completed to the District. As a result, there is a risk that the District is not receiving the information it needs to delegate its responsibility for ensuring that all vehicles used for student transportation are in good mechanical condition.

The District has not fully implemented the recommendation to improve its monitoring and enforcement of driver training. Monitoring has improved with the implementation of a new online training module which tracks the completion and expiry dates of courses. However, no formal policy or guidance has been developed to provide direction on enforcement when drivers have not completed the required training. As a result, there is a risk that drivers may not be mandated to complete training designed to ensure safe student transportation.

The District has not fully implemented the recommendation regarding the development of a district-wide policy that outlines training requirements for drivers of district-owned buses. Although the District has enhanced the required training for district-operated drivers such as an orientation process and a Driver's Handbook which outlines bus drivers' requirements, they did not develop a district-wide policy. Without a district-wide driver training policy there is a risk that school bus drivers throughout the province are not consistently completing required safety training.





The District has not fully implemented the recommendation to review its practice of accepting CPR Level A (adults only) as appropriate training for drivers used in student transportation. The risk remains that drivers may have only completed CPR Level A training and may not be fully prepared to handle emergency situations involving the children they transport.

The District has not fully implemented the recommendation to conduct regular route audits and evaluate the findings from the pilot of GPS technologies. The District periodically conducted route audits for their fleet; however, they have not established a process for conducting regular route audits for contracted vehicles. The District did evaluate the findings from the pilot of GPS technologies. A new contract template that would allow the District to install GPS technologies on contracted buses is pending departmental approval. If route audits are not completed regularly, there is a risk that the District is not monitoring contractors' compliance with a number of key contract terms related to the safe and timely transportation of students.


The Department has not implemented the recommendation requiring the District to establish and report on key performance indicators and targets for student transportation safety and efficiency. As a result, there is a risk that the Department will not meet its oversight responsibilities for the safe and efficient transportation of students.

Newfoundland and Labrador Liquor Corporation

Newfoundland and Labrador Liquor Corporation

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The introduction of new sales programs by the NLC should be supported by an approved business case.			
2. The acquisition of specialty wines should follow a well-documented process with procurement transparency and accountability.			
3. The NLC should ensure prescribed guidance for the pricing of all products, pricing exceptions, and transparency in pricing.			
4. To reduce the risk of overpayment related to travel, entertainment and board expenses, the NLC should ensure that all staff are aware of travel, entertainment, and board expense policies, and that expense reimbursement is supported by adequate documentation.			

Department of Justice and Public Safety

Summary of Recommendations	Status		
	Fully Implemented or Otherwise Resolved	Partially Implemented	No Action
1. The Department of Justice and Public Safety should adequately address conflicts of interest within the public service and Crown entities, including the consideration of any legislative amendments required to improve accountability and transparency.			

After three years, the NLC has fully implemented the recommendations.

After three years, the Department of Justice and Public Safety has not fully implemented the recommendation to complete the planned government-wide review to address conflicts of interest within the public sector and Crown entities, including any necessary legislative amendments. While the department may have performed some policy work, the review is still considered incomplete and they could not provide us with any support of any progress made. There remains a risk that there are conflicts of interest within the public sector and Crown entities, particularly as it relates to the definition of family that have not been addressed.

Financial Response to the COVID-19 Pandemic

Background

Under the Public Health Protection and Promotion Act, the Minister of Health and Community Services declared COVID-19 a public health emergency effective March 18, 2020. It remained in effect until March 14, 2022.

The most significant financial impacts related to the pandemic occurred throughout the 2020-21, 2021-22 and 2022-23 fiscal years. In our previous annual report (January 2022), we provided an initial report outlining the financial response to the pandemic up to March 31, 2021. Our current information report concludes the reporting on that financial response, with updates on commitments and projected spending up to September 30, 2022. The majority of new funding commitments announced since the last report related to funding for healthcare, infrastructure spending and support for small businesses and municipalities.

The federal government committed 58 per cent of the total announced funding in response to the pandemic over the three fiscal years. The provincial government cost-shared, or fully funded, the remaining 42 per cent of the committed funding of \$700.8 million. Many of these initiatives are now closed.

Based on our analysis, 79.9 per cent of the total commitment has been spent to date; over \$141 million (20.1 per cent) of the committed COVID-19 funding has not yet been utilized.

	(\$000s)
Federal Commitment	409,076
Provincial Commitment	291,760
Total Commitment	700,836
Commitment Spent (April 1, 2020 to September 30, 2022 estimated)	559,658 (79.9%)
Unspent Commitment	141,178 (20.1%)

A summary of the federal and provincial commitments and spending related to government COVID-19 programs follow in this report; detailed listings by department can be found in Appendix IV.

Our report does not comment on the effectiveness of the Province's response to the pandemic. The information presented was obtained solely from government departments and news releases. As a result, this report is unaudited and provided as information only.

Initiatives administered directly by core-government are the main focus of this report. In certain cases, Crown agencies may have directly administered their own response to the pandemic; these activities are not included in this report. Information has been included when there was a combined response, such as when an initiative was administered/announced by core-government and one or more Crown agency.

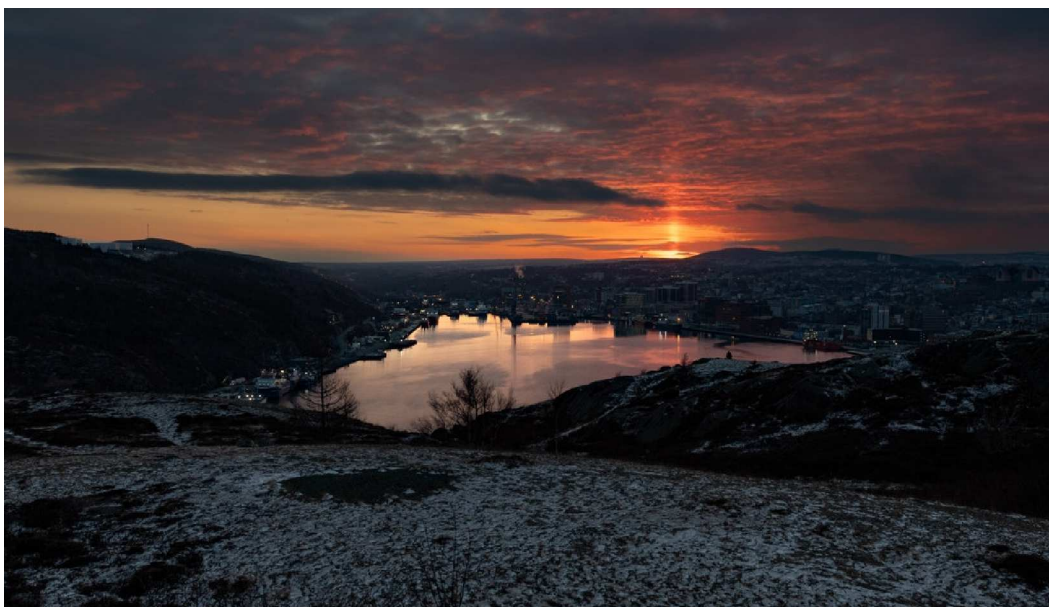
Information presented in this report is based on the departmental structure that existed as of September 30, 2022. The table below explains the acronyms used to describe each department referenced:

Department	Acronym
Children, Seniors and Social Development	CSSD
Digital Government and Service NL	DGSNL
Education	EDU
Executive Council	EC
Finance	FIN
Fisheries, Forestry and Agriculture	FFA
Health and Community Services	HCS
Immigration, Population Growth and Skills	IPGS
Industry, Energy and Technology	IET
Municipal and Provincial Affairs	MAPA
Office of the Chief Information Officer	OCIO
Public Procurement Agency	PPA
Tourism, Culture, Arts and Recreation	TCAR
Transportation and Infrastructure	TI



After reading this report, you may want to ask:

Will the unspent commitment relating to the pandemic be utilized?



Summary of Federal Government Commitments

Last year, we reported that for the fiscal year 2020-21, the federal government announced \$242.26 million in direct funding for COVID-19 relief. Since that time, an additional \$166.82 million has been committed, bringing the total federal commitment to \$409.08 million. Much of this new funding was in support of the healthcare system and infrastructure.

