

REPORT OF THE AUDITOR GENERAL

To the House of Assembly



On the Business Plan

For the Year Ended
31 March 2009

Auditor General of Newfoundland and Labrador

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Mission Statement

The Office of the Auditor General serves the House of Assembly by providing independent examinations of Government and its entities.

As legislative auditors, we audit financial statements and other accountability documents, evaluate management practices and control systems, and determine compliance with legislative and other authorities.

Our purpose is to promote accountability and encourage positive change in the stewardship, management and use of public resources.



Office of the Auditor General of Newfoundland and Labrador

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27 August 2009

The Honourable Roger Fitzgerald, M.H.A.
Speaker
House of Assembly

Dear Sir:

In compliance with the *Transparency and Accountability Act*, I have the honour to submit herewith, for transmission to the House of Assembly, my Report on the Business Plan of the Office of the Auditor General for the year ended 31 March 2009.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

JOHN L. NOSEWORTHY, CA
Auditor General

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**CHAPTER
1
REFLECTIONS OF THE
AUDITOR GENERAL**



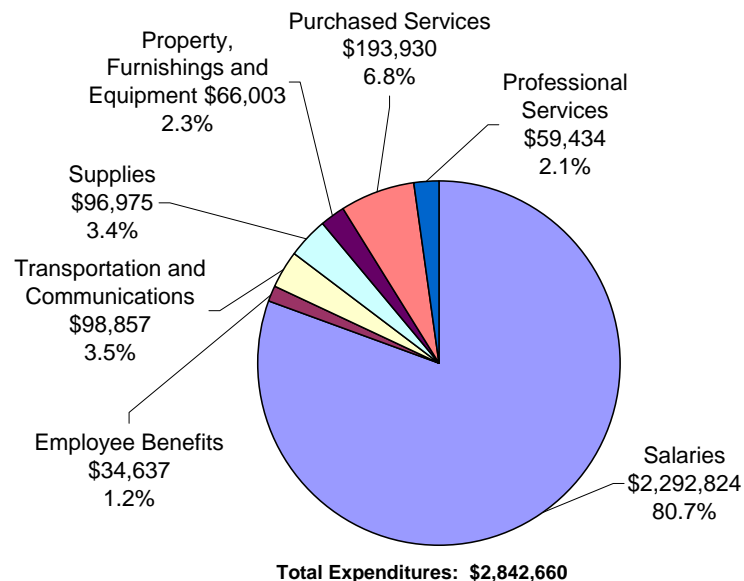
As an Officer of the House of Assembly, the Auditor General provides an independent, unbiased and informed opinion on matters that are considered to be significant to the Members of the House of Assembly. The Office is committed to promoting accountability and encouraging positive change in the stewardship, management and use of public resources. I would welcome feedback from any Member of the House of Assembly that would assist me with this goal.

This Report to the House of Assembly provides all Members of the House of Assembly with a full accounting of what happened at the Office during 2008-09: our plan, our budget and the results achieved. The Report is prepared in accordance with our *Business Plan for Three Fiscal Years 2008-09, 2009-10 and 2010-11*. As Auditor General, I am accountable for the actual results reported.

Figure 1 provides details on the \$2.8 million in gross expenditures incurred by my Office for the year ended 31 March 2009.

Figure 1

Gross Expenditures of the Office of the Auditor General Year Ended 31 March 2009



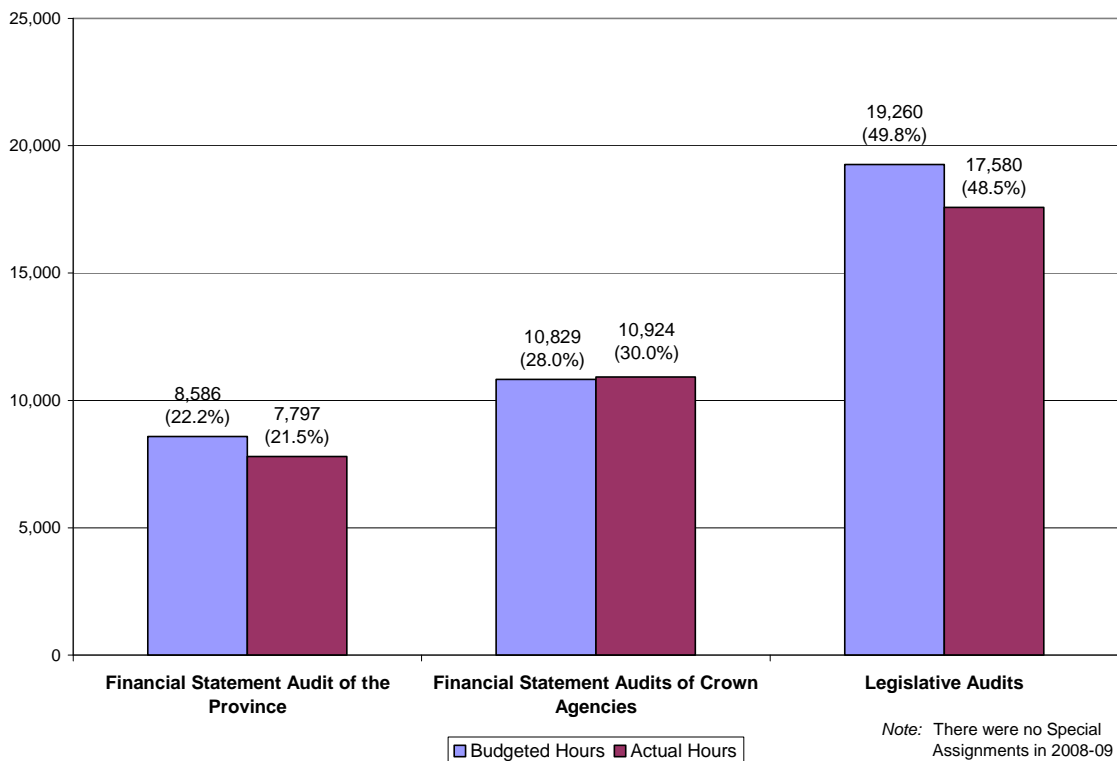
Reflections of the Auditor General

Approximately 87% of the Office's gross expenditures related to non-discretionary spending such as salaries and office accommodations. As a result, the Office has a very small amount of discretionary spending.

Figure 2 provides the budgeted and actual hours by the type of work we carried out during the year on a calendar basis (to coincide with our audit cycle).

Figure 2

Distribution of Audit Work Year Ended 31 December 2008 (Budgeted and Actual)



In addition to my Reflections in this Chapter, information in this Report is provided in five other chapters (2 through 6) and Appendices as follows:

- Chapter 2 provides an overview of my Office, its vision; mission; accountability relationship; lines of business; our employees; our involvement with the profession; revenues and expenditures; Office locations; and other key statistics.

Reflections of the Auditor General

- Chapter 3 provides information on the highlights and accomplishments of my Office during the year, including process improvement; a follow-up to our 2007 employee satisfaction survey; a new employee development program; support of young adults of this Province through work placements; ongoing involvement with constituency allowance work; the first audit of the House of Assembly; plans for the first separate update report on prior years' recommendations; an upcoming information management system; IT; an international twinning project with the Auditor General of Guyana; hosting of an ECCOLA Conference; renovations to the Corner Brook Office; and meeting our legislative requirements.
- Chapter 4 provides information on the activities of the Office including progress on our strategic directions in the areas of financial statement audits, legislative audits, monitoring Crown agency reports and special assignments. Chapter 4 also provides information on the Office's objectives, measures and indicators for the fiscal year 2009-10.
- Chapter 5 provides information on the opportunities and challenges ahead for the Office including amendments required to the *Auditor General Act*; human resource management - recruitment, retention and succession; new professional standards - accounting and auditing; and advancing technology.
- Chapter 6 provides my Office's financial information for the year ended 31 March 2009 which was audited by a private sector auditing firm.

The appendices of this report include the *Auditor General Act*, listings of the departments and Crown agencies audited by my Office and a listing of those audited by private sector auditing firms, as well as an appendix containing answers to frequently asked questions about the Office of the Auditor General.

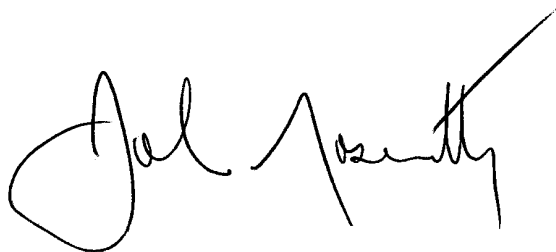
The following are highlights of our work during the past year:

- My report to the House of Assembly on *Reviews of Departments and Crown Agencies for the Year Ended 31 March 2008* was submitted to the Speaker of the House of Assembly and released publicly in January 2009. That report included 17 separate items on projects undertaken by my Office during the year.
- The Office performs the financial statement audit of 29 Crown agencies. Issues identified during these audits were reported to management for their consideration. The Office also reviewed available financial statements and management letters for 35 Crown agencies which were audited by private sector auditing firms during the year.

Reflections of the Auditor General

- The Office completed the audit of the Public Accounts of the Province for the year ended 31 March 2008. My report on the *Audit of the Financial Statements of the Province of Newfoundland and Labrador* was submitted to the Speaker of the House of Assembly and released in January 2009. That Report provided information on key indicators of the state of Government's finances and highlighted a number of specific areas including the financial condition of the Province; addressing current and future surpluses; retirement benefits; and environmental liabilities.
- As a result of recommendation 52 of the *Report of the Review Commission on Constituency Allowances and Related Matters*, there is now a legislative requirement in the *House of Assembly Accountability, Integrity and Administration Act*, that financial, compliance and management certification reviews of the House of Assembly be conducted. During 2008-09, the Office conducted its first audits under the new requirements.
- In July 2008 I wrote the Speaker of the House of Assembly outlining proposed amendments to the *Auditor General Act* (the *Act*) that were in addition to the proposed amendments identified in my letter to the former Speaker in April 2005. The additional proposed amendments related to the requirements of the new *House of Assembly Accountability, Integrity and Administration Act*. I understand that the proposed amendments from both submissions are now under consideration.
- In June 2008, my Office presented our *Business Plan for Three Fiscal Years: 2008-09, 2009-10 and 2010-11* to the Speaker of the House of Assembly.

A professional team of employees make the work of my Office possible. I thank them for their team work and continued commitment to high quality standards in their work.



JOHN L. NOSEWORTHY, CA
Auditor General

CHAPTER
2
OVERVIEW OF THE
OFFICE OF THE AUDITOR GENERAL

Overview of the Office of the Auditor General

2.1 Vision

The vision of the Office of the Auditor General is as follows:

The Office of the Auditor General is an independent Office of the Legislature which, through audit, adds credibility to information provided by Government to the House of Assembly so that the Members of the House of Assembly can hold Government accountable for the prudent use and management of public resources.

