

REPORT OF THE AUDITOR GENERAL

To the House of Assembly



On the Business Plan

For the Year Ended
31 March 2011

Office of the Auditor General Newfoundland and Labrador



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.

VISION

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.

Head Office Location

15 Dundee Avenue
Suite 201
Mount Pearl
Newfoundland and Labrador
Canada

Mailing Address

P.O. Box 8700
St. John's
Newfoundland and Labrador
Canada
A1B 4J6
Telephone: (709) 729-2695
Fax: (709) 729-5970
Email: oagmail@oag.nl.ca
Website: www.ag.gov.nl.ca/ag

Regional Office Location

1 Union Street
Corner Brook
Newfoundland and Labrador
Canada



Office of the Auditor General of Newfoundland and Labrador

Head Office

15 Dundee Ave., Mount Pearl
Box 8700 ♦ St. John's, NL ♦ A1B 4J6
T: 709-729-2695 ♦ F: 709-729-5970
Email: oagmail@oag.nl.ca

Auditor General (A)

Wayne R. Loveys, CMA
T: 709-729-2700

Regional Office

1 Union St., Corner Brook
Box 2006 ♦ Corner Brook, NL ♦ A2H 6J8
T: 709-637-2295 ♦ F: 709-637-2595

16 November 2011

The Honourable Ross Wiseman, 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 2011.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'W. Loveys', written in a cursive style.

WAYNE R. LOVEYS, CMA
Auditor General (A)

TABLE OF CONTENTS

Chapter		Page
1	Reflections of the Auditor General	1
2	Overview of the Office of the Auditor General	
	2.1 Vision	5
	2.2 Mission	5
	2.3 Accountability Relationship	6
	2.4 Lines of Business	7
	2.5 Our Employees	8
	2.6 Involvement with the Profession	9
	2.7 Revenues and Expenditures	10
	2.8 Office Locations	11
	2.9 Key Statistics	11
3	Highlights and Accomplishments	
	3.1 Canadian Auditing Standards	13
	3.2 Electronic Working Papers	13
	3.3 Professional Development	13
	3.4 Information Technology Virtualization	13
	3.5 Information Technology Security Review	13
	3.6 Legislative Requirements Met	14
4	Outputs	
	4.1 Update on Overall Progress for the 2008-2011 Business Plan Period	17
	4.2 Update on Progress Related to Goals and Objectives for 2010-11	18
5	Opportunities and Challenges Ahead	
	5.1 Amendments Required to the <i>Auditor General Act</i>	21
	5.2 Human Resource Management - Succession Planning	21
	5.3 Legislative Audit Projects	22
	5.4 New Professional Standards - Accounting	22
	5.5 Advancing Technology	22

TABLE OF CONTENTS

Chapter		Page
6	Financial Information	23
Appendices		
I:	<i>Auditor General Act</i>	33
II:	Departmental Audits Performed by the Office of the Auditor General	45
III:	Agencies of the Crown Whose Financial Statement Audits were Performed by the Office of the Auditor General	47
IV:	Agencies of the Crown Whose Financial Statement Audits were Performed by Private Sector Auditors	49
V:	Answers to Frequently Asked Questions about the Office of the Auditor General	51