Provincial Department	COVID-19 Related Initiatives	Total Federal Commitment (\$000s)	Federal Commitment 2021-22 and April 1 to Sept. 30, 2022 (\$000s)	Federal Commitment 2020-21 (\$000s)
Safe Restart Program				
EDU	Early learning and childcare	\$10,210	0	\$10,210
FIN	Transit	\$1,000	0	\$1,000
HCS	Testing, contact tracing, data management, personal protective equipment, health care system capacity and supporting vulnerable populations	\$113,946	\$5,120	\$108,826
MAPA	Supporting municipalities	\$27,412	0	\$27,412
Subtotal:	Safe Restart Program	\$152,568	\$5,120	\$147,448
Other Federal Funding				
EDU	Safe reopening of schools	\$26,180	0	\$26,180
HCS	Recovery of the healthcare system	\$55,000	\$55,000	0
	Support for vaccine rollout	\$13,800	\$13,800	0
	Long-term care/mental health	\$15,380	\$15,380	0
	Virtual Care Bilateral Agreement	\$4,540	\$4,540	0
	Immunization Partnership Fund	\$2,500	\$2,500	0
IPGS	Essential worker support	\$52,500	0	\$52,500
	Workforce Development Agreement	\$18,971	\$6,314	\$12,657
	Students supporting communities program	\$653	\$500	\$153
TCAR	Emergency support fund for sports organizations	\$2,758	0	\$2,758
TI	Investing in Canada infrastructure program	\$60,863	\$60,302	\$561
	Residual forestry biomass conversion Program	\$3,363	\$3,363	0
Subtotal: Other Federal Funding		\$256,508	\$161,699	\$94,809
Total Federal Funding		\$409,076	\$166,819	\$242,257

The federal government also provided personal protective equipment from the national emergency stockpile and COVID-19 vaccines at no cost to the Province. For the 2021/22 fiscal year, the value of the personal protective equipment was \$4.6 million (2021 - \$14.8 million). Due to confidentiality clauses in vaccine contracts, no value is known for the vaccines.

Oil and Gas Industry Recovery Assistance Fund

In September 2020, the Oil and Gas Industry Recovery Assistance Fund was announced, with a task force appointed to determine how to distribute the \$320 million in funding and to oversee its use. The task force identified three target areas: specifically maintaining existing installations; increasing production; and accelerating production. The task force distributed the \$320 million in two streams:

- The first stream totalled \$288 million and targeted the operators of existing offshore installations. Under this stream, government would fund up to 50 per cent of the costs incurred on approved projects by operators of existing offshore installations.
- The second stream, with an allocation of \$32 million, would provide support to the service and supply community.

The Department of IET advised that as of September 30, 2022, \$268.57 million (83.9 per cent) had been spent. The majority of funding is expected to be spent by March 31, 2023, with a small carryover into the 2023-24 fiscal year.

Project	Total Federal Commitment (\$000s)	Spend April 1 to Sept. 30, 2022 (\$000s)	Spend 2021-22 (\$000s)	Spend 2020-21 (\$000s)	Total Spend to Date (\$000s)	Remaining Spend (\$000s)
Terra Nova	205,000	78,460	92,200	0	170,660	34,340
West White Rose	41,500	0	41,500	0	41,500	0
Hibernia	38,000	11,300	24,170	2,060	37,530	470
Supply and Service	35,500	2,050	16,830	0	18,880	16,620
Total	\$320,000	\$91,810	\$174,700	\$2,060	\$268,570	\$51,430

Summary of Provincial Government Commitments

Last year, we reported that for the fiscal year 2020-21, the provincial government announced \$228.47 million in direct funding for COVID-19 relief. Since that time, an additional \$63.29 million has been committed bringing the total provincial commitment to \$291.76 million.

Provincial Department	COVID-19 Related Initiatives	Total Provincial Commitment (\$000s)	Provincial Commitment 2021-22 and April 1 to Sept. 30, 2022 (\$000s)	Provincial Commitment 2020-21 (\$000s)
CSSD	Virtual visits	7	0	7
EDU	Technology to support digital learning	20,300	0	20,300
	Childcare compensation grants	14,639	0	14,639
	Essential worker child care service	2,300	0	2,300
	Support for MUN - The Works	400	0	400
EC	Relief grants for isolated Labrador communities	331	0	331
	Funding for sex trade	60	0	60
	Wage subsidy program for employees isolating	5	0	5
FIN	Residential construction rebate program	40,000	0	40,000
	Canadian emergency commercial rent assistance program (Note 1)	1,400	0	1,400
FFA	Agriculture sector development	12,850	0	12,850
	Forest industry development plan	5,740	0	5,740
	Secondary dairy processing facility	5,000	0	5,000
	Aquaculture initiatives	1,225	0	1,225
	Secondary forestry processing innovation pilot projects	400	0	400
HCS	Physician disruption policy	26,004	2,187	23,817
	811 Health Line	5,440	0	5,440
	Newfoundland and Labrador prescription drug program	3,274	2,687	587
	Children's dental health program extension	8	0	8
IPGS	Essential worker support (Note 1)	13,800	0	13,800
	Students supporting communities program (Note 1)	147	0	147
IET	Small business assistance program	50,000	20,000	30,000
	Tourism and hospitality support program	32,000	7,000	25,000
	Financial measures for electricity customers	2,500	0	2,500
	Business tech solutions program	2,055	0	2,055

Provincial Department	COVID-19 Related Initiatives	Total Provincial Commitment (\$000s)	Provincial Commitment 2021-22 and April 1 to Sept. 30, 2022 (\$000s)	Provincial Commitment 2020-21 (\$000s)
MAPA	Stimulus program for communities	23,640	12,870	10,770
	Emergency support for arenas and pools	600	0	600
OCIO	Vaccine passport	1,607	1,607	0
TCAR	Artist and musician support program	7,000	2,000	5,000
	Stay Home year 2020	450	0	450
TI	Investing in Canada infrastructure program (Note 1)	15,216	15,076	140
	Residual forestry biomass conversion program	3,362	(138)	3,500
	Total	\$291,760	\$63,289	\$228,471

Source: Unaudited information compiled from government news releases and consultation with departments.

Note 1: Initiative is cost-shared with the federal government.



Summary of Financial Response by Department

The summary table below outlines estimated actual costs spent in for 2020-21, 2021-22 and the period April 1 to September 30, 2022 by the provincial department responsible for implementation.

Provincial Department	COVID-19 Related Initiatives	Total Commitment (\$000s)	Total Estimated Spend April 1, 2020 to Sept. 30, 2022 (\$000s)	% Spend
CSSD	Virtual visits	7	7	100.0%
EDU	Safe reopening of schools	26,180	26,180	100.0%
	Technology to support digital learning	20,300	19,837	97.7%
	Childcare compensation grants	14,639	14,639	100.0%
	Safe Restart - early learning and childcare	10,210	10,199	99.9%
	Essential worker childcare service	2,300	1,970	85.7%
	Support for MUN - The Works	400	400	100.0%
EC	Relief grants for isolated Labrador communities	331	323	97.6%
	Funding for sex trade	60	60	100.0%
	Wage subsidy program for employees isolating	5	5	100.0%
FIN	Residential construction rebate program	40,000	27,241	68.1%
	Canadian emergency commercial rent assistance program	1,400	1,400	100.0%
	Safe Restart - public transit	1,000	1,000	100.0%
FFA	Agriculture sector development	12,850	9,860	76.7%
	Forest industry development plan	5,740	3,979	69.3%
	Secondary dairy processing facility	5,000	0	0.0%
	Aquaculture initiatives	1,225	1,008	82.3%
	Secondary forestry processing innovation pilot projects	400	296	74.0%
HCS	Recovery of the healthcare system	55,000	55,000	100.0%
	Support for vaccine rollout	13,800	13,800	100.0%
	Long-term care/mental health	15,380	15,380	100.0%
	Safe Restart Agreement	113,946	113,946	100.0%
	Virtual Care Bilateral Agreement	4,540	4,540	100.0%
	Immunization Partnership Fund	2,500	2,500	100.0%
	Newfoundland and Labrador prescription drug program	3,274	3,274	100.0%