2.2 Mission

The mission statement guiding our outputs for 2008-09 to 2010-11 is as follows:

By 2011, the Office of the Auditor General will have maintained audit services to the House of Assembly that are in compliance with our mandate.

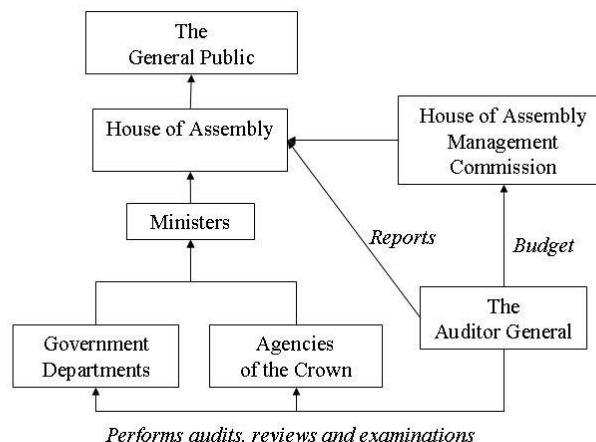
2.3 Accountability Relationship

The Auditor General reports to the House of Assembly on significant matters which result from the examinations of Government, its departments and agencies of the Crown. The Auditor General is also the independent auditor of the Province's financial statements and the financial statements of many agencies of the Crown and, as such, expresses an opinion as to the fair presentation of their financial statements.

The Auditor General's fundamental role is to bring an independent audit and reporting process to bear upon the manner in which Government and its various entities discharge their responsibilities, report on their planned programs and their use of public resources. This role complements the accountability relationship which exists between Government, its departments, agencies of the Crown and the House of Assembly, as illustrated in Figure 1.

Figure 1

Accountability Relationship

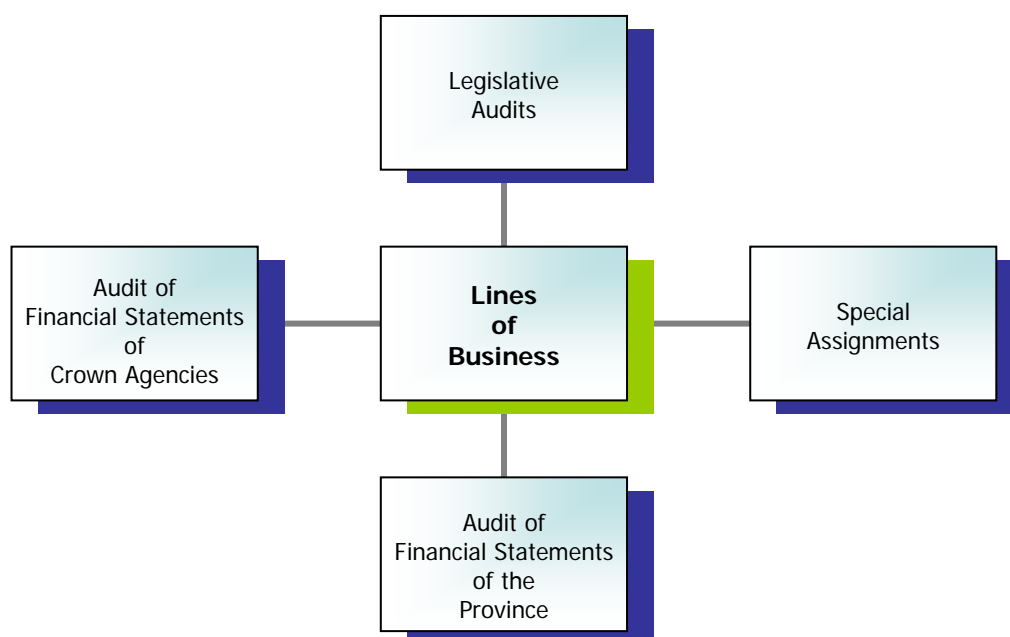


2.4 Lines of Business

The Office of the Auditor General fulfils its mandate through the four key lines of business which are depicted in Figure 2.

Figure 2

Office of the Auditor General Lines of Business



- Audit of Financial Statements of the Province and Crown Agencies

A financial statement audit results in the expression of an opinion as to the fair presentation of the Public Accounts of the Province and the financial statements of Crown agencies. We conduct these audits in accordance with Canadian generally accepted auditing standards established by the Canadian Institute of Chartered Accountants. In addition, issues identified during a financial statement audit may lead to recommendations that are addressed in a letter to the auditee and/or included in the Auditor General's Report to the House of Assembly.

Overview of the Office of the Auditor General

- Legislative Audits

Legislative audits provide the House of Assembly with an independent, professional assessment of public sector accountability, thereby facilitating informed judgment on the manner in which the public sector discharges its responsibilities. Legislative audits may include:

- evaluation of accountability relationships, management practices and control systems;
- determination of compliance with legislation and other authorities; and
- performance audits of program results compared to established criteria.

The findings of the legislative audits are reported in the Auditor General's Report to the House of Assembly, *Reviews of Departments and Crown Agencies*, which is issued on or before the end of January each year.

- Special Assignments

A special assignment is completed in response to a request from the House of Assembly, the Public Accounts Committee or the Lieutenant-Governor in Council. The nature and scope of these assignments vary, depending on the nature of the request. They result in a report of findings to whomever makes the request and may include comments on such things as:

- accountability relationships, management practices and control systems;
- compliance with legislation and other authorities; and
- program results and general operations.

2.5 Our Employees

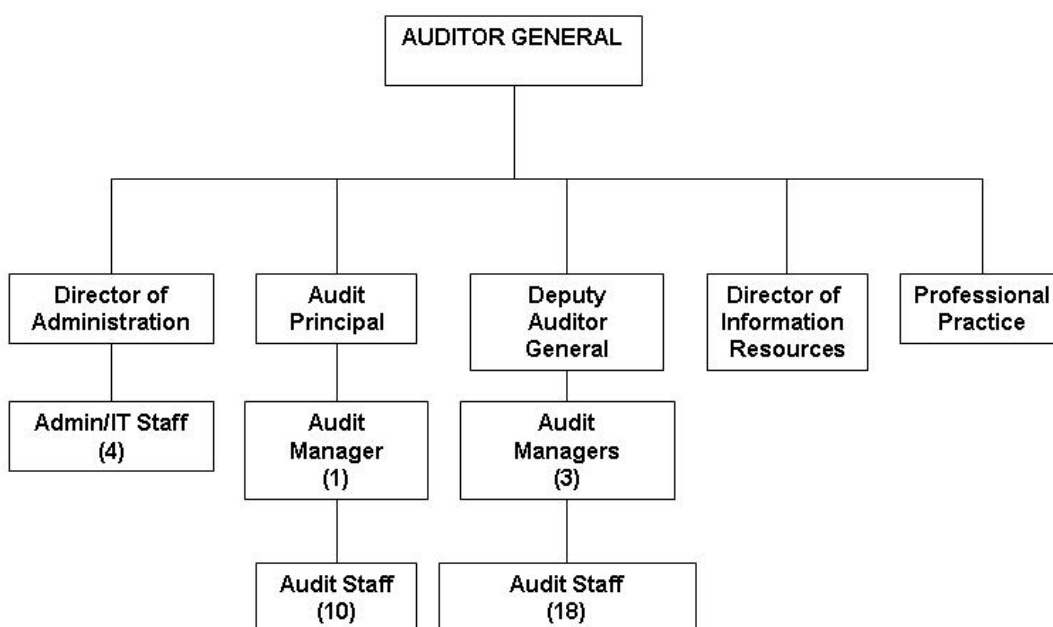
The Office is comprised of 42 funded positions. In addition, the position and salary for one staff member is provided through the Employment Equity and Strategic Initiatives Division of the Public Service Secretariat. As of 31 March 2009, our Office had 37 employees, 32 in head office and 5 in the regional office in Corner Brook. Six employees work in administrative and IT support, while the remaining 31 work directly in audit. Of these 31 audit staff, 21 have professional accounting designations and 7 are in the process of completing their professional accounting program. Our Network Administrator has a Certified Network Administrator designation.

Overview of the Office of the Auditor General

Figure 3 shows the organization structure of our Office as at 31 March 2009. Figures 4 and 5 show employees of the St. John's and Corner Brook Offices as at June 2009.

Figure 3

**Office of the Auditor General
Organization Structure
(42 funded positions)
As at 31 March 2009**



Overview of the Office of the Auditor General

Figure 4

**Employees of the Office of the Auditor General, St. John's Office
As at June 2009**



Seated (L-R): Wayne Loveys, CMA; Nina Goudie; John Noseworthy, CA - Auditor General; Gregg Griffin. **Standing (L-R):** Bill Drover, FCA; Daniel Bennett; Tony Wiseman; Keith Butt, CA; Ian Stark; Nancy King; Trudy Critch; Lindy Stanley; Trevor McCormick, CGA; Sandra Russell, CA; Jim Winsor, CMA; Trena Keats, CA; John Casey, CMA; Jackie Smith, CMA; Jim Mallard, CGA; Lisa Williams; Mark Didham, CA; Jeremy Hynes; Adam Dunn; Pauline Reynolds; Amanda Foster; Dave Ralph, CA; Fred Evans, CGA; Paul Burrgraaf, CNA; Adam Martin, CA; Adam Kelloway; Leif Martin, CA. (Missing from photograph: Brenda Kavanagh; Brandy Ritch; and David White, FCGA)

Figure 5

**Employees of the Office of the Auditor General, Corner Brook Office
As at June 2009**



Seated (L-R): Lisa Duffy; Tracy Pelley, CMA. **Standing (L-R):** Scott Walters, CA; Claude Janes, CA; Tony Dingwell, CA.

2.6 Involvement with the Profession

All legislative audit offices in Canada are members of the Canadian Council of Legislative Auditors (CCOLA) which serves to promote professional legislative auditing in Canada. This membership enables our employees to participate on various CCOLA committees established to address issues of common concern such as professional practice, performance audits or human resources.