**CHAPTER
1
REFLECTIONS OF THE
AUDITOR GENERAL**

Reflections of the Auditor General



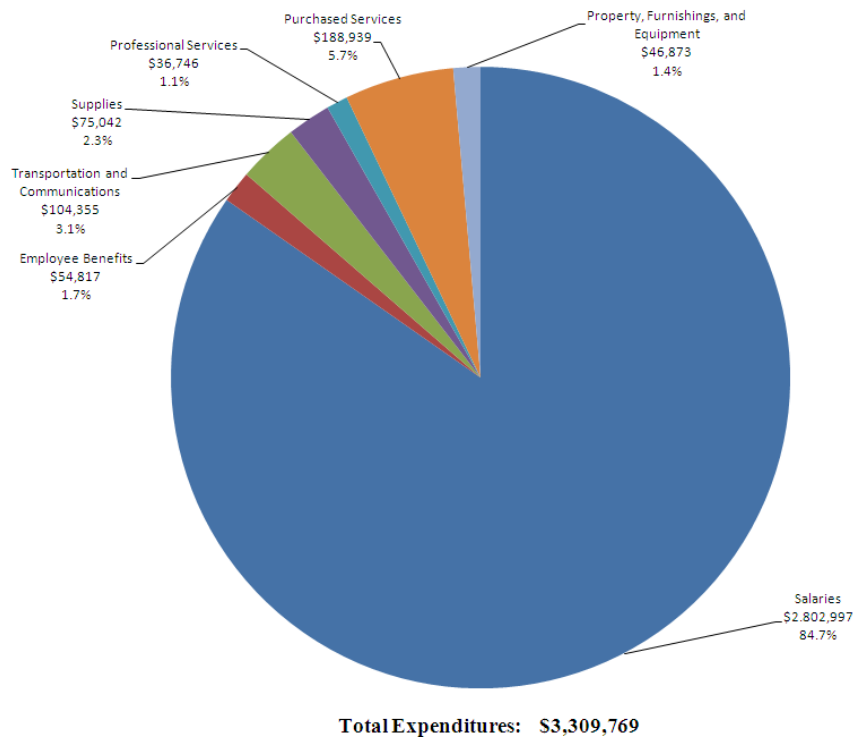
As an Officer of the House of Assembly, the Auditor General provides an independent, unbiased and informed opinion on matters that are considered to be significant to the Members of the House of Assembly. The Office is committed to promoting accountability and encouraging positive change in the stewardship, 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 is for the year ended 31 March 2011, and is the final Report related to the Office's *Business Plan for the Three Fiscal Years 2008-09, 2009-10 and 2010-11*. That Plan was presented to the Speaker of the House of Assembly on 26 June 2008. My goal is to provide all Members of the House of Assembly with a full accounting of what happened at the Office during 2010-11: our plan, our budget and the results achieved. As acting Auditor General, I am accountable for the actual results reported.

Figure 1 provides details on the \$3.310 million in gross expenditures incurred by the Office for the year ended 31 March 2011.

Figure 1

Gross Expenditures of the Office of the Auditor General For the Fiscal Year Ending 31 March 2011