Provincial Department	COVID-19 Related Initiatives	Total Commitment (\$000s)	Total Estimated Spend April 1, 2020 to Sept. 30, 2022 (\$000s)	% Spend
HCS	Physician disruption policy	26,004	26,004	100.0%
	811 Healthline	5,440	5,440	100.0%
	Children's dental health program extension	8	8	100.0%
IPGS	Essential worker support	66,300	45,000	67.9%
	Workforce Development Agreement	18,971	18,971	100.0%
	Students supporting communities program	800	664	83.0%
IET	Small business assistance program	50,000	32,563	65.1%
	Tourism and hospitality support program	32,000	19,763	61.8%
	Financial measures for electricity customers	2,500	611	24.4%
	Business tech solutions program	2,055	1,542	75.0%
MAPA	Safe Restart - supporting municipalities	27,412	27,412	100.0%
	Stimulus program for communities	23,640	22,349	94.5%
	Emergency support for arenas and pools	600	600	100.0%
OCIO	Vaccine passport	1,607	1,607	100.0%
TCAR	Artist and musician support program	7,000	7,762	110.9%
	Emergency support fund for sport and recreation organizations	2,758	2,758	100.0%
	Stay Home Year 2020	450	627	139.3%
TI	Investing in Canada infrastructure program	76,079	16,983	22.3%
	Residual forestry biomass conversion program	6,725	2,150	32.0%
Total		\$700,836	\$559,658	79.9%

Each provincial department provided additional details on the specific financial commitments that they were responsible for implementing. In some cases, other relief measures were also reported. Refer to Appendix IV for details.

Annual Operational Report

Background

The Auditor General is the independent Legislative Audit Officer for the Government of Newfoundland and Labrador and is governed by the Auditor General Act, 2021. The Auditor General is responsible to report at least annually to the House of Assembly.

The Office works diligently to provide the House of Assembly with timely and relevant information that enhances accountability and performance across the Province's public sector. Numerous audits and reviews are conducted annually that examine how well the Government of Newfoundland and Labrador manages its financial responsibilities.

The Auditor General's recommendations are designed to improve government's processes and performance in its management and delivery of programs and services. Throughout all of our audit work, we encourage government to focus on the timely implementation of recommendations. Carrying out these important recommendations demonstrates to the people of the province that government is working to improve how it delivers its programs and services.

Our Office also monitors and reports on the status of previous audit recommendations. This public reporting provides Newfoundlanders and Labradorians with an update of how government has worked to improve during that time.

The Auditor General has sole discretion in identifying and selecting the projects the Office undertakes. When selecting audits, the Auditor General uses a risk-based approach, including financial magnitude, the potential value of audit recommendations, and the impact of the subject matter on the province's residents.

The Office strives to provide comprehensive transparency in its operations and continues to increase proactive disclosures. Our Office also posts details of executive expenses and any work currently being procured through requests for proposals.

We also provide a multi-year plan, in accordance with the Transparency and Accountability Act, as Section 48(1) of the House of Assembly Accountability, Integrity and Administration Act outlines. Our current three-year plan covers April 1, 2020 to March 31, 2023. The Office of the Auditor General published its Report to the House of Assembly on the Business Plan for the year ended March 31, 2022, in September 2022. That report included a financial and staff profile, highlights and accomplishments, a report on performance, and opportunities and challenges.

Operational Report

The Auditor General delivered her annual report to the House of Assembly on January 31, 2022. This report included an independent audit opinion and observations on financial statement audits; updates on two performance audits released in 2018; an information report on the response to the COVID-19 pandemic; and an annual report on the operations of the Office of the Auditor General.

On February 4, 2022, a modernized Auditor General Act, 2021 was proclaimed into law. The previous Act was enacted in 1991 and there had been only minor amendments since that time. The new Act better aligned the Office with similar offices across the country. The new legislation enhanced the independence of the Office, expanded access to information for the Office, and increased transparency. Some of the legislative changes included:

- Enhanced the scope of the Office of the Auditor General by making it the default financial statement auditor for all government departments, agencies, boards and commissions;
- Allowed the Office to audit the expenditure of government funds, including grants provided to persons, corporations and organizations; and
- Ensured the Auditor General has access to all necessary records, including cabinet records.

As a result of the increased authority granted by the new Act, the House of Assembly has increased Office resource allocations. Budget 2022 provided the Office with a significant increase in its operating budget, to fund the expansion needed to support the implementation of the new legislation. Implementation of the expanded scope of the office will take several years.

As of December 2022, the Office was actively engaged in interim work related to financial statement audits, as well as, several performance audits for release by the end of 2023.

With respect to financial statement audits, our Office has brought the following five audits in-house beginning with the following year ends;

- Chicken Farmers of Newfoundland and Labrador - December 31, 2022
- Celebrate NL Inc. - March 31, 2023
- Credit Union Guarantee Deposit Corporation - March 31, 2023
- Eastern Regional Health Authority - March 31, 2023
- Newfoundland and Labrador Housing Corporation Federal Housing Claim - March 31, 2023

Performance audits in progress include:

- The Department of Digital Government and Service NL, and the Department of Health and Community Services - Food Premises (inspection and licensing program);
- The Department of Justice and Public Safety - Office of the High Sheriff (operations and oversight);
- The Department of Industry, Energy and Technology - Innovation and Business Investment Corporation (core programs and COVID-19 support programs).

The Office is also charged with completing a performance audit into the spending and operations of Memorial University, per Order in Council 2022-088. The audit plan for this special assignment includes the areas of executive and management compensation, operating expenses, and oversight. A final report is expected to be released by the end of 2023.

The Office is at the early discussion stage with our audit into the Oil and Gas Corporation.

As of December 2022, there are 56 staff employed in the Office in one of four main lines of business:



The Office's projected staff complement will be 80 full-time positions, complemented by seasonal or project-based contractual staff. The operations of the Office, including audit client base and organizational structure changes, will continue to be reassessed to ensure our expanded mandates can be achieved effectively and efficiently.



OAG Staff Training - November 2022

Reports Released in 2022

Audits are conducted in accordance with Canadian audit and assurance standards as set out by the Chartered Professional Accountants of Canada. For the year ended March 31, 2022, the Auditor General issued 26 financial audit opinions. All except one were unqualified. All of the statutory audit deadlines were met.

Since our last annual report, the Office also published three performance audit reports and our 2022 Report on the Business Plan.

Financial Audits	
Public Accounts	Consolidated Summary Financial Statements, Province of Newfoundland and Labrador
Crown Agencies	C.A. Pippy Park Commission
	C.A. Pippy Park Golf Course
	Heritage Foundation of Newfoundland and Labrador
	Innovation and Business Investment Corporation
	Livestock Owners Compensation Board
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Crop Insurance Agency
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation *
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Finance Corporation
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board
	The Rooms Corporation of Newfoundland and Labrador
	Newfoundland and Labrador Liquor Corporation
Other	Director of Support Enforcement
	House of Assembly
	Newfoundland and Labrador Government Sinking Fund
	Newfoundland and Labrador Government Pooled Pension Fund
	Office of the Public Trustee
	Supreme Court of Newfoundland and Labrador
Federal Government Funding Agreements	Newfoundland Legal Aid Commission Claim
	Green House Gas Claim
	Inuit Land Claims

Performance Audits	Audit Period	Release Date
Nalcor Energy - Discretionary Expenses, Conflict of Interest, and Embedded Contractors	January 2013 - December 2018	October 2022
Nalcor Energy - Compensation	January 2013 - December 2018	November 2022
Adult Custody and Community Corrections	January 2017 - December 2019	December 2022

Other Publications	
Annual Report	January 2022
2022 Report on the Business Plan	September 2022

Changes to Accounting and Assurance Standards

There are often new or amended accounting or assurance standards which are adopted by the Province and Crown agencies. There are several pending new or revised public sector accounting standards and Canadian assurance standards that we expect will have a significant impact on the financial statements audited by our Office. We also note these changes in this report because they may require significant effort by government's agencies, boards, and commissions to assess and implement.