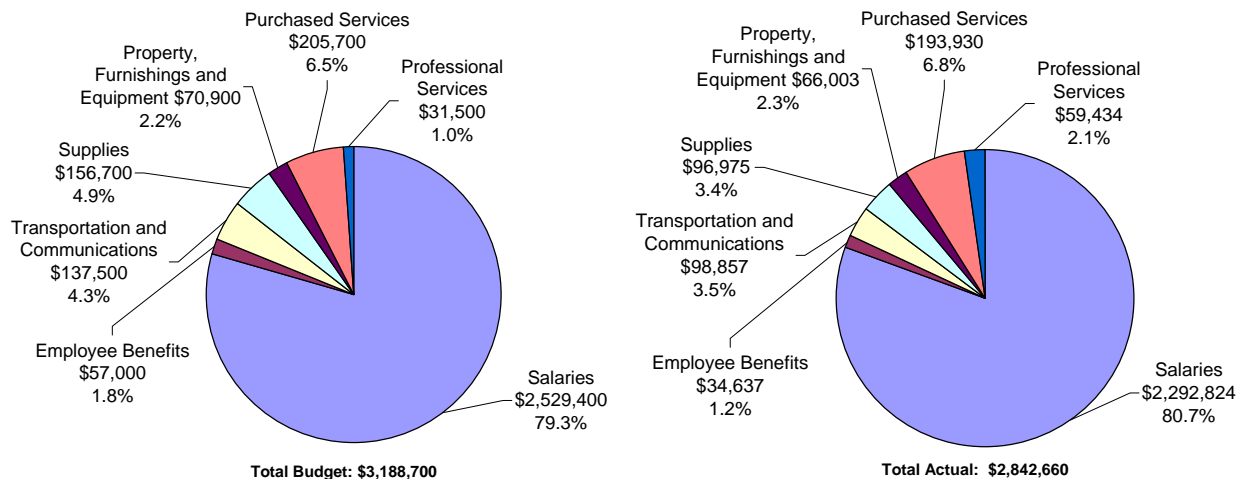
We are pleased to note that our employees are actively involved in support of the various professional accounting bodies in which they hold membership. David White and Trevor McCormick are members of the Board of Governors of the Certified General Accountants Association (CGA) of Newfoundland and Labrador. Trevor serves on the executive in the capacity of Vice-President.

2.7 Revenues and Expenditures

The gross expenditures of the Office totalled \$2.8 million for the year ended 31 March 2009. The Office operated within the budget recommended by the House of Assembly Management Commission and approved by the Legislature. Information on the total budget and actual expenditures of the Office for the year ended 31 March 2009 is presented in Figure 6.

Figure 6

Gross Expenditures of the Office of the Auditor General Budget and Actual Year Ended 31 March 2009



Approximately 87% of the Office's total expenditures relates to non-discretionary spending for items such as salaries and Office accommodations. As a result, the Office has a very small amount of discretionary spending.

In accordance with section 33 of the *Auditor General Act* (the *Act*), estimates for the Office of the Auditor General are approved by the House of Assembly Management Commission for inclusion in the Estimates of the Province. Section 32 of the *Act* requires that the accounts of the Office be audited annually by an independent public accountant appointed by the Commission. In addition, section 9(6) of the *Transparency and Accountability Act* requires that audited financial information be included in the Office's annual report. A private sector auditing firm audited the financial information of our Office and their report for the year ended 31 March 2009 is included in Chapter 6.

Overview of the Office of the Auditor General

2.8 Office Locations

The headquarters for the Office of the Auditor General is located in Mount Pearl. There is also a regional office located in Corner Brook.



Mount Pearl Office
15 Dundee Avenue



Corner Brook Office
1 Union Street

2.9 Other Key Statistics

Following are other key statistics relating to the Office of the Auditor General as at 31 March 2009:

Description	Total
- Total number of staff	37
- Number of audit staff	31
- Number of administrative and IT support staff	6
- Number of staff located in head office	32
- Number of staff located in regional office	5
- Number of male staff	23
- Number of female staff	14
- Average age of all staff	43
- Average age of male staff	45
- Average age of female staff	39
- Total legislative auditing experience audit staff	390 years
- Total number of staff with professional accounting designations	21
- Total number of Chartered Accountants	12
- Total number of Certified Management Accountants	5
- Total number of Certified General Accountants	4
- Average number of professional development days, 2008-09	11

**CHAPTER
3
HIGHLIGHTS AND
ACCOMPLISHMENTS**

Highlights and Accomplishments

The following is a summary of key highlights and accomplishments for our Office during the fiscal year ended 31 March 2009.

3.1 Process Improvement

The Office is transitioning from paper to electronic records through the adoption of Caseware Working Papers software for our audits and the use of scanners by audit and administrative employees to convert paper to electronic records. The Office has approached modernizing its processes through employee-led focus groups. This approach involves employees from all levels of the organization which has proven to foster a collaborative approach to organizational change, enhancing the overall success of our initiatives. In addition to our move towards electronic records, our Office has established an electronic Bulletin Board for posting day-to-day notices for employees, and restructured the Office Intranet which now includes a comprehensive range of audit and administrative information.

3.2 Employee Satisfaction Survey

In 2007, the Office conducted a comprehensive employee satisfaction survey. The results were used to support our strategic planning process, resulting in a number of strategic initiatives for the past two years such as improvements in audit process, professional development and training, internal communications and the physical office environment. Overall, 84% of staff indicated that they were either somewhat or very satisfied.

In 2009, employees completed another employee satisfaction survey and follow-up to the 2007 survey. Feedback from the survey will once again be used to develop strategic initiatives in the coming year to build on past successes, improve current processes and grow the workplace overall. Overall, 100% of staff indicated that they were either somewhat or very satisfied.

3.3 Employee Development Program

An Employee Development Program was introduced this year which will enable employees to develop an Individual Development Plan (IDP) to identify their work development and related training goals for the coming year. The approved IDPs will be reviewed on a collective basis and factored into the Office's operational and budget planning cycle.

The Employee Development Program was developed collaboratively in-house and combines the results of consultations with audit offices across Canada, Government's Centre for Learning and Development and its proposed *Work Planning* program, as well as research of best practices in employee performance appraisal programs. As a result, the Program is a hybrid of several employee development models and is tailored for application to our Office.

Highlights and Accomplishments

We would like to thank the Centre for Learning and Development for providing valuable feedback on the Program during its development phase.

3.4 Supporting Young Workers

In the past year, our Office provided high quality work placements to a significant number of young adults as follows:

- co-op placements for 12 students from Memorial University's School of Business;
- work-term placements for 4 students from the College of the North Atlantic's School of Business; and
- summer jobs for 2 students from post secondary institutions.

The duties assigned to these students are directly related to the students' educational programs.

In addition, our Office encourages all audit employees to complete their professional accounting designation. Our junior auditors receive financial assistance, study support, increasingly responsible work assignments and mentoring as they progress through their accounting program to complete their professional accounting designation.

3.5 Ongoing Involvement with Constituency Allowance Work

Although the main reports resulting from our review of constituency allowances at the House of Assembly were released in 2006 and 2007, the Office's resources continue to be impacted through requests for information from the Management Commission, court appearances, follow-up from the Royal Newfoundland Constabulary concerning the ongoing investigations, requests from audit offices across Canada and the U.K., and most recently, representatives from the Canadian Senate.

3.6 First Audit of the House of Assembly

As a result of recommendation 52 of the *Report of the Review Commission on Constituency Allowances and Related Matters*, there is now a legislative requirement in the *House of Assembly Accountability, Integrity and Administration Act*, that financial, compliance and management certification reviews of the House of Assembly be conducted. During 2008-09, the Office conducted its first audits under the new requirements. Because this work had not been conducted before, it involved considerable effort and research on the part of a number of the staff of the Office.

3.7 First Separate Update Report on Prior Years' Recommendations

This Fall the Office will release the first separate report dealing with monitoring prior years' recommendations. In the past, our update was contained in Chapter 3 of the Annual Report, *Reviews of Departments and Crown Agencies*. However, our 2008 Annual Report did not contain this information. Instead, a separate report will be submitted to the Speaker of the House of Assembly for tabling in the House.

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report on the degree to which positive change has occurred as a result of the implementation of recommendations contained in our prior years' reports. Therefore, we monitor and provide an update to the House of Assembly on the recommendations in each Annual Report when entities have had a reasonable length of time to respond to the findings – approximately two years after the Annual Report is published. Monitoring of these recommendations continues until we are reasonably satisfied that issues are adequately addressed or are no longer applicable. The report will focus on how past recommendations have been addressed and how they have assisted in promoting positive change.

3.8 Information Management

A new position of Information Management Technician II was approved for the Office. The position resulted from a recommendation contained in an information management capacity assessment that was conducted by an external consultant in 2007. Adding this permanent position signifies a commitment by the Office to move towards implementing a comprehensive records and information management system for all electronic and paper records. In time, this will include implementation of database software to access records, and identification and communication of policies associated with the secure management of records throughout their life cycle.

3.9 IT - Security and Electronic Working Papers

Protecting the integrity of our electronic audit files and ensuring the security and confidentiality of our data is paramount to this Office and the work we carry out. The Office purchased new computer firewall hardware which provides the latest enterprise level protection with continuous real-time threat protection, ensuring the strongest defense posture with minimal IT intervention. Smart Cards, which contain embedded token chips and personal certificates, were issued to each employee. Smart Cards provide secure authentication to the Office network servers and access to individual computer systems. In addition, all computers were encrypted to protect data from unauthorized access.

The introduction of the Caseware electronic working papers software allowed the Office to move to a less paper environment and tie in with the anticipated records and information management system and a TRIM database.

Highlights and Accomplishments

3.10 International Twinning Project with the Audit Office of Guyana

Through CCAF, the Office is participating in an international twinning arrangement with the Audit Office of Guyana. To date, senior employees of our Office have completed two missions to Guyana to review audit methodologies and recommend changes to improve their processes and legislative reports. In addition, our staff worked with Guyana's Auditor General to finalize an audit of an elder care home in Guyana. The project continues until 2012.

3.11 ECCOLA Conference

The Office hosted a conference in Corner Brook for the Eastern Canadian Council of Legislative Auditors (ECCOLA). Approximately 25 delegates attended the conference, including the Auditors General of Quebec, Nova Scotia, Prince Edward Island, New Brunswick, and Newfoundland and Labrador. The conference included a presentation from the Provincial Affairs Reporter for CBC Newfoundland and Labrador, Mr. David Cochrane, entitled "Covering the AG Reports". The presentation was informative and thought provoking and also provided the Auditors General of Atlantic Canada and Quebec with a unique opportunity to discuss their reports with a member of the media in the context of their role in communicating report findings.

3.12 Renovations to Corner Brook Office

The regional office in Corner Brook was relocated in 2008 due to construction of the new courthouse. The new office and the building in which it is located has since undergone extensive renovations.

3.13 Legislative Requirements Met

Our Office is accountable to the House of Assembly for its performance. In this section we provide a comparison of our performance against the goals established for the four lines of business – financial statement audits, legislative audits, monitoring Crown agency reports and special assignments – outlined in our Business Plan for 2008-09 to 2010-11.

Performance Measures	Status 2008-09
1. Complete our audit of the financial statements of the Province by 31 January as required by the <i>Auditor General Act</i> and within the time schedule agreed upon with the Office of the Comptroller General, and complete all other financial statement audits within three months of their fiscal year end.	My Auditor's Report for the year ended 31 March 2008 was dated 18 November 2008. The Public Accounts were released on 30 January 2009.