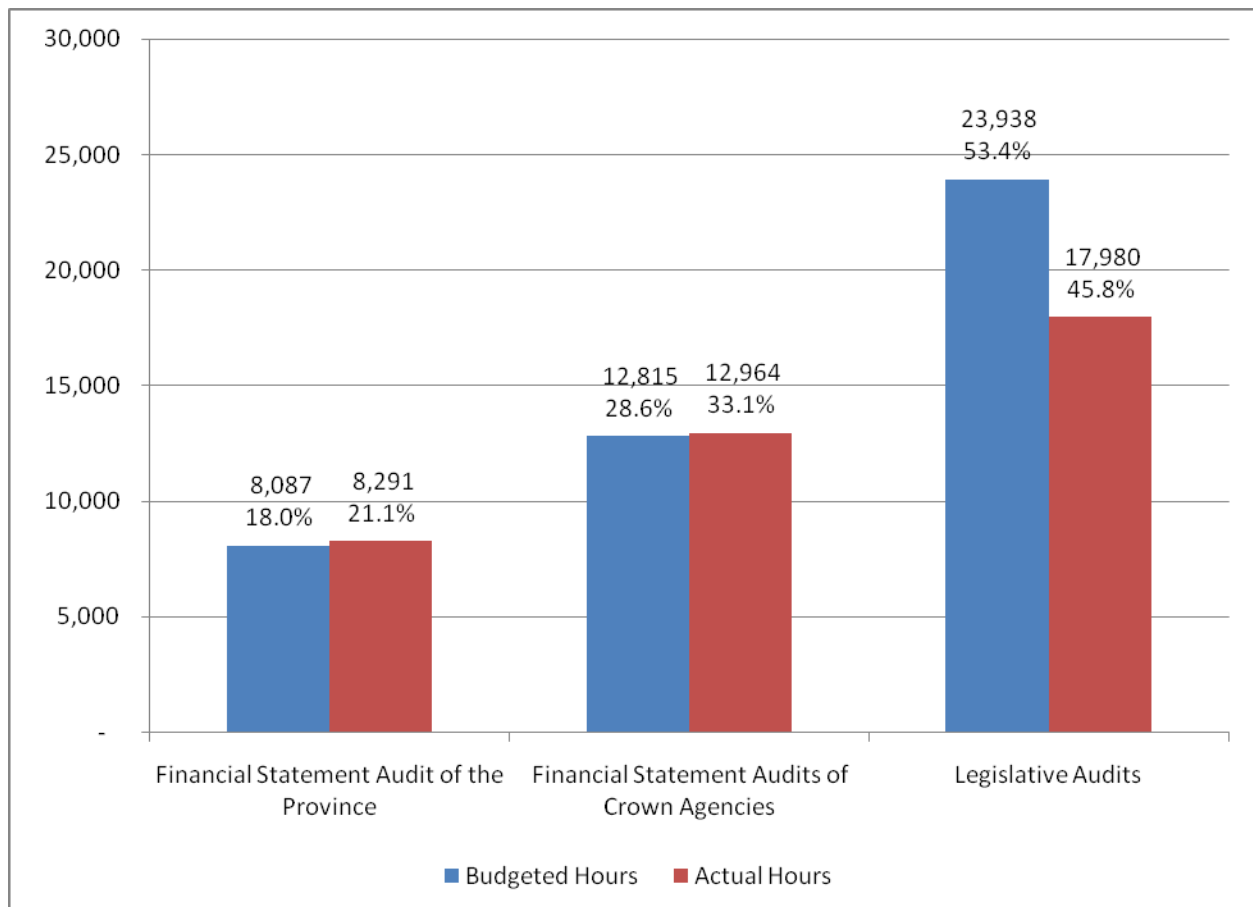
Reflections of the Auditor General

Approximately 90% of the Office's gross expenditures are 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 carried out during the year. The information is provided on a calendar year basis to coincide with our audit cycle.

Figure 2

Distribution of Audit Work For the Calendar Year Ended 31 December 2010 (Actual)



Reflections of the Auditor General

In addition to the 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 the Office, its vision; mission; accountability relationship; lines of business; our employees; our involvement with the profession; revenues and expenditures; Office locations; and key statistics.
- Chapter 3 provides information on the highlights and accomplishments of the Office during the year, including in relation to revised auditing standards, electronic working papers, professional development, information technology virtualization and security review, and legislative requirements.
- Chapter 4 provides information on the activities of the Office including an update on overall progress for the 2008-09 to 2010-11 Business Plan period, and progress on our strategic directions for 2010-11 in the areas of human resource management and business processes.
- Chapter 5 provides information on the opportunities and challenges ahead for the Office, including: amendments required to the *Auditor General Act*; succession planning for the coming years; our process for selecting legislative audit projects; new professional standards in accounting; and advancing technology.
- Chapter 6 provides the Office's financial information for the year ended 31 March 2011 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 the Office and a listing of Crown agencies audited by private sector 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:

- A report to the House of Assembly on *Reviews of Departments and Crown Agencies for the Year Ended 31 March 2010* was submitted to the Speaker of the House of Assembly and released publicly on 26 January 2011. That report included 15 separate items on projects undertaken by the Office during the year.
- The Office performed the financial statement audit of 27 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 39 Crown agencies which were audited by private sector auditors 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 2010. A report to the House of Assembly on the *Audit of the Financial Statements of the Province of Newfoundland and Labrador* was submitted to the Speaker of the House of Assembly on 21 January 2011. 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; sustainability of current and future Government programs; retirement benefits; and environmental liabilities.

A professional team of employees make the work of my Office possible. I thank them for their dedication and continued commitment to high quality standards in their work. I also recognize and thank John L. Noseworthy, CA, who retired as Auditor General effective 29 July 2011. John was Auditor General since April 2002 and guided the Office through a period of significant challenges.



WAYNE R. LOVEYS, CMA
Auditor General (A)

CHAPTER
2
OVERVIEW OF THE
OFFICE OF THE AUDITOR GENERAL

Overview of the Office of the Auditor General

Following is an 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.

The Office of the Auditor General has maintained audit services to the House of Assembly that are in compliance with our mandate. The two related goals reflected in our Business Plan were that by 31 March 2011 we would: implement a new human resource plan designed to enhance human resource capacity; and enhance our business processes by further developing our audit methodology and by introducing a new records and information management system.

Progress has been made towards a new human resource plan designed to enhance human resource capacity, including the introduction of an employee development program and the development of recruitment/retention and succession strategies. However, legislative amendments to the *Auditor General Act*, first requested in 2005, are required to fully achieve this goal.

Business processes have been enhanced through further development of our audit methodology and the introduction of a new records and information management system. Specific progress has included: utilization of electronic working paper software on all financial statement audits; provision of detailed information to employees related to international financial reporting standards (IFRS); and implementation of a new records and management system for corporate records using TRIM software.