With respect to public sector accounting standards, the following standards are evolving:

Asset Retirement Obligations

PS 3280 - Asset Retirement Obligations is applicable to fiscal years beginning on or after April 1, 2022. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset. Asset retirement obligations are capitalized and therefore increase the carrying amount of the related asset. The same amount is set up as a liability and is expensed in a rational and systematic manner over the useful life of the asset. Examples of assets which could potentially be impacted by this new standard include buildings with asbestos and radiologically contaminated medical equipment.

It will require significant effort for the Province and some of its entities to gather and analyze the information needed to implement this new standard. A key area of focus will be on the initial identification of all tangible capital assets that have relevant asset retirement obligations, and may require expert advice.

Financial Instruments, Foreign Currency, Financial Statement Presentation and Portfolio Investments

PS 3450 - Financial Instruments for the recognition, measurement, presentation and disclosure of financial instruments, including derivatives, is part of a suite of standard amendments that come into effect together for financial periods beginning on or after April 1, 2022. These include PS 2601 – Foreign Currency Translation, PS 1201 – Financial Statement Presentation and PS 3041 – Portfolio Investments.

PS 3450 and related amendments to other standards will result in the introduction of fair value measurement and associated statement of re-measurement gains and losses for some entities. The standard is expected to significantly increase the amount of disclosure in public sector financial statements arising from financial instruments' exposure risk.

Revenue

PS 3400 - Revenue is applicable to fiscal years beginning on or after April 1, 2023. A focus of this standard is the distinction between revenues from exchange versus non-exchange transactions and their associated accounting treatments. Revenue recognition in exchange transactions occurs when or as the performance obligation associated with the sale is satisfied. Examples of exchange transactions are the sale of a building or goods sold in a museum gift shop. Examples of non-exchange transactions are fines or penalties. Public sector entities with commercial operations will be impacted the greatest by.

Public Private Partnerships

PS 3160 - Public Private Partnerships amendments are effective for fiscal years beginning on or after April 1, 2023. This section now establishes the standard on accounting in instances when a public sector entity procures infrastructure using a private sector partner, typically projects that include design, build, financing, and operating/ maintenance components. PS 3160 amendments may impact the Province's Consolidated Summary Financial Statements. Once the standard comes into effect, the Office of the Comptroller General will have to determine if the Province's current P3 accounting policies are in accordance with the revised standard.

With respect to assurance standards, the following standards are evolving:

CAS 315 - Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment

Amendments are effective for audits beginning on or after December 15, 2021. Amendments to this standard aim to drive consistent and effective identification and assessment of risk while modernizing the standard to suit evolving business environments. More consideration is given to the impact of information technology, automated tools and data analytics on audit risk assessments while also addressing scalability based on the nature and size of an organization. Revisions may significantly increase the work performed around risk assessment for some audit entities, which can be expected to increase the time our Office spends on planning, particularly in the first year of implementation. Our Office has implemented the required changes to address the implementation of this standard.

Canadian Standards on Quality Management (CSQM)

The previous quality control standards for firms that perform assurance engagements have been replaced with two new standards. The Canadian Standards on Quality Management address quality management at the Office level and address performing engagement quality reviews. There have also been changes to standards that relate to quality management at the engagement level for both audits of financial statements and performance audits. Our Office implemented CSQM and the amendments to standards that relate to quality management at the engagement level for both audits of financial statements and performance audits on December 15, 2022.



After reading this report, you may want to ask:

Is government on track to implement the new accounting and assurance standards?



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

Appendix I - About the Report

Objectives

This annual report, as required under section 23 of the Auditor General Act, 2021, ensures the Office of the Auditor General satisfies its legislative requirements of promoting accountability through its audit activities as well as through comprehensive transparency regarding the Office's operations. Specifically, our objectives are to communicate information on the operations of the Office of the Auditor General; provide observations on our annual audit of the Consolidated Summary Financial Statements (Public Accounts) and Crown agency audits; and provide a status update on recommendations from past performance audits. This year's report also includes an unaudited report on government's financial response to the COVID-19 pandemic.

Level of Assurance & Audit Procedures

The audit of the Consolidated Summary Financial Statements is designed to obtain reasonable, but not absolute, assurance that the Consolidated Summary Financial Statements, as a whole, are free of material misstatement. Reasonable assurance, as defined in Canadian generally accepted auditing standards, means that sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level to support the conclusion that the financial statements are free of material misstatement. The Independent Auditor's Report provides the opinion as required.

The limited assurance engagement was completed on the status of recommendations included in the June 2019 Report on Performance Audits of Departments and Crown Agencies, which included Healthy Eating in Schools, Oversight of Provincial Wellness Priorities, Student Transportation, and the February 2020 Report on the Newfoundland and Labrador Liquor Corporation. We provide limited assurance as of November 30, 2022, on recommendations assessed as fully implemented or otherwise resolved, partially implemented or no action, to determine if departments' and agencies' assessments were free from material misstatement. For recommendations assessed as fully implemented or otherwise resolved and partially implemented, our work consists primarily of enquiry and discussion with management officials at government departments and Crown agencies, and an examination of selected supporting documentation. No procedures were performed, and therefore no assurance is provided, where the status of recommendations is noted as no action.

Occasionally, our Office will disagree with an entity's assessment of the extent of implementation of a recommendation. In all cases, the status of a recommendation is reported based on our Office's assessment of implementation.

We comply with Canadian Standard on Quality Management 1 and, accordingly, maintain a system of quality control that includes documented policies and procedures to ensure compliance with professional standards, ethical requirements and legal and regulatory requirements. We complied with the independence and ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of Newfoundland and Labrador.

Appendix II - Independent Auditor's Report

**To the House of Assembly
Province of Newfoundland and Labrador**

Report on the Audit of the Consolidated Summary Financial Statements

Opinion

I have audited the consolidated summary financial statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and notes to the consolidated summary financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2022, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements section of my report. I am independent of the Province of Newfoundland and Labrador in accordance with the ethical requirements that are relevant to my audit of the consolidated summary financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

Without modifying my opinion, I draw attention to Government's commitment to ensure electricity rates in the province are not impacted by the Muskrat Falls Project. Government has not finalized specific strategies for its rate mitigation plan. Implementation of this plan may have a significant impact on the Province's consolidated summary financial statements in future years.

Other Information

Management is responsible for the other information. The other information comprises the information in the Public Accounts of Newfoundland and Labrador, but does not include the consolidated summary financial statements and my auditor's report thereon.

My opinion on the consolidated summary financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated summary financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated summary financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Summary Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated summary financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated summary financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated summary financial statements, management is responsible for assessing the Province of Newfoundland and Labrador's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of Newfoundland and Labrador's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated summary financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated summary financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated summary financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province of Newfoundland and Labrador's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province of Newfoundland and Labrador's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated summary financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Newfoundland and Labrador to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated summary financial statements, including the disclosures, and whether the consolidated summary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated summary financial statements to express an opinion on the consolidated summary financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

A handwritten signature in blue ink, appearing to read "D Hanrahan", with a long horizontal line extending to the right.

DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

October 26, 2022
St. John's, Newfoundland and Labrador

Appendix III

Reports to Lieutenant Governor in Council

The primary responsibility for reporting fraud rests with department management or the entity in which the suspected fraud occurred. The instances of fraud included in this report came from a number of sources. Since our last report, we have become aware of the additional instances of fraud, which are listed in this Appendix by relevant department

Department of Children, Seniors and Social Development:

- Resulting from our audit inquiries, the department reported nine instances of cheque fraud where individuals attempted to cash a cheque more than once. All instances were detected as duplicates, resulting in no loss to government. All instances were referred to the police. We reported this to the Minister of Finance on January 20, 2023.
- Resulting from our audit inquiries, the department reported that one employee is alleged to have used a government Corporate Credit Card for personal use. The card was cancelled and the funds have since been repaid, resulting in no loss to government. The matter has not been reported to the police as a disciplinary investigation is ongoing. We reported this to the Minister of Finance on January 20, 2023.
- On January 31, 2022, the department reported five instances of cheque fraud where individuals attempted to cash cheques more than once. All instances were detected as duplicates, resulting in no loss to government. All instances were referred to the police. We reported this matter to the Minister of Finance on February 21, 2022.
- On March 11, 2022, the department reported three instances of cheque fraud where individuals attempted to cash cheques more than once. All instances were detected as duplicates, resulting in no loss to government. All instances were referred to the police. We reported this matter to the Minister of Finance on April 20, 2022.