Highlights and Accomplishments

Performance Measures	Status 2008-09
	<p>Of the 29 Crown agency financial statement audits that we performed for the fiscal year ended 31 March 2008, 22 were completed within three months of the fiscal year. The remaining 7 either did not provide draft financial statements or did not provide supporting information for the audit in sufficient time for completion within three months.</p> <p><i>Note: Although comments in this Report relate to the fiscal year ended 31 March 2009, for the most part, work conducted related to financial statements for the fiscal year ended 31 March 2008.</i></p>
<p>2. Complete all audits (Crown agencies and financial statements of the Province) within budget for time and monitor actual time relative to budget. Our target for success is to be within a 10% variance of budget for time.</p>	<p>Of the 29 Crown agency financial statement audits that we performed for the fiscal year 31 March 2008, 15 exceeded the time budgets by more than 10%. In some instances, variances were caused by particular circumstances associated with the agency being audited. In other instances, this was planned and necessary in order to provide training for junior employees and to implement a new electronic audit working papers software program. In all cases, additional time was also required to address changes in Canadian generally accepted auditing standards which necessitated a revision to the approach used by the Office for its financial statement audits.</p> <p><i>Note: Although comments in this Report relate to the fiscal year ended 31 March 2009, for the most part, work conducted related to financial statements for the fiscal year ended 31 March 2008.</i></p>
<p>3. The Executive Committee will meet with Audit Managers on an annual basis to obtain an overview of their work. We will also have an annual meeting with all audit staff to identify possible projects.</p>	<p>All employees attended a consultation session with the Executive group in January 2009 to identify possible legislative audits for the coming year. In addition, the Executive Committee and Audit Management group met in March 2009 to review past work, discuss strategic human resource issues and plan for upcoming audits.</p>

Highlights and Accomplishments

Performance Measures	Status 2008-09
4. Monitor the degree to which our recommendations have been implemented or major issues have been addressed. Our target for success is that 80% of all recommendations be implemented within two years of our report date.	In the past, our update was contained in Chapter 3 of the Annual Report, <i>Reviews of Departments and Crown Agencies</i> . However, our 2008 Annual Report did not contain this information. Instead, a separate report will be submitted to the Speaker of the House of Assembly this Fall for tabling in the House.
5. Provide the House of Assembly with our reviews of departments and monitoring of Crown agencies by 31 January of the year following the previous fiscal year-end.	Our 2008 Report to the House of Assembly on <i>Reviews of Departments and Crown Agencies</i> was provided to the Speaker on 21 January 2009, prior to the statutory deadline of 31 January.
6. Report on all special assignments conducted within the time period requested.	There are no special assignments to report on for the period 1 April 2008 to 31 March 2009.
7. Provide the House of Assembly with an accountability report on our Office by 30 September of each year.	In accordance with the <i>Transparency and Accountability Act</i> , our Office is presenting this Report on our Business Plan to the Speaker of the House of Assembly within six months after our fiscal year end of 31 March 2009.

**CHAPTER
4
OUTPUTS**

Outputs

In 2008, we developed a new Business Plan which will guide our Office for three fiscal years, from 1 April 2008 to 31 March 2011. This section provides an update on the progress associated with each business issue from our Plan.

4.1 Update on Progress related to Goals and Objectives

4.1.1 Human Resource Management

Recruitment and retention has been a challenge in recent years, due in part to new opportunities within Government for accounting and audit professionals, and increased job opportunities in the Province. In addition, within the next five years, a significant number of employees will be eligible to retire. This could leave a competency gap at the senior level in the Office.

Goal: By 31 March 2011, the Office of the Auditor General will have implemented a new human resource plan designed to enhance human resource capacity.

Objective: By 31 March 2009, the Office of the Auditor General will have developed a series of human resource management initiatives.

Human Resource Management			
	Planned Progress	Actual Progress	Explanation of Variance (if applicable)
1	Recruitment and retention strategies identified	- The Office has partnered with Memorial University's School of Business to hire Business Co-op students during their work-terms; - We successfully recruited 3 new staff and our retention rate has remained at 100% for the past six months.	n/a
2	Designed an employee development program	An employee development program was designed and will be implemented in 2009-10.	n/a

Outputs

Human Resource Management			
	Planned Progress	Actual Progress	Explanation of Variance (if applicable)
3	Designed a succession strategy for the transfer of knowledge from senior employee(s) to junior employees	<ul style="list-style-type: none"> - We are adapting Government's succession planning model for the Office of the Auditor General; - We identified development opportunities for auditors to participate in professional practice and human resource initiatives. 	n/a

4.1.2 Business Processes

The Office of the Auditor General promotes a continuous improvement philosophy whereby work processes are reviewed and updated to ensure that we maintain compliance with professional standards and Office policies. Of particular importance is that on 1 January 2011, principles that govern accounting for publicly accountable enterprises will be replaced with international financial reporting standards (IFRS). We are required to be prepared for this change for financial years beginning 1 January 2011.

Goal: By 31 March 2011, the Office of the Auditor General will have enhanced its business processes by further developing our audit methodology and introducing a new records and information management system.

Objective: By 31 March 2009, the Office of the Auditor General will have developed a series of initiatives to enhance its business processes.

Business Processes			
	Planned Progress	Actual Progress	Explanation of Variance (if applicable)
1	Piloted electronic working paper software	Approximately one-third of financial statement audits of Crown agencies were carried out using electronic working papers software.	n/a

Business Processes			
	Planned Progress	Actual Progress	Explanation of Variance (if applicable)
2	Identified the IFRS accounting principles that affect our clients	In April 2008 we provided detailed information to employees relating to IFRS accounting principles that affect our clients. In addition, in February 2009, as part of our annual Accounting and Auditing Update, a national level instructor provided current information on the status and impact of the changes to international standards in both accounting and auditing. We continue to provide updated resource material to our staff as it becomes available.	n/a
3	Designed a new records and information management system	A records and information management system is in the preliminary design phase.	This initiative was postponed due to delays associated with an Organizational Review of the Office by the Public Service Secretariat. The delay meant that the new position of Information Management Technician II was not filled when anticipated.

4.2 Objectives, Measures and Indicators for 2009-10

Our *Business Plan for Three Fiscal Years 2008-09, 2009-10 and 2010-11* highlights two major goals that the Office will focus on in the two remaining years. To guide our progress in this regard, objectives, measures and indicators have been established for each fiscal year. The objectives, measures and indicators for 2009-10 are as follows:

4.2.1 Human Resource Management

Objective: By 31 March 2010, the Office of the Auditor General will have implemented a series of human resource management initiatives.

Measure: human resource plan

Indicators:

- Change of reporting structure for the Office from the Executive Branch of Government to the House of Assembly Management Commission relating to human resource matters;
- Additional senior auditor positions will be created to enable the Office to recruit experienced auditors;
- Semi-annual senior management meetings will be held to identify gaps and provide coverage of shortfall, and to discuss succession planning issues for the Office;
- Succession strategies for the Office of the Auditor General will be implemented; and
- An Employee Development Program will be implemented.

4.2.2 Business Process

Objective: By 31 March 2010, the Office of the Auditor General will have implemented a series of initiatives to enhance its business processes.

Measure: business process improvement

Indicators:

- Two-thirds of financial statement audits of Crown agencies will be carried out using electronic working papers software;
- The audit management group will pilot electronic working paper software for file review purposes;
- IFRS accounting principles will be evaluated to determine application to financial statements of Crown agencies we audit;
- The Canadian Auditing Standards (CAS) will be evaluated to assess the impact on the work of our Office;
- The position of Information Management Technician II will be filled; and
- A new records and information management system will be designed.

**CHAPTER
5
OPPORTUNITIES AND
CHALLENGES AHEAD**

5.1 Amendments Required to the *Auditor General Act*

In July 2008 I wrote the Speaker of the House of Assembly outlining proposed amendments to the *Auditor General Act* (the *Act*) that were in addition to the proposed amendments identified in my letter to the former Speaker in April 2005. The additional proposed amendments related to the requirements of the new *House of Assembly Accountability, Integrity and Administration Act*. I understand that the proposed amendments from both submissions are now under consideration.

The most substantial proposed amendments are as follows:

- Amendments to sections 10, 11 and 12 of the *Act* to provide an explicit value for money mandate. The Office has, based on our interpretation of the *Act*, been performing similar work since the *Act* was passed in 1991;
- Amendments to section 15 of the *Act* to be consistent with section 45 of the *House of Assembly Accountability, Integrity and Administration Act* and to reflect background commentary in the *Report of the Review Commission on Constituency Allowances and Related Matters*;
- Amendments throughout the *Act* to reflect responsibilities related to audits of the House of Assembly and its statutory offices;
- Amendments throughout the *Act* to reflect the need for independence of the Office from the Executive Branch of Government; and
- Introduction of two new sections to provide authority for the Auditor General to consult with or provide advice to specified parties and to participate in joint audits with other auditors general.

5.2 Human Resource Management - Recruitment and Retention

Recruitment and retention of experienced auditors has been a challenge in recent years. This is due in part to new opportunities within Government for audit professionals that have resulted from new control processes and a focus on the internal audit function. In addition, mid-level auditors in this Office are not compensated on an equitable basis with positions of equivalent qualifications and responsibilities in Government departments.

The Office has requested amendments throughout the *Auditor General Act* to reflect the need for independence of the Office from the Executive Branch of Government. This change would result in the Office reporting to the House of Assembly Management Commission for the purposes of classification and remuneration.

5.3 Human Resource Management - Succession

The demographics at this Office indicate that a significant number of employees will be entitled to retire within the next five years. Over the past year, the Office has updated its recruitment and retention strategies and is actively positioning itself to prepare for this demographic shift through: partnering with Memorial University's School of Business to provide meaningful work-terms to Business Co-op students through all phases of their degree program; filling of junior auditor positions; assigning increasingly responsible work assignments; and professional development of all employees through a new Employee Development Program.

5.4 New Professional Standards - Accounting

Generally accepted accounting principles (GAAP) are authoritative standards for financial accounting and reporting which have been developed through a complete standard setting process. In Canada, the primary source of GAAP applicable to all types of profit oriented and not-for-profit organizations, is the CICA Handbook. Various acts at the Federal and provincial level in Canada require entities to prepare financial statements in accordance with Canadian GAAP as set out in the CICA Accounting Handbook.