Department of Digital Government and Service NL:

- Resulting from our audit inquiries, the department reported that there were five instances of cheque fraud during the year where individuals attempted to cash a cheque more than once. All instances were detected as duplicates, resulting in no loss to government. All instances were referred to the police. We reported this to the Minister of Finance on January 20, 2023.

Department of Education:

- Resulting from our audit inquiries, the department reported that in April 2022, an anonymous letter was sent to the Premier, Deputy Premier, and Minister of Education outlining suspected fraud. It is alleged that purchasing and hiring policies were not followed, and that there was insufficient safeguarding of assets. It has been requested that the Office of the Comptroller General do a review. This matter was not reported to the police as it is under investigation. We reported this to the Minister of Finance on January 20, 2023.

- On January 6, 2023, the department reported an alleged fraud related to the Student Financial Services Division. During a review of applications for student financial assistance, patterns of information were found in several applications that indicated potential fraud. It appeared that a number of Canadian citizen(s) had their identities stolen and a criminal enterprise attempted to use these stolen identities to access student financial assistance. A further internal review found that since September 2022, 28 potentially fraudulent applications had been received and were in various stages of processing. Some applications made it through all steps of the application process resulting in both federal and provincial student financial assistance being issued totalling in excess of \$54,000. The Student Financial Services Division is reviewing internal controls to determine if changes to systems and internal operations are required to avoid reoccurrence. The division has also sent the information for the identified accounts to Canada Student Financial Assistance Program to cross-reference the account information with other known fraud cases. The matter has not been reported to the police as it is still under investigation. We reported this to the Minister of Finance on January 20, 2023.
- Resulting from our audit inquiries, Treasury Board Secretariat reported that in August 2022, the Department of Education informed them that an employee was alleged to have used a government Corporate Credit Card for personal use. The card was cancelled and repayment arrangements were made. The matter has not been reported to the police as the Treasury Board Secretariat is still reviewing the file. We reported this to the Minister of Finance on January 20, 2023.

Department of Environment and Climate Change:

- Resulting from our audit inquiries, the department reported that an employee was alleged to have used a government Corporate Credit Card for personal use. The card was cancelled and the employee was disciplined. The funds have since been repaid, resulting in no loss to government. The matter has not been reported to the police. We reported this to the Minister of Finance on January 20, 2023.

Executive Council:

- Resulting from our audit inquiries, Treasury Board Secretariat reported that in April 2022, Executive Council informed them of a potential instance of group insurance fraud by an employee. The group insurance provider provided a fraud report showing 43 fraudulent claims filed by an employee from 2015 to 2020. The insurance provider is continuing to recover the funds. The insurance provider forwards all fraud claims over \$5,000 to the police. We reported this to the Minister of Finance on January 20, 2023.
- Resulting from our audit inquiries, Treasury Board Secretariat reported that in June 2022, Executive Council informed them of a potentially fraudulent supplier maintenance request that resulted in the update of the banking information of an existing supplier. An attempted payment was rejected by the bank, resulting in no financial loss to government. This matter was not reported to the police. We reported this to the Minister of Finance on January 20, 2023.

Department of Fisheries, Forestry and Agriculture:

- Resulting from our audit inquiries, the department reported that there had been a number of lower dollar transactions recorded through government's Central Web Receipting in July 2021. The transactions were confirmed as fraudulent and the amounts were reversed/refunded by the service provider. Additional internal controls have been implemented to reduce the likelihood of a similar recurrence. The matter was not reported to the police. We reported this to the Minister of Finance on January 20, 2023.

Department of Health and Community Services:

- Resulting from our audit inquiries, Treasury Board Secretariat reported that the Department of Health and Community Services informed them that an employee appeared to be working with another organization while receiving sick leave benefits from government. The employee was switched from sick leave to annual leave for most of the period, but sick leave was still used. The total loss to government from the employee's use of sick time was approximately \$3,000. The matter was not reported to the police. We reported this to the Minister of Finance on January 20, 2023.

Department of Justice and Public Safety:

- During our audit of the Support Enforcement Division of the Department of Justice and Public Safety for the year ended March 31, 2022 we became aware that there were two instances of cheque fraud during the year where individuals attempted to cash a cheque more than once. All instances were detected as duplicate, resulting in no loss to the entity. All instances were referred to the police. Our Office reported this matter to the Minister of Finance on November 1, 2022.

Department of Immigration, Population Growth, and Skills:

- Resulting from our audit inquiries, the department reported that there were six instances of cheque fraud during the year where individuals attempted to cash a cheque more than once. All instances were detected as duplicates, resulting in no loss to government. All instances were referred to the police. We reported this to the Minister of Finance on January 20, 2023.
- On May 3, 2022, the department reported that there was one instance of cheque fraud identified where an individual attempted to cash a cheque more than once. The cheque was detected as a duplicate, resulting in no loss to government. The matter was referred to the police. Our Office reported this matter to the Minister of Finance on May 25, 2022.
- On May 18, 2022, the department reported that there were two instances of cheque fraud identified where individuals attempted to cash a cheque more than once. All instances were detected as duplicates, resulting in no loss to government. All instances were referred to the police. Our Office reported this matter to the Minister of Finance on June 13, 2022.

Department of Municipal and Provincial Affairs:

- Resulting from our audit inquiries, the department reported that there was one instance of alleged fraud to have taken place relating to a municipality (the 'Town'). The Town was approved for a project under the Covid-19 Stimulus – Small Scale Community Projects Program. During the final report process for reimbursement, the Town submitted allegedly fraudulent invoices and proof of payment. It was confirmed that no work had been completed on the project. The Town has returned all advanced payments. The department is preparing to have a special inspection conducted to review the matter. This matter has not been reported to the police as the investigation is ongoing. We reported this to the Minister of Finance on January 20, 2023.

Department of Tourism, Culture, Arts and Recreation:

- Resulting from our audit inquiries, the department reported that there were multiple instances of suspected fraud relating to the Artist Support Program. The program administrators identified irregularities with 29 applications which appeared to contain misleading or misrepresented information. Most of the applications that were identified with irregularities were cancelled before payments were made, however in 2020-21, four applications were paid to suspected irregular applicants, and in 2021-22 ten applications were paid. Process changes and enhanced procedures were implemented to reduce fraud risk and the Department has increased scrutiny on applications. The Office of the Comptroller General has been requested to review the matter to determine if fraud has taken place. This matter was not reported to police as the investigation is ongoing. We reported this to the Minister of Finance on January 20, 2023.

Department of Transportation and Infrastructure:

- Resulting from our audit inquiries, the department reported that two employees were suspected of removing government materials for personal use. An investigation by the Treasury Board Secretariat confirmed that the allegations were not true. We reported this to the Minister of Finance on January 20, 2023.
- Resulting from our audit inquiries, the department reported an instance of an altered cheque. The cheque was issued on February 1, 2018, but never reached the intended payee. The cheque was intercepted and materially altered to change the date and the payee, leaving the amount of the cheque unchanged. The intended payee did not bring the issue to government's attention until September 2021, after the 90-day negotiation window with the bank to report such matters. As a result, the bank informed government that there would be no recovery via the bank. This matter was reported to the police. We reported this to the Minister of Finance on January 20, 2023.
- Resulting from our audit inquiries, the department reported that investigations have taken place into employee time fraud issues involving two employees being away from the workplace while being paid regular hours. One investigation is still ongoing by Treasury Board Secretariat. Disciplinary action will be determined once the investigation is complete. The investigation is complete for the other instance and the employee was disciplined. These instances were not reported to the police. We reported this to the Minister of Finance on January 20, 2023.
- Resulting from our audit inquiries, the department reported that an investigation was conducted into one instance of personal use of a government credit card by an Air Services Divisional staff from January 2016 to December 2020. There was no loss to government resulting from this incident, as the balance was repaid at the outset of the investigation. The employee was not disciplined, and the instance was not reported to the police. We reported this to the Minister of Finance on January 20, 2023.