The CICA Public Sector Accounting (PSA) Handbook is the primary source of GAAP for Federal, provincial, territorial and local governments. While the financial statements of governments and some of their entities are prepared using PSA accounting principles, there are a number of public sector entities which prepare their financial information using the principles proclaimed in the CICA Accounting Handbook. In 2011, Canadian GAAP will change dramatically with the adoption of International Financial Reporting Standards (IFRS). With this adoption, the CICA Accounting Handbook will not exist as it is today. Therefore, IFRS will have a major impact on the reporting standards used by all publicly accountable enterprises in Canada which use the CICA Accounting Handbook.

Although the CICA Accounting Handbook will no longer be used, the CICA-PSA Handbook will continue to exist. As a result, the standards used to prepare the financial statements of Newfoundland and Labrador and any of the Province's entities which prepare their financial statements using the CICA-PSA Handbook recommendations, may not significantly change. However, any of the Province's entities which prepare their financial statements under standards proclaimed in the CICA Accounting Handbook will have to change their reporting standards to those proclaimed in the CICA-PSA Handbook, or implement the IFRS.

These changes in accounting principles in Canada will have a significant impact on a number of the Province's entities and on the work of our Office. Therefore, we are in the process of closely monitoring the impact of the changes, working closely with the entities which we audit, and preparing our employees for the changes.

5.5 New Professional Standards - Auditing

In Canada, generally accepted auditing standards (GAAS) are set by the Auditing and Assurance Standards Board (AASB) which has the authority, under various Federal and provincial legislation, to set these standards for services performed by public accountants. The AASB is adopting the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. These international standards will be adopted as Canadian Auditing Standards (CAS) for audits of financial statements for periods ending on or after 14 December 2010, while the International Quality Control Standards will be adopted in Canada on 15 December 2009.

Because the audit work which is completed by our Office is currently performed in accordance with Canadian GAAS, these changes will have a significant impact on the work of our Office. We are in the process of monitoring these changes, determining how they will change the way we conduct our work, making any necessary changes to our procedures to reflect any new requirements and providing any necessary training to our employees, so that we can fully comply with the new standards.

5.6 Advancing Technology

The requirements for data and email security are constantly evolving. Government has converted its email system from GroupWise to Exchange. This change will be a learning curve for IT staff as well as end users. The Office is working with the OCIO to resolve any infrastructure and changeover issues. In addition, in order to ensure our independence from the Executive Branch of Government, the Office, in cooperation with the OCIO, is in the process of establishing our own email and Internet domain separate from Government.

Opportunities and Challenges Ahead

CHAPTER
6
FINANCIAL INFORMATION

Financial Information

This section includes the audited financial statements of the Office for the year ended 31 March 2009.



Financial Information

Office of the Auditor General

Province of Newfoundland and Labrador

March 31, 2009

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Auditors' report

To the Members of
House of Assembly Management Commission
Province of Newfoundland and Labrador

Grant Thornton LLP
187 Kenmount Road
St. John's, NL
A1B 3P9
T (709) 722-5960
F (709) 722-7892
www.GrantThornton.ca

At the request of the Clerk of the House of Assembly, and in accordance with Section 32 of *The Auditor General Act*, we have audited the supplementary financial information of the Office of the Auditor General, Province of Newfoundland and Labrador as at March 31, 2009, the schedule of expenditures and related revenue and the schedule of gross expenditures and unexpended balances, for the year then ended. This financial information is the responsibility of the Office's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In our opinion, this financial information presents fairly, in all material respects, the selected assets and liabilities of the Office as at March 31, 2009 and the results of its operations for the year then ended in accordance with the accounting policies disclosed in Note 2.

This financial information, which has not been, and was not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of the House of Assembly Management Commission to comply with the Act. This information is not intended to be used for any other purpose.

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

St. John's, Newfoundland and Labrador

June 25, 2009

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

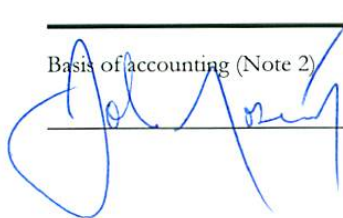
Financial Information

2

Office of the Auditor General
Province of Newfoundland and Labrador
Supplementary Financial Information

Year Ended March 31	2009	2008
Assets		
Current		
Audit fees work in progress	\$ 144,738	\$ 74,870
Accountable advance	700	700
Prepays	<u>10,899</u>	<u>7,201</u>
	<u>\$ 156,337</u>	<u>\$ 82,771</u>
Liabilities		
Current		
Accrued paid/annual leave	\$ 946,207	\$ 792,261
Accrued payroll	94,132	69,711
Accrued overtime	10,176	8,159
Accrued severance pay	<u>558,891</u>	<u>496,408</u>
	<u>\$ 1,609,406</u>	<u>\$ 1,366,539</u>

Basis of accounting (Note 2)



Auditor General

See accompanying notes to the financial information.

Office of the Auditor General
 Province of Newfoundland and Labrador
 Schedule of Expenditures and Related Revenue
 Year Ended March 31 2009 2008

	Actual	Estimates		Actual
		Amended	Original	
Executive Support				
Salaries	\$ 200,308	\$ 201,000	\$ 189,500	\$ 187,922
Salaries (statutory)	139,917	140,300	132,300	131,270
Employee benefits	3,640	5,000	5,000	1,178
Transportation and communications	11,893	27,000	27,000	12,079
Professional services	1,500	10,000	10,000	2,925
Purchased services	643	1,000	1,000	53
	<u>\$ 357,901</u>	<u>\$ 384,300</u>	<u>\$ 364,800</u>	<u>\$ 335,427</u>
Administrative Support				
Salaries	\$ 170,836	\$ 221,800	\$ 206,600	\$ 159,243
Employee benefits	3,676	8,500	8,500	3,872
Transportation and communications	20,330	38,000	38,000	32,247
Supplies	96,975	156,700	156,700	90,609
Professional services	10,500	11,500	11,500	8,280
Purchased services	193,287	204,700	204,700	261,555
Property, furnishings and equipment	66,003	70,900	70,900	36,366
	<u>\$ 561,607</u>	<u>\$ 712,100</u>	<u>\$ 696,900</u>	<u>\$ 592,172</u>
Audit Operations				
Salaries	\$ 1,781,763	\$ 2,123,700	\$ 2,001,000	\$ 2,344,915
Employee benefits	27,321	43,500	43,500	62,753
Transportation and communications	66,634	72,500	72,500	58,703
Professional services	47,434	55,000	10,000	86,106
	<u>1,923,152</u>	<u>2,294,700</u>	<u>2,127,000</u>	<u>2,552,477</u>
Revenue – Provincial	<u>(146,780)</u>	<u>(207,400)</u>	<u>(207,400)</u>	<u>(221,200)</u>
	<u>\$ 1,776,372</u>	<u>\$ 2,087,300</u>	<u>\$ 1,919,600</u>	<u>\$ 2,331,277</u>
Net expenditures	<u>\$ 2,695,880</u>	<u>\$ 3,183,700</u>	<u>\$ 2,981,300</u>	<u>\$ 3,258,876</u>

Basis of accounting (Note 2)

See accompanying notes to the financial information.

4

Office of the Auditor General
Province of Newfoundland and Labrador
Schedule of Gross Expenditures and Unexpended Balances

Year Ended March 31	2009	2008
Original estimates (net)	\$ 2,981,300	\$ 3,426,800
Add: Transfer from Department of Finance –Personnel Costs	<u>194,400</u>	-
Amended estimates	3,175,700	3,426,800
Add: revenue estimates net of statutory payments	<u>75,100</u>	<u>43,600</u>
Total appropriation	<u>3,250,800</u>	<u>3,470,400</u>
Total net expenditure	2,695,880	3,258,876
Add: revenue in excess of statutory payment	<u>6,863</u>	<u>89,930</u>
Total gross expenditure (budgetary, non-statutory)	<u>2,702,743</u>	<u>3,348,806</u>
Unexpended balance of appropriation	<u>\$ 548,057</u>	<u>\$ 121,594</u>

See accompanying notes to the financial information.

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Supplementary Financial Information
March 31, 2009

1. Nature of operations

The *Auditor General Act* creates the Office of the Auditor General to assist in carrying out the duties prescribed. The *Act* appoints the Auditor General as the House of Assembly's independent legislative auditor of Government, its departments, agencies of the Crown, and Crown controlled corporations. The Auditor General reports to the House of Assembly, on significant matters which result from the examination of these entities.

2. Summary of significant accounting policies

This financial information has been prepared in accordance with the accounting policies set out below.

Basis of accounting

The Supplementary Financial Information is prepared on the accrual basis of accounting. The Schedule of Expenditures and Related Revenue and the Schedule of Gross Expenditures and Unexpended Balances are based on the modified cash basis.

Assets

Assets and liabilities are recorded on a basis consistent with the policies used in preparing the Public Accounts of the Province of Newfoundland and Labrador. Direct liabilities and convertible assets such as amounts receivable are reported on the Supplementary Financial Information on an accrual basis.

Capital assets

Capital asset acquisitions are charged as budgetary expenditures and are expensed in the year of acquisition on the Schedule of Expenditures and Related Revenue. Capital assets are not reported on the Supplementary Financial Information but are reported in the Public Accounts of the Province of Newfoundland and Labrador.

Revenue recognition

Audit fee revenue is recorded on the modified cash basis as payment is received on the Schedule of Expenditures and Related Revenue. Audit fees billed in progress on the Supplementary Financial Information are on the accrual basis of accounting.

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Supplementary Financial Information
March 31, 2009

2. Summary of significant accounting policies (cont'd.)

Operating expenses

Expenses are recorded on the modified cash basis as payments are made on the Schedule of Expenditures and Related Revenue. Accrued leave, overtime, and payroll are recorded on the Supplementary Financial Information on the accrual basis of accounting.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees upon nine years or more of service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Province.

Income taxes

The Office of the Auditor General is not subject to Provincial or Federal income taxes.

3. Commitments

The Office is committed to annual rental payments for the next two years as follows: 2010 - \$94,050; and 2011 - \$9,281

4. Employee future benefits

Under the *Auditor General Act*, all persons employed in the Office of the Auditor General are employees for the purposes of the *Public Service Pensions Act, 1991*, and are entitled to all the benefits under that *Act*. No pension or other post employment future benefit expenditures have been recorded in this financial information.

Pension liability is recognized in the Public Accounts for all public servants. Pension expense for public servants is also reported in the Public Accounts under the Consolidated Fund Services. The Province matched the contributions of public servants and this expense is recorded under the Consolidated Fund Services.