Legislature

- Resulting from our audit inquiries, Treasury Board Secretariat reported that The Office of the Chief Electoral Office had one instance of cheque fraud during the year where an individual attempted to cash a cheque more than once. The cheque was detected as a duplicate, resulting in no loss to government. The matter was referred to the police. We reported this to the Minister of Finance on January 20, 2023.

Nalcor Energy

- During the course of our audit of the Public Accounts for the year ended March 31, 2021, our Office became aware of a potential matter related to Nalcor that would also impact a Crown corporation that was in the process of being created, the Oil and Gas Corporation of Newfoundland and Labrador (OilCo). We became aware of documentation of discussions between senior Nalcor officials, board members and senior government officials regarding a former Deputy Minister of the then Department of Natural Resources and his hiring (and/or his company) as a consultant for OilCo subsequent to his retirement as Deputy Minister. The documentation suggested the former Deputy Minister may have been involved in his own hiring as a consultant for OilCo while he was still Deputy Minister. It appeared that his services for OilCo were planned to commence with OilCo after his retirement as Deputy Minister. It was noted that a Nalcor official had received a term sheet in November 2018 outlining the terms of the contract with the former Deputy Minister, who was still Deputy Minister at the time. The matter was not reported to the police. Our Office reported this matter to the Minister of Finance on March 7, 2022.

The Rooms Corporation

- On December 10, 2021, The Rooms Corporation of Newfoundland and Labrador (The Rooms) informed our Office of several instances of alleged fraud related to credit card validation and charges originating from “The Rooms Newfoundland” to the credit cards of a few individuals. In October 2021 a software application was used to validate credit card numbers utilizing The Rooms’ web store preauthorization features in order to distinguish between valid and invalid credit card numbers. The Rooms’ finance division caught this activity and confirmed that no funds were exchanged. Recommendations for increased web store security were made. Before the additional security measures were implemented, there were additional incidents of attempted fraud identified related to online donations. There were a small number of transactions where funds were exchanged but The Rooms and the point-of-sale vendor were able to return all funds to the impacted credit cards.
- In November 2021, the web store was used again in a similar credit card testing scheme as had occurred in October. As a result, an independent third-party cyber-security consultant was engaged. New security configurations were subsequently implemented. Due to the nature of these events, The Rooms did not report them to the police for investigation. Our Office reported this matter to the Minister of Finance on March 1, 2022.

Appendix IV

Details by Department of COVID-19 Program Spending

Department of Children, Seniors and Social Development (CSSD)

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Virtual visits	Provincial	7	7	0	0	7
Total		\$7	\$7	\$0	\$0	\$7

For the year ended March 31, 2021, CSSD reported that they had implemented virtual visits to support individuals who were unable to visit with children and families due to the suspension of in-person family visitation during the COVID-19 lockdown period. They had also extended access to its Youth Services and Kinship Programs to youth who turned age 22 during the pandemic; the program normally provides access to youth from age 16 to 21.

The department reported that for the period April 1, 2021, to September 30, 2022, these programs ceased and no new programs were put in place as a direct response to COVID-19.

Department of Digital Government and Service NL (DGSNL)

DGSNL did not announce any COVID-19-related funding programs for the period April 1, 2021, to September 30, 2022. A number of other relief measures implemented by the department earlier in the pandemic were terminated. Specifically:

- In March 2020, the Residential Tenancies Act, 2018 was amended to extend notice periods to assist tenants who had difficulty paying rent during the public health emergency. The public health emergency ended in March 2022 and therefore this relief measure is no longer in effect.
- A May 2020 ministerial order gave corporations with an anniversary date of incorporation or extra-provincial registration in the months of May to October 2020 permission to delay the filing of 2020 annual returns by six months. This order was not extended.
- At various points in 2020 and 2021, offices of the Motor Registration Division temporarily suspended front-counter services. DGSNL now reports that all Motor Registration Division services have resumed to pre-pandemic levels. In addition, Highway Enforcement resumed routine inspections of all types of commercial vehicles in June 2020.
- Changes to the Pensions Benefits Act, 1997, made in December 2020 to allow individuals facing financial hardship early access to a portion of their locked-in retirement income, remain in effect. For the period March 1, 2020, to June 30, 2022, DGSNL reports that there have been 1,280 applications approved for unlocking totalling \$20.9 million.

Department of Education

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Safe reopening of schools	Federal	26,180	26,180	0	7,339	18,841
Technology to support digital learning	Provincial	20,300	19,837	0	14,762	5,075
Childcare compensation grants	Provincial	14,639	14,639	0	0	14,639
Safe Restart Agreement - early learning and childcare	Federal	10,210	10,199	0	0	10,199
Essential worker childcare service	Provincial	2,300	1,970	0	0	1,970
Support for MUN - The Works	Provincial	400	400	0	0	400
Total		\$74,029	\$73,225	\$0	\$22,101	\$51,124

Safe Reopening of Schools

Federal funding was announced in August 2020 for the safe restart of schools. Funds were used to hire additional guidance counsellors, administrators, term substitutes, custodians, and student assistants. Funds were also utilized for additional busing, bus cleaning, remote learning, occupational health and safety and health resources. As the school year crosses over two fiscal years, some expenses were incurred in the 2021-22 fiscal year. This program was not continued into 2022-23.

Technology to Support Digital Learning

Funding for technology to support digital learning was announced in July 2020. The funding was used to purchase laptops for all teachers and Chromebooks for all junior high and high school students. Delays were experienced in obtaining the technology, therefore some funding was carried over to the 2021-22 fiscal year. The program is now fully implemented with no carry-over to the 2022-23 fiscal year.

A number of grant programs initially implemented in fiscal 2020-21 were discontinued for subsequent periods. These programs included Childcare Compensation Grants, Safe Restart Agreement, Essential Worker Child Care Service, and one-time support for Memorial University to assist in the reopening of the Aquarena. Other relief measures such as the temporary suspension of the repayment of the provincial portion of student loans were also eliminated for 2021-22.

Executive Council

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Relief grants for isolated Labrador communities	Provincial	331	323	0	0	323
Funding for sex trade	Provincial	60	60	0	0	60
Wage subsidy program for employees isolating	Provincial	5	5	0	0	5
Total		\$396	\$388	\$0	\$0	\$388

The above programs were discontinued from 2021-22 onward. Executive Council reported that there were no new programs.

Department of Finance

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Residential Construction Rebate Program	Provincial	40,000	27,241	5	9,137	18,099
Canada Emergency Commercial Rent Assistance program	Cost-shared	1,400	1,400	0	0	1,400
Safe Restart Program for Public Transit (Note 1)	Federal	1,000	1,000	0	0	1,000
Total		\$42,400	\$29,641	\$5	\$9,137	\$20,499

Note 1: Funding was used to reimburse Department of Transportation and Infrastructure operational public transit costs.

Residential Construction Rebate Program

This program was announced in June 2020 with initial funding of \$30.0 million. In fall 2020, funding increased by \$10.0 million to \$40.0 million. The program provided homeowners with a rebate on home construction and renovations, intended to stimulate the economy and employment in the province's construction industry. For the two-year period covered by the program, the Province spent \$27.24 million (68 per cent) of the \$40 million committed. Once all applications were processed, projects with associated rebates of over \$34 million had been pre-approved. Due to the pandemic, building materials were in short supply and the demand for contractors had increased substantially, making it difficult for residents to engage contractors to complete projects. Program deadlines to have work completed and payment forms submitted were therefore extended several times to allow residents to complete work to ensure they could avail of the rebate. Consequently, work was required to be substantially completed by November 30, 2021, and payment forms were required to be submitted by January 31, 2022.

The total amount paid out was less than expected, based on pre-approved applications, for a number of possible reasons including:

- Some applicants may have chosen not to proceed with their project or were unable to have the work completed;
- Some applicants may have changed the scope of their project from what had been pre-approved or chose to do the work themselves and therefore were not eligible for the rebate.

Canada Emergency Commercial Rent Assistance Program

Announced in May 2020, the program was cost-shared between the federal and provincial governments, with the maximum provincial funding set at 25 per cent (\$1.4 million). The program provided forgivable loans to qualifying commercial property owners to cover 50 per cent of six monthly rent payments (April through September 2020). The program ended in September 2020.