APPENDICES

APPENDIX

I

AUDITOR GENERAL ACT

SNL1991 CHAPTER 22

AUDITOR GENERAL ACT

Amended:

2001 cN-3.1 s2; 2002 cA-1.1 s75; 2007 cH-10.1 s70

CHAPTER 22

AN ACT RESPECTING THE OFFICE OF THE AUDITOR GENERAL AND THE
AUDITING OF THE PUBLIC ACCOUNTS OF THE PROVINCE

(Assented to October 31, 1991)

Analysis

1. Short title
2. Definitions
3. Office of the auditor general
4. Appointment of auditor general
5. Tenure of office
6. Vacancy in office
7. Salary of auditor general
8. Restraint on holding other offices
9. Oath of office
10. Auditor of provincial accounts
11. Report on financial statements
12. Reports of the auditor general
13. Tabling of reports
14. Audit of agencies of the Crown, etc.
15. Improper retention of public money
16. Special assignments
17. Access to information
18. Examination and subpoena
19. Prohibition
20. Representatives in a department, etc.
21. Confidentiality
22. Audit working papers
23. Staff
24. Oath of office generally
25. Pension plan
26. Delegation of authority
27. Acting auditor general
28. Agents
29. Limitation of liability

- 30. Goods and services
- 31. Minister of Finance
- 32. Audit of the office
- 33. Financing of operations
- 34. Auditor general may charge fees
- 35. Consequential
- 36. 1973 No.86 Amdt.

Be it enacted by the Lieutenant-Governor and House of Assembly in Legislative Session convened, as follows:

Short title

- 1. This Act may be cited as the *Auditor General Act*.

Definitions

- 2. (1) In this Act

- (a) "agency of the Crown" means an authority, board, commission, foundation, agency, corporation, association, institute or other body of persons, whether incorporated or unincorporated, 50% or more of the members of which or 50% or more of the members of the board of management or board of directors of which,

- (i) are appointed by an Act of the Legislature or by the Lieutenant-Governor in Council, or

- (ii) where not so appointed, in the discharge of their duties are public officers or servants of the Crown or are responsible to the Crown for the proper discharge of their duties;

- (b) "audit" means an audit or examination of accounts of public money that may be made by the auditor general under this Act;

- (c) "auditor general" means the Auditor General of Newfoundland and Labrador appointed under section 4;

- (d) "commission" means the House of Assembly Management Commission continued under section 18 of the *House of Assembly Accountability, Integrity and Administration Act*;

- (e) "Crown controlled corporation" means a corporation that is not an agency of the Crown and having

- (i) 50% or more of its issued and outstanding shares vested in the Crown or in the name of a minister of the Crown, or

- (ii) the appointment of a majority of its board of directors made or approved by the Lieutenant-Governor in Council;

- (f) "office" means the Office of the Auditor General established under section 3; and
- (g) "public money" means all money received, held or collected for or on behalf of the province by a minister of the Crown or other public officer in his or her official capacity or by a person authorized to receive, hold or collect that money, and includes
- (i) all revenues of the province,
 - (ii) money borrowed by the province or received through the issue and sale of securities, and
 - (iii) money paid to the province for a special purpose.
- (2) Words and expressions used in this Act and not defined in subsection (1) have the same meaning as in the *Financial Administration Act*.

Office of the auditor general

3. There is established a department of the public service of the province called the Office of the Auditor General, over which the auditor general shall preside.

Appointment of auditor general

4. (1) The Lieutenant-Governor in Council shall, by commission under the Great Seal of the province, appoint a qualified auditor to be the officer called the Auditor General of Newfoundland and Labrador .

(2) The person appointed to the position of auditor general under this section must be confirmed in office as auditor general by the introduction in the House of Assembly of a resolution within 10 days after his or her appointment and if the House of Assembly is not sitting within 10 days after the commencement of the next ensuing Session of the House of Assembly or within 10 days after the House of Assembly resumes sitting following an adjournment of the House of Assembly.

(3) The auditor general is by virtue of his or her position an officer of the House of Assembly.

Tenure of office

5. (1) The auditor general holds office for a term of 10 years but may be removed for cause by the Lieutenant-Governor in Council following the passing by the House of Assembly of a resolution requesting the Lieutenant-Governor in Council to do so.

(2) Once having served as auditor general, a person is not eligible for re-appointment to that office.

Vacancy in office

6. In the event of the absence or incapacity of the auditor general or where the Office of Auditor General is vacant, the Lieutenant-Governor in Council may appoint a person temporarily to perform the duties of the auditor general.

Salary of auditor general

7. The auditor general shall be paid a salary out of the Consolidated Revenue Fund at a rate set by the Lieutenant-Governor in Council and is entitled to the privileges of office of a deputy minister.

Restraint on holding other offices

8. The auditor general shall not hold an office of profit or shall not act as trustee for profit for another person, other than his or her office as auditor general or engage in an occupation for reward outside the duties of his or her office.

Oath of office

9. (1) Before entering upon his or her duties, the auditor general shall

(a) take or make and sign the Oath or Affirmation of Allegiance under the *Oaths of Office Act*; and

(b) take or make and sign the following oath or affirmation of office:

"I,....., do solemnly swear (or solemnly, sincerely and truly declare and affirm) that I will faithfully, truly, impartially, honestly, justly and to the best of my judgement, skill and ability, execute and perform the powers, duties and functions reposed in or required of me as auditor general under the *Auditor General Act* or another Act and that I will observe and comply with the laws of Canada and Newfoundland and Labrador." (Where an oath is taken add "So help me God").

(2) The oaths or affirmations referred to in subsection (1) shall be administered by the Speaker or by the Clerk of the House of Assembly.

Auditor of provincial accounts

10. The auditor general is the auditor of the financial statements and accounts of the province and shall make those examinations and inquiries that the auditor general considers necessary to enable him or her to report as required by this Act.

Report on financial statements

11. The auditor general shall examine the several financial statements required by the *Financial Administration Act* to be included in the public accounts of the province, and any other statement that is required to be audited by the auditor general under that Act or another statement that the Minister of Finance may present for audit and shall express his or her opinion as to whether the financial statements present fairly the financial position, results of operations and changes in the financial position of the province in accordance with the disclosed accounting policies of the provincial government and on a basis consistent with that of the preceding year, together with reservations the auditor general may have.

Reports of the auditor general

12. (1) The auditor general shall as he or she considers necessary but at least annually report to the House of Assembly on

- (a) the work of the office;
- (b) whether, in carrying out the work of the office, the auditor general received all the information including reports and explanations the auditor general required;
- (c) the results of the auditor general's examination of the financial statements referred to in section 11; and
- (d) audits, examinations and inquiries performed under this Act.

(2) A report of the auditor general under subsection (1) shall include the results of the auditor general's examination of the accounts of the province, and shall call attention to anything the auditor general considers significant, including instances where

- (a) collections of public money
 - (i) have not been effected as required under various Acts and regulations, directives or orders under those Acts,
 - (ii) have not been fully accounted for, or
 - (iii) have not been properly reflected in the accounts;
- (b) disbursements of public money
 - (i) have not been made in accordance with the authority of a supply vote, or relevant Act,
 - (ii) have not complied with regulations, directives or orders applicable to those disbursements,
 - (iii) have not been properly reflected in the accounts, or
 - (iv) have not been made for the purposes for which it was appropriated;

- (c) accounts have not been faithfully and properly kept;
 - (d) assets acquired, administered or otherwise held are not adequately safeguarded or accounted for;
 - (e) accounting systems and management control systems that relate to revenue, disbursements, the safeguarding or use of assets or the determination of liabilities were not in existence, were inadequate or had not been complied with; or
 - (f) factors or circumstances relating to an expenditure of public money which in the opinion of the auditor general should be brought to the attention of the House of Assembly.
- (3) Paragraph (2)(f) shall not be construed as entitling the auditor general to question the merits of policy objectives of the government.

Tabling of reports

13. (1) Each report of the auditor general referred to in section 12 shall be submitted to the Speaker of the House of Assembly and the Speaker shall table each report before the House of Assembly immediately after receipt of the report by him or her or, where the House of Assembly is not then in Session, on the 1st day of the commencement of the next ensuing Session of the House of Assembly or on the 1st day after the House of Assembly resumes sitting following an adjournment of the House of Assembly.

(2) The annual report of the auditor general shall be submitted on or before January 31 following the close of the fiscal year to which the report relates.

Audit of agencies of the Crown, etc.

14. (1) Where an auditor has not been appointed to audit an agency of the Crown or a Crown controlled corporation, the auditor general shall be the auditor.

(2) Where the auditor of an agency of the Crown or of a Crown controlled corporation is other than the auditor general, the auditor shall

(a) deliver to the auditor general after completion of the audit a copy of the auditor's report, his or her recommendations to management and a copy of the audited financial statements of the corporation or agency;

(b) make available immediately to the auditor general, when so requested by the auditor general, all working papers, reports, schedules and other documents in respect of the audit; and

(c) provide immediately to the auditor general, when so requested by the auditor general, a full explanation of work performed, tests and examinations made and the results obtained, and other information relating to the audit within the knowledge of that auditor in respect of the agency or corporation.

(3) Where the auditor general is of the opinion that the information, explanation or document that is provided, made available or delivered to the auditor general by the auditor referred to in subsection (2) is insufficient to permit the auditor general to exercise his or her powers or duties under this Act, the auditor general may conduct or cause to be conducted an additional examination and investigation of the records and operations of the agency of the Crown or the Crown controlled corporation that the auditor general considers necessary.

Improper retention of public money

15. (1) Where during the course of an audit, the auditor general becomes aware of an improper retention or misappropriation of public money or another activity that may constitute an offence under the *Criminal Code* or another Act, the auditor general shall immediately report the improper retention or misappropriation of public money or other activity to the Lieutenant-Governor in Council.

(2) In addition to reporting to the Lieutenant-Governor in Council under subsection (1), the auditor general shall attach to his or her annual report to the House of Assembly a list containing a general description of the incidents referred to in subsection (1) and the dates on which those incidents were reported to the Lieutenant-Governor in Council.

Special assignments

16. (1) The auditor general may, where in his or her opinion such an assignment does not interfere with the auditor general's primary responsibilities under this Act, whenever the Lieutenant-Governor in Council so requests or the House of Assembly or the Public Accounts Committee by resolution so requires, inquire into and report on a matter relating to the financial affairs of the province or to public property or inquire into and report on a person or organization that has received financial aid from the government of the province or in respect of which financial aid from the government of the province is sought.

(2) Where the auditor general makes a report in accordance with subsection (1), the auditor general shall report back to either the Lieutenant-Governor in Council, the House of Assembly or the Public Accounts Committee.

Access to information

17. Except as provided by another Act that expressly refers to this section, every department of government, every agency of the Crown and every Crown controlled corporation shall furnish the auditor general with information regarding its power, duties, activities, organization, financial transactions and methods of business as the auditor general requires, and the auditor general shall be given access to all books, accounts, financial records, reports, electronic data processing records, explanations, files and all other papers, things or property belonging to or in use by the department, agency of the Crown or Crown controlled corporation and necessary to the performance of the duties of the auditor general under this Act.

Examination and subpoena

18. (1) The auditor general may examine a person on oath or affirmation on a matter pertinent to an account submitted to the auditor general for audit and the oath or affirmation may be administered by the auditor general to a person whom the auditor general desires to examine.

(2) In order to compel the attendance of a person under subsection (1), the auditor general may apply to a judge of the Trial Division for an order that a subpoena be issued from the court commanding the person named in the subpoena to appear before the auditor general at the time and place mentioned in the subpoena, and then and there to testify to all matters within that person's knowledge relative to an account submitted to the auditor general.

(3) Where so required, the person named in the subpoena shall produce a document, paper or thing which he or she has possession of relative to the account.

(4) A person named in a subpoena issued under this section is entitled to reasonable expenses at the time of the service.

Prohibition

19. Notwithstanding sections 17 and 18 , the auditor general shall not be permitted access to information the disclosure of which may be refused under section 22 of the *Access to Information and Protection of Privacy Act* or the disclosure of which shall be refused under section 18 of that Act.

Representatives in a department, etc.

20. The auditor general may station in the offices of a department, agency of the Crown or Crown controlled corporation, an employee of the office for the purpose of enabling the auditor general to more effectively exercise or perform his or her powers and duties under this or another Act, and the department, agency of the Crown or Crown controlled corporation shall provide the necessary office accommodation and facilities for employees so stationed.

Confidentiality

21. The auditor general and each person employed in the office or appointed or engaged to assist the auditor general for a limited period of time or in respect of a particular matter under section 28 shall keep confidential all matters that come to his or her knowledge in the course of his or her employment or duties under this Act and shall not communicate those matters to another person, except as may be required in connection with the discharge of his or her responsibilities under this Act or under the *Criminal Code*.

Audit working papers

22. Audit working papers of the office shall not be laid before the House of Assembly or a committee of the House of Assembly.

Staff

23. (1) Those auditors and employees that are necessary to enable the auditor general to perform his or her duties under this or another Act shall be appointed or employed in the manner authorized by law and are members of the public service of the province.

(2) The personnel management policies of the Treasury Board as they relate to the public service of the province apply to the office.

(3) The *Conflict of Interest Act* applies to the auditor general and every person employed in the office.

Oath of office generally

24. (1) Every person employed in the office, shall, before performing a duty as an employee in the office

(a) take or make and sign the Oath or Affirmation of Allegiance under the *Oaths of Office Act* ; and

(b) take or make and sign the following oath or affirmation of office:

"I....., do swear (or solemnly, sincerely and truly, declare and affirm) that I will faithfully, honestly and impartially to the best of my knowledge, skill and ability perform my duties as an employee in the Office of the Auditor General and that I will observe and comply with the laws of Canada and Newfoundland and Labrador and except as I may be legally required, I will not disclose or give to a person information or a document that comes to my knowledge or possession by reason of my being an employee in the Office of the Auditor General."(In the case where an oath is taken add "So help me God").

(2) The oaths or affirmations referred to in subsection (1) shall be administered by the auditor general or his or her designate.

(3) The auditor general may require a person or class of persons appointed to assist the auditor general for a temporary period of time or in respect of a particular matter under section 28 to take or make and subscribe the oaths or affirmations referred to in subsection (1).

(4) A copy of each oath or affirmation administered to an employee of the office under subsection (1) shall be kept in the files of the office.

(5) The refusal of an employee of the office to take or make and subscribe to the oaths or affirmations or the failure to adhere to the oaths or affirmations required by subsection (1) may be considered as cause for dismissal.

Pension plan

25. (1) All persons employed in the office are employees for the purposes of the *Public Service Pensions Act, 1991* and are entitled to all the benefits under that Act.

(2) Notwithstanding subsection (1), the Lieutenant-Governor in Council may by order permit the auditor general to participate in the *Public Service Pensions Act, 1991* or may by order stipulate other pension arrangements for the auditor general upon his or her appointment under this Act.

Delegation of authority

26. The auditor general may delegate in writing to an employee of the office authority to exercise a power or perform a duty of the auditor general other than reporting to the House of Assembly.

Acting auditor general

27. The auditor general may appoint an employee of the office as acting auditor general while the auditor general is absent from the province.

Agents

28. The auditor general may engage, on a fee basis, a person to act as his or her agent for the purpose of conducting an audit or examination that the auditor general is empowered to conduct or to perform a service that the auditor general considers necessary for a purpose related to the exercise or performance of the auditor general's powers and duties under this or another Act.

Limitation of liability

29. The auditor general, persons employed in the office and those persons employed or engaged by the auditor general under the authority of section 28 are not liable in a proceeding for an act done or not done or for a statement or report made by them in good faith in connection with a matter they are authorized or required to do under this Act.

Goods and services

30. Subject to the *Public Tender Act* the auditor general may engage within the limits of the appropriation approved by the Legislature for his or her office and without the approval of the Treasury Board the professional services, including counsel, consultants, accountants and other experts and acquire goods that the auditor general considers necessary for a purpose related to the exercise or performance of his or her powers and duties under this or another Act.

Minister of Finance

- 31.** Where the auditor general
- (a) considers it necessary to report for the information of the Lieutenant-Governor in Council; or
 - (b) is required to report to the Lieutenant-Governor in Council for the purposes of this Act, especially in respect of a matter relating to the office,
- the report is made through the Minister of Finance.

Audit of the office

- 32.** (1) The commission shall appoint a qualified auditor to audit annually the office.
- (2) The auditor appointed under subsection (1), has the same powers and shall perform the same duties in relation to an audit of the office that the auditor general has or performs in relation to an audit performed under this Act.
- (3) The auditor appointed under subsection (1) shall submit his or her report to the commission and send a copy to the auditor general.
- (4) The Speaker of the House of Assembly shall table the report of the auditor under this section before the House of Assembly immediately after receiving the report by him or her or where the House of Assembly is not then in Session, on the 1st day of the commencement of the next ensuing Session of the House of Assembly or the 1st day after the House of Assembly resumes sitting following an adjournment of the House of Assembly.

Financing of operations

- 33.** (1) The auditor general shall submit annually to the commission for its approval estimates of the sums that will be required to be provided by the Legislature for the payment of the salaries, allowances and expenses of the office under this Act during the next ensuing fiscal year.
- (2) The commission shall review and may alter as it considers proper the estimates submitted under subsection (1) and, upon completion of the review, the Speaker of the House of Assembly shall submit the estimates as approved by the commission to the House of Assembly for the purpose of inclusion in the estimates of the province for approval by the Legislature.

Auditor general may charge fees

34. (1) Where the auditor general conducts examinations or audits an agency of the Crown or Crown controlled corporation, the auditor general may charge fees for professional services rendered by his or her office.

(2) The fees referred to in subsection (1) shall be established on a basis that may be approved by the Lieutenant-Governor in Council.

(3) The fees charged and collected by the auditor general under this section shall be paid into the Consolidated Revenue Fund.

Consequential

35. (1) Persons in the employ of the Department of the Auditor General at the commencement of this Act are considered to have been appointed in accordance with this Act.

(2) Upon the commencement of this Act, the Department of the Auditor General is considered to be and is continued in the name of the Office of the Auditor General under this Act.

(3) A reference in another Act to the auditor general appointed under the *Financial Administration Act* or a reference in another Act to the auditor general shall be considered to be a reference to the auditor general appointed under this Act.

1973 No.86 Amdt.

36. (1) Paragraph 2(a) of the *Financial Administration Act* is repealed and the following substituted:

"(a) "auditor general" means the Auditor General of Newfoundland and Labrador appointed under the *Auditor General Act* and includes all employees acting under the auditor general's direction; "

(2) Sections 58 to 71 of the Act are repealed.

(3) Subsection 83(1) of the Act is amended by striking out the words "and the Auditor General" and the words "or the Auditor General".

APPENDIX
II
DEPARTMENTAL AUDITS PERFORMED
BY THE OFFICE OF THE AUDITOR GENERAL
AS AT 31 MARCH 2008

Departmental Audits Performed by the Office of the Auditor General

General Government Sector

- Consolidated Fund Services
- Executive Council
- Finance
- Government Services
- Labrador and Aboriginal Affairs
- Legislature
- Public Service Commission
- Transportation and Works

Resource Sector

- Business
- Environment and Conservation
- Fisheries and Aquaculture
- Innovation, Trade and Rural Development
- Natural Resources
- Tourism, Culture and Recreation

Social Sector

- Education
- Health and Community Services
- Human Resources, Labour and Employment
- Justice
- Municipal Affairs
- Newfoundland and Labrador Housing

Departmental Audits Performed by the Office of the Auditor General

APPENDIX

III

**AGENCIES OF THE CROWN WHOSE
FINANCIAL STATEMENT AUDITS WERE PERFORMED**

BY THE OFFICE OF THE AUDITOR GENERAL

AS AT 31 MARCH 2008

Agencies of the Crown Whose Financial Statement Audits are Performed by the Office of the Auditor General

Department of Education

Private Training Corporation
Provincial Information and Library Resources Board
Student Loan Corporation of Newfoundland and Labrador

Executive Council

Provincial Advisory Council on the Status of Women - Newfoundland and Labrador

Department of Finance

C. A. Pippy Park Commission
C. A. Pippy Park Golf Course Limited
Newfoundland Government Fund Limited
Newfoundland and Labrador Government Sinking Fund
Newfoundland and Labrador Industrial Development Corporation
Newfoundland and Labrador Municipal Financing Corporation
Newvest Realty Corporation
Province of Newfoundland and Labrador Pooled Pension Fund

Department of Government Services

Consumer Protection Fund for Prepaid Funeral Services
Public Accountants Licensing Board

Department of Human Resources, Labour and Employment

Newfoundland and Labrador Student Investment and Opportunity Corporation

Department of Innovation, Trade and Rural Development

Business Investment Corporation
Newfoundland and Labrador Immigrant Investor Fund Limited

Department of Justice

Director of Support Enforcement
Newfoundland and Labrador Legal Aid Commission
Office of the High Sheriff of Newfoundland and Labrador
Registrar of the Supreme Court of Newfoundland and Labrador

**Agencies of the Crown Whose Financial Statement Audits are Performed
by the Office of the Auditor General**

Department of Natural Resources

Bull Arm Site Corporation
Livestock Owners Compensation Board
Newfoundland and Labrador Crop Insurance Agency

Department of Tourism, Culture and Recreation

Heritage Foundation of Newfoundland and Labrador
Newfoundland and Labrador Arts Council
Special Celebrations Corporation of Newfoundland and Labrador Inc.
The Rooms Corporation of Newfoundland and Labrador Inc.