Safe Restart Program for Public Transit

Under the federal Safe Restart Agreement announced in July 2020, \$1.0 million was allocated for public transit to offset operational and passenger volume challenges from COVID-19. This provincial funding came from normal operating funds.

Other Relief Measures

The extension of filing deadlines for various tax programs due to pandemic impacts on businesses and individuals was not extended into 2021-22.

Department of Fisheries, Forestry and Agriculture

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Agriculture sector development	Provincial	12,850	9,860	0	70	9,790
Forest Industry Development Plan	Provincial	5,740	3,979	0	0	3,979
Secondary dairy processing facility	Provincial	5,000	0	0	0	0
Aquaculture initiatives	Provincial	1,225	1,008	0	385	623
Secondary forestry processing innovation pilot projects	Provincial	400	296	0	0	296
Total		\$25,215	\$15,143	\$0	\$455	\$14,688

Agriculture Sector Development

The Agriculture Sector Development Plan, announced in June 2020, consisted of several initiatives designed to create jobs, support employment in rural communities, and help open new markets and products for renewable resource-based businesses during the COVID-19 pandemic. The program was discontinued with only a small carryover amount being spent in 2021-22.

Forest Industry Development Plan

The Forest Industry Development Plan, announced in June 2020, consisted of several initiatives intended to generate work for 100 people for 16 weeks. The program was discontinued.

Secondary Dairy Processing Facility

Secondary dairy processing funding, announced in July 2020, was intended to provide financial support of \$5 million for a \$25 million secondary processing facility for milk in Deer Lake. The \$5 million commitment has been carried forward in budgets for 2021-22 and 2022-23. To date, no funding has been expended as the project is undergoing an environmental assessment.

Aquaculture Initiatives

Aquaculture initiatives funding was intended to support renewable resource-based businesses and employment in rural communities during the pandemic. During 2021-22, the Department invested in a vessel to be used for aquaculture inspections and oceanographic work and the expansion of aquaculture operations in the province's south coast.

Secondary Forestry Processing Innovation Pilot Projects

Funding was intended to enhance the economic sustainability of the forest industry in the province and support the commercialization and introduction of new technologies and processes. This program was discontinued.

Other Relief Measures

Relief measures via the deferral/elimination of certain fees administered by the department were discontinued from 2021-22 onward.

Department of Health and Community Services

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Recovery of the healthcare system	Federal	55,000	55,000	0	55,000	0
Support for vaccine rollout	Federal	13,800	13,800	0	13,800	0
Long-term care/mental health	Federal	15,380	15,380	0	15,380	0
Safe Restart Agreement	Federal	113,946	113,946	0	5,120	108,826
Virtual Care Bi-lateral Agreement	Federal	4,540	4,540	0	4,540	0
Immunization Partnership Fund	Federal	2,500	2,500	0	2,500	0
Newfoundland and Labrador Prescription Drug Program	Provincial	3,274	3,274	730	1,957	587
Physician Disruption Policy	Provincial	26,004	26,004	842	1,345	23,817
811 Healthline	Provincial	5,440	5,440	0	0	5,440
Children's Dental Health Program extension	Provincial	8	8	0	0	8
Total		\$239,892	\$239,892	\$1,572	\$99,642	\$138,678

Recovery of the Healthcare System and Support for Vaccine Rollout

As part of the Federal Government's \$5.0 billion COVID-19 investment nationwide, the total fiscal 2021-22 COVID-19-related funding to Newfoundland and Labrador was \$68.8 million from Bill C-25. Of this, \$55.0 million was provided for the recovery of the provincial health system as a result of deferring numerous health procedures, thereby creating significant backlogs. An additional \$13.8 million was provided for enhancing critical on-the-ground support for vaccine rollout.

Long-term Care/Mental Health

The intent of the Long Term Care & Mental Health agreement was to mitigate the risk of COVID-19 infection in long-term care settings. This included improving retention of existing staff with wage top-ups, and/or hiring additional human resources, creating new infrastructure, and renovating existing infrastructure, such as ventilation of self-isolation rooms and single rooms.

Safe Restart Agreement

The purpose of this agreement was to support COVID-19-related data recording and centralizing data storage to improve disease surveillance and management. This included point-of-care software for vaccine data recording and change management support. The initiative also helped to continue work on data modelling and visualization within the provincial data lab and increasing human resources supporting data management activities.

Virtual Care Bi-Lateral Agreement

This agreement was intended to assist with rapidly deploying virtual care services to meet health needs during the COVID-19 pandemic. This included secure messaging and file-transfer platforms or supports to enable end-to-end messaging; secure video-conferencing technology to deliver care to patients remotely; remote patient monitoring technologies; patient access to COVID-19 and other lab results; and back-end supports for integration of new platforms and supports, including needed hardware.

Immunization Partnership Fund

The purpose of the Immunization Partnership Fund was to enhance the Provincial Vaccination Registry to include direct linkages from other databases such as Electronic Medical Records and support additional human resources for data entry and processing.

Newfoundland and Labrador Prescription Drug Program

The policy that allowed pharmacists to administer COVID-19 vaccines was implemented in April 2021. A remuneration consistent with administering flu vaccinations was provided to all pharmacists who met the eligibility criteria.

Physician Disruption Policy

This policy compensated fee-for-service physicians who committed to be available to provide additional services during the pandemic. Originally announced in April 2020, the first generation of the policy was retroactive to March 2020 and was in effect until July 6, 2020. It was activated again in February 2021 and remained in effect on March 31, 2021. This program was again activated on January 4, 2022, and ended on March 1, 2022; however, this was only for Eastern and Western Regional Health Authorities. There are no outstanding payments due under the policy at this time.

811 HealthLine

The additional functionality, announced in June 2020, was intended to help residents schedule virtual walk-in clinic appointments with a nurse practitioner for urgent and non-emergency health issues via phone, text, or video. While the 811 Healthline is still ongoing, the nature of calls has moved to regular medical queries. As such, the department feels that the costs are no longer incremental COVID-related expenses, but are part of regular health care.

Children's Dental Health Program Extension

An extension of eligibility under this program was announced in October 2020 for children who turned thirteen during the period when dental clinics were closed due to COVID-19 restrictions (March-June 2020) and were unable to access eligible dental services. The extension allowed coverage for appointments and services that would have been covered if a dental clinic was open when the patient was still twelve. Invoices for these appointments were accepted until March 31, 2021.

Other Relief Measures

In March 2020, the Province partnered with the Canadian Red Cross to provide a helpline to people self-isolating during the pandemic, including provisions to support self-isolation in hotels. This partnership has now ended.

Department of Immigration, Population Growth and Skills³

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Essential worker support	Cost-shared	66,300	45,000	0	0	45,000
Workforce Development Agreement	Federal	18,971	18,971	0	11,410	7,561
Students Supporting Communities Program	Cost-shared	800	664	0	364	300
Total		\$86,071	\$64,635	\$0	\$11,774	\$52,861

Essential Worker Support Program

This program was cost-shared with the federal government in 2020-21 and was not continued into 2021-22.

Workforce Development Agreement

Funding was intended to assist Canadians in underrepresented groups and those in sectors that have been hardest hit by the pandemic, such as construction, transportation, and hospitality. The eligible supports included skills training, on-the-job training, employer-sponsored training, financial assistance and benefits, employment counselling and services, and job opportunities.

Student Supporting Communities Program

This program, announced in May 2020, provided a \$3,500 grant to organizations to hire students to help seniors and other vulnerable groups facing social isolation during the pandemic. In 2020-21, this program was cost-shared with the Federal Government. In 2021-22, costs were federally funded through the Canada – Newfoundland and Labrador Workforce Development Agreement.

3. These amounts were previously reported under the former Department of Immigration, Skills and Labour.

Department of Industry, Energy and Technology

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Small Business Assistance Program	Provincial	50,000	32,563	0	10,563	22,000
Tourism and Hospitality Support Program	Provincial	32,000	19,763	0	9,963	9,800
Financial measures for electricity customers	Provincial	2,500	611	0	123	488
Business Tech Solutions Program	Cost-shared	2,055	1,542	0	856	686
Total		\$86,555	\$54,479	\$0	\$21,505	\$32,974

Small Business Assistance Program

This program, announced in October 2020, allocated \$25 million for small businesses and \$5 million for community organizations. Small businesses and community organizations could use the funding to help with revenue loss. A further \$20 million was announced as part of Budget 2021.

Tourism and Hospitality Support Program

In February 2022, government increased its commitment to this program from the original \$25 million to \$32 million. The program allowed small and medium tourism operators to avail of one-time non-repayable working capital contributions of either \$5,000 or \$10,000, dependent on gross sales. Of this, government spent \$19.75 million. Actual expenditures were less than planned due to program demand being less than expected.

Financial Measures for Electricity Customers

This measure, announced in May 2020, allowed interest to be waived on overdue accounts for residential and general service electricity customers throughout the province, for a period of 15 months commencing June 1, 2020.

Business Tech Solutions Program

Provincial and federal governments announced an investment in TechNL which would provide grants to Newfoundland and Labrador companies. The total commitment was \$6.015 million, with the provincial investment paid through the Innovation and Business Investment Corporation. The program was cost-shared: \$2.055 million provincial, \$3.4 million federal, and \$0.56 million from businesses. Due to some approved projects not going ahead, the program has been extended to February 2023. The remaining funding of \$514 million will be used for a targeted Labrador call for proposals using the same parameters as the original program.

Other Relief Measures

Support for the mining, mineral exploration, and quarry industries via deferring of rental and fees payments and other related measures were discontinued.

Department of Municipal and Provincial Affairs⁴

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Safe Restart Program supporting municipalities	Federal	27,412	27,412	0	0	27,412
Stimulus Program for communities	Provincial	23,640	22,349	0	11,849	10,500
Emergency support for arenas and pools	Provincial	600	600	0	0	600
Total		\$51,652	\$50,361	\$0	\$11,849	\$38,512

Safe Restart Program Supporting Municipalities

Under the Safe Restart Agreement, \$27.4 million in federal funding was paid in 2020-21 to support municipalities, on a per capita basis, as additional operating grants. The program was not continued into 2021-22.

Stimulus Program for Communities

This program was announced in November 2020. The funding, totalling \$23.54 million, was allocated over a two-year period. The program was targeted at small to medium-scale municipal enhancement projects to help provide short-term employment and to stimulate economic activity. Over the two-year period, the province spent \$22.35 million (95 per cent) of the committed funding. A nominal amount of funding was carried forward to 2022-23 to allow remaining projects with extenuating circumstances sufficient time to complete.

Emergency Support for Arenas and Pools

This program supported community arenas and pools through the Special Assistance Grant Program with a one-time grant of up to \$10,000. The program was not continued into 2021-22.

Other Relief Measures

Relief via waiver or deferral of water usage charges granted in 2020-21 was not continued into 2021-22.

4. These amounts were previously reported under the former Department of Environment, Climate Change and Municipalities.

Office of the Chief Information Officer (OCIO)

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Vendor Licenses and Subscription fees to Akinox for Vaccine Passport initiative application buildout	Provincial	1,246	1,246	296	950	0
Web services and digital program teams (QA & Cx included) for the implementation of NLVaxPass	Provincial	111	111	0	111	0
Professional services paid to Akinox to provide support and implementation for Vaccine Passport initiative application buildout	Provincial	250	250	0	250	0
Total		\$1,607	\$1,607	\$296	\$1,311	\$0

Vaccine passports

In October 2021, government announced the launch of two applications, NLVaxPass (for residents) and NLVaxVerify (for businesses). The vaccine passport was a certified record of proof of vaccination which allowed individuals access to businesses or venues for non-essential and recreational activities. Residents of the province who were fully vaccinated or had an approved medical exemption would have a COVID-19 vaccination record in the form of a QR code which was then loaded into the app for presentation at the business or venue.

Government terminated the applications in October 2022 due to recommendations from public health that NLVaxVerify was no longer necessary in COVID-19 management in Newfoundland and Labrador. The application remains active as a tool for residents to easily access and store COVID-19 vaccination records. Accordingly, the OCIO extended the contract for an additional six months.

Public Procurement Agency

While the Public Procurement Agency did not announce or report any COVID-19-related funding programs for the 2022 or 2023 fiscal years, the agency did provide information on other relief measures.

Other Relief Measures

A local preference provision added to the Public Procurement Regulations in the prior year was continued. This provision mandated an allowance of ten per cent for local suppliers on all procurements under trade agreement thresholds.

Department of Tourism, Culture, Arts and Recreation

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Artist and Musician Support Program	Provincial	7,000	7,762	0	5,277	2,485
Emergency Support Fund for sport and recreation organizations	Federal	2,758	2,758	0	0	2,758
Stay Home Year 2020	Provincial	450	627	0	0	627
Total		\$10,208	\$11,147	\$0	\$5,277	\$5,870

Artist and Musician Support Program

The artist and musician support program provided support of up to \$5,000 for artists and musicians impacted by the pandemic who could demonstrate an earnings loss of at least 25 per cent from their professional activity since March 16, 2020.

The COVID-19 emergency support fund for sport and recreation organizations and the Stay Home Year 2020 campaign were both discontinued.

Department of Transportation and Infrastructure

COVID-19 Related Initiative	Funding Source	Total Commitment (\$000s)	Total Spend (\$000s)	Estimated April 1 to Sept. 30, 2022 (\$000s)	Estimated 2021-22 (\$000s)	Estimated 2020-21 (\$000s)
Investing in Canada Infrastructure program	Cost-shared	76,079	16,983	6,158	9,535	1,290
Residual Forestry Biomass Conversion Program	Provincial	6,725	2,150	2,150	0	0
Total		\$82,804	\$19,133	\$8,308	\$9,535	\$1,290

Investing in Canada Infrastructure Program

In October 2020, an amendment was made to the existing federal Investing in Canada infrastructure program, referred to as the COVID-19 Resilience Infrastructure Program. Approval was given to the department, in coordination with the departments of Health and Community Services and Education, to cost-share expenditures for repair and maintenance projects (federal 80 per cent/provincial 20 per cent). In July 2021, there was a second amendment to the Agreement. As a result of this amendment, the Federal Government increased its commitment to a maximum of \$60.86 million over four fiscal years from 2021 to 2024 for COVID-19 Resilience Infrastructure projects. Another amendment to the agreement is anticipated in late 2023 or early 2024 which the Federal Government has indicated will include an additional \$4.61 million in funding.

The Federal Government has accelerated the deadline for the allocation of funds in the program to March 31, 2023. TI is working with Infrastructure Canada to identify projects to meet this deadline.

Residual forestry Biomass Conversion Program

The program was established to promote switching from fossil fuel to forestry residue (wood chips and pulpwood) for commercial buildings and institutions. It was originally announced with a total provincial investment of \$3.5 million. The department was unable to spend the \$3.5 million in 2021-22 because the original request for proposals did not result in a successful contract. Budget 2022 approved \$6,725,000 for the project over two fiscal years, which includes federal funding under the Low Carbon Economy Fund. A subsequent request for proposals has been awarded and the project is currently underway.

Appendix V - About Us

Vision

Promoting positive change and accountability in the public sector through impactful audits.

Mission

To promote accountability in government's management and use of public resources and encourage positive change in its delivery of programs and services.

Values

Above all else, the Office of the Auditor General must have independence, credibility and integrity. These are essential to everything we do and critical to our success. The Office of the Auditor General complies with professional and office standards to produce relevant and reliable audit reports. The Office of the Auditor General's independence of government, in fact, and in appearance, provides objective conclusions, opinions and recommendations on the operations of government and crown agencies. Our staff work in a professional and ethical manner, ensuring respect, objectivity, trust, honesty and fairness.

OAG Team

The financial audit, performance audit, professional practice and innovation, and administrative teams continue to proudly perform their work with independence, credibility and integrity. The Office has undergone significant change and continues to evolve in order to fulfill its expanded legislative mandate and accountability requirements. The Auditor General extends sincere thanks to her team for their dedication, diligence, and patience over the past year. The Office is able to fulfill its mission due to the consummate commitment and professionalism of its dynamic team.

Office of the Auditor General Leadership Team



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