Department of Transportation and Works

Newfoundland and Labrador Housing Corporation

**APPENDIX
IV
AGENCIES OF THE CROWN WHOSE
FINANCIAL STATEMENT AUDITS WERE PERFORMED
BY PRIVATE SECTOR AUDITORS
AS AT 31 MARCH 2008**

Agencies of the Crown Whose Financial Statement Audits are Performed by Private Sector Auditors

Department of Education

College of the North Atlantic
Memorial University of Newfoundland
Memorial University of Newfoundland - Pension Plan
School Boards:

Conseil Scolaire Francophone Provincial de Terre Neuve et du Labrador
District #1 Labrador
District #2 Western
District #3 Nova Central
District #4 Eastern

Department of Environment and Conservation

Multi-Materials Stewardship Board
Multi-Materials Stewardship Board - Residential Backyard Composting Program
Multi-Materials Stewardship Board - Waste Management Trust Fund

Department of Finance

Newfoundland and Labrador Liquor Corporation

Department of Government Services

Board of Commissioners of Public Utilities
Credit Union Deposit Guarantee Corporation

Department of Health and Community Services

Embalmers and Funeral Directors Board
Newfoundland and Labrador Centre for Health Information
Public Health Laboratory
Regional Integrated Health Authorities:
Central
Eastern
Labrador - Grenfell
Western

Department of Human Resources, Labour and Employment

Workplace Health, Safety and Compensation Commission
of Newfoundland and Labrador

Agencies of the Crown Whose Financial Statement Audits are Performed by Private Sector Auditors

Department of Innovation, Trade and Rural Development

Newfoundland Hardwoods Limited
Newfoundland Ocean Enterprises Limited

Department of Municipal Affairs

Municipal Assessment Agency Inc.

Department of Natural Resources

Canada-Newfoundland and Labrador Offshore Petroleum Board
Chicken Farmers of Newfoundland and Labrador
Churchill Falls Labrador Corporation Limited
Gull Island Power Company Limited
Lower Churchill Development Corporation Limited
Nalcor Energy
Newfoundland and Labrador Hydro Electric Corporation
Twin Falls Power Corporation Limited

Department of Tourism, Culture and Recreation

Marble Mountain Development Corporation
Newfoundland and Labrador Film Development Corporation

APPENDIX

V

**ANSWERS TO FREQUENTLY ASKED QUESTIONS
ABOUT THE OFFICE OF THE AUDITOR GENERAL**

What is the Auditor General's Role in Public Sector Accountability?

Public sector accountability is based on the premise that governing bodies are best served by knowing whether the responsibilities conferred on government departments and agencies are satisfactorily performed and intended results are achieved. The Auditor General brings an independent audit process to the manner in which these conferred responsibilities are discharged in the public sector and reports directly to the House of Assembly on the results of these audits. The role of the Auditor General complements the accountability relationship which exists between Government, its departments, agencies of the Crown and the House of Assembly.

How is Government Accountable to the House of Assembly?

The way Government spends public money is very important to Newfoundlanders and Labradorians.

Control of the public purse is carried out on behalf of the people by their elected representatives, the Members of the House of Assembly. While it is up to Government to draft budgets and spending estimates, Government cannot collect or spend taxpayers' money without the approval of the House of Assembly. After Government spends the money entrusted to it, there is an obligation to report back to the House of Assembly on how the money was used. This, the obligation to answer for actions taken, is the basis of the accountability relationship that exists between Government and the House of Assembly. As the governing body in this accountability relationship, the House of Assembly is responsible for:

- overseeing the activities of Government; and
- holding Government accountable for its handling of public money.

To assist this process, the Government provides information about how it used the public funds entrusted to it.

But what assurance do Members of the House of Assembly have that this information is appropriate, credible and complete? How can Members know that the information they receive accurately reflects the results of the activities of Government?

What is the role of Legislative Auditors?

The House of Assembly in this Province, as in Legislative Assemblies in other jurisdictions in Canada, uses the services of an Auditor General to assist it in carrying out its oversight responsibilities. Historically, the Assemblies have understood well the need for an independent Legislative Auditor and recognized the position's unique contributions to the public accountability process.

Answers to Frequently Asked Questions About the Office of the Auditor General

From the view of legislators, the value of Legislative Auditors has not simply been in their technical expertise, it has also been in their ability to conduct audits that may not please those being examined, and to report their findings publicly. This has made their roles indispensable. They have subjected the operations of the public sector as a whole to regular, independent examinations, acting first and foremost in the public interest, as acknowledged champions of open and transparent government.

Defining the unique and vital role of Legislative Auditors in the public accountability process revolves around four key points:

- their independence;
- their mandate;
- their reporting obligations; and
- their expertise in public sector matters.

As a result of working exclusively in the public sector, Legislative Auditors have acquired extensive corporate and operational knowledge of Government. They are specialists in the field of public sector auditing and their credibility with legislators (for example, on topics such as emerging public sector trends and accountability issues) is thus well established. Given their extensive interaction with legislators, Legislative Auditors are in the notable position of being aware of, and understanding legislators' concerns.

Furthermore, having a whole-of-Government mandate has allowed Legislative Auditors to speak to legislators about broad Government matters and to better identify those accountability and performance issues that have the greatest impact on Government. As a consequence, Legislative Auditors are better able to promote consistency of accounting across government organizations, and to make informed decisions about the selection, conduct and reporting of audits.

Why is Independence the Cornerstone of Legislative Auditing?

Independence, the state of being impartial and free from bias and conflicts of interest, is the cornerstone of legislative auditing. Anything that impedes an honest, straightforward and sincere approach to the performance of an audit will reduce public confidence.

In Canada, Legislative Auditors enjoy the confidence of legislators and the public, and their independence is unquestioned. The fact that this independence is largely backed by legislation instils public confidence in the process. For instance, were a legislative audit to reveal significant matters critical to government, those matters would, by law, have to be made known to legislators and the public.

The legislation under which the Office of the Auditor General in Newfoundland and Labrador operates is the *Auditor General Act*. This legislation was assented to on 31 October 1991.

What is Professional Independence?

To be independent in appearance as well as in fact, Legislative Auditors have been granted the freedom to act without undue direction or interference from government.

In practice, and subject to legislation and professional standards, this means that Legislative Auditors are able to determine when and how audits will be conducted and who will conduct them. It is they, for the most part, who have the license to set the audit program for their jurisdictions, choosing the bodies to be audited and determining the nature and scope of audits to be conducted.

From a public accountability perspective, this degree of independence is crucial. Only in this way can there be assurance that all matters of importance are subject to thorough examination, no matter how the results might reflect on those being audited.

What is Personal Independence?

Bolstering the independence of Legislative Auditors even further, legislators, not Government, generally make decisions pertaining to the auditors' appointment, tenure, reappointment, remuneration and resources. Such decisions are overseen and approved by each Legislative Assembly as a whole.

In this Province, the House of Assembly has assured this independence by appointing the Auditor General for a 10 year non-renewable term as an Officer of the House of Assembly, with removal permitted only for cause or incapacity. As well, the *Auditor General Act* provides the Auditor General with immunity from legal action.

How do Legislative Auditors differ from Other Audit Professionals?

Being an Officer of the House of Assembly means being, above all, responsive to the Assembly's interests and wishes. This position as the Assemblies' Officer, combined with the responsibility to audit the whole of Government, is what sets Legislative Auditors apart from other audit professionals working in the public sector.

What is meant by “whole-of government” mandate?

The Auditor General is the only official channel through which the House of Assembly is regularly and consistently kept informed of Government's stewardship of public funds.

The House of Assembly has granted the Auditor General a “whole-of government” mandate, covering organizations as diverse as Government departments, agencies, commissions, boards and Crown corporations. In this way, the House of Assembly is assured of receiving the Auditor General's conclusions and recommendations for the entire Government entity, regardless of whether or not the executive branch of Government has hired a private sector auditor to audit a specific organization or program of Government.

What is the Breadth of Audit Coverage

Legislative Auditors in Canada meet their auditing objectives by examining a very broad range of issues. These issues are not necessarily the same ones encountered in the private sector, mainly because of the basic differences between organizations in the private sector and those in government. For example, because government organizations have public policy objectives, the results of their operations cannot be assessed based solely on their financial statements.

Recognizing this distinction, Legislative Assemblies have broadened the scope of the work that Legislative Auditors may do to obtain the information they need to hold government accountable. This information focuses on the financial, operational and compliance with authorities performance of government organizations.

To whom does the Auditor General Report?

As an independent Officer, the Auditor General reports directly to the House of Assembly, at least annually, on anything the Auditor General feels should be brought to the Members' attention. The reports become a matter of public record and cover a wide range of issues of interest to legislators and the public, including compliance, evaluation of accountability relationships, management practices and control systems, and review of program results compared to established criteria. Having one auditor reporting to the House of Assembly is an efficient and effective means of ensuring that Members receive the information they need to hold Government accountable. The Auditor General also has direct access to the Public Accounts Committee. This provides a formal means of discussing reported audit findings with Members.

To whom are the Legislative Auditors Accountable?

Questions are raised from time to time about what the appropriate involvement and role of a Legislative Auditor should be and to whom Legislative Auditors are accountable?

The fact is, Legislative Auditors fulfil a distinctive position in the accountability regime of governments. They have been able to serve the accountability relationship between government and the Legislative Assembly because they have sufficient independence from government to be credible, they have mandates that are set out in legislation, and they have the forums to report directly to their Assembly. Moreover, they have acquired the necessary expertise to carry out their role effectively.

Such independence as that bestowed on Legislative Auditors requires that they themselves be accountable to their respective Legislative Assemblies. This means that Legislative Auditors are obligated to report directly to the Assembly on how they carry out their responsibilities and how the services they are providing add value to the accountability process.

The resources available to the Auditor General are determined through discussion with the House of Assembly Management Commission. This Commission is a Committee of the House of Assembly, over which the Speaker of the House presides, and is responsible for all matters of financial and administrative policy affecting the House of Assembly, its offices (including the Office of the Auditor General) and its staff. The *Auditor General Act* requires that estimates of

Answers to Frequently Asked Questions About the Office of the Auditor General

the sums required to be provided by the Legislature for the payment of salaries and other expenses of the Office of the Auditor General be submitted to the Commission for its approval. As well, each year, the financial statements for the Office are to be audited by an auditor appointed by the Commission, with the audited statements being tabled in the House of Assembly.

Who Audits the Auditor General?

Each year, the financial statements for the Office are to be audited by an auditor appointed by the House of Assembly Management Commission, with the audited statements being tabled in the House of Assembly.

As well, the Public Service Commission, the Government Purchasing Agency and the Office of the Comptroller General have the authority to and regularly review related aspects of the Office's operations.

Furthermore, a sample of our audit files are periodically reviewed by a representative of another Canadian Legislative audit office to ensure that our files comply with Canadian generally accepted auditing standards.