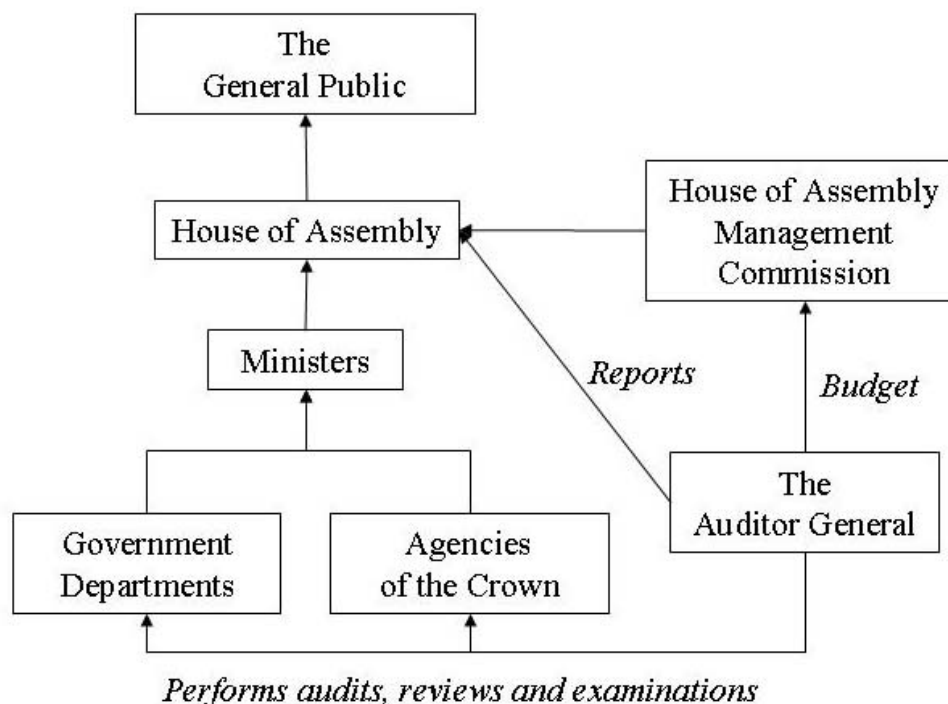
2.3 Accountability Relationship

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 these 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

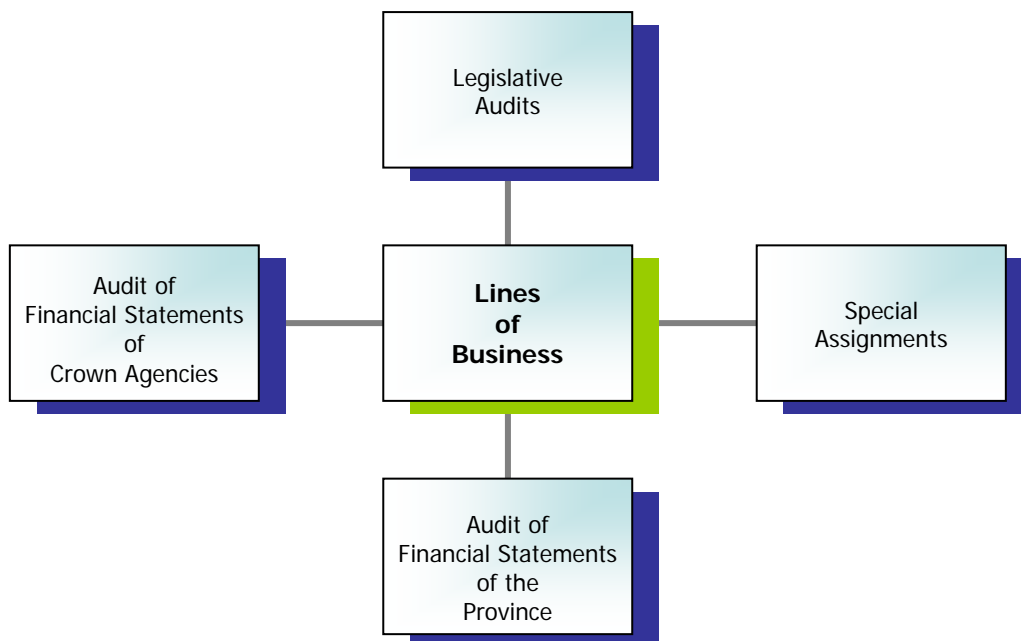


2.4 Lines of Business

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, depending on the significance of the issue, may be 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 also be referred to as “value for money” audits and 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 resulting from our reviews of Departments and Crown agencies are reported in the Auditor General’s Annual Report to the House of Assembly which is issued on or before the end of January of 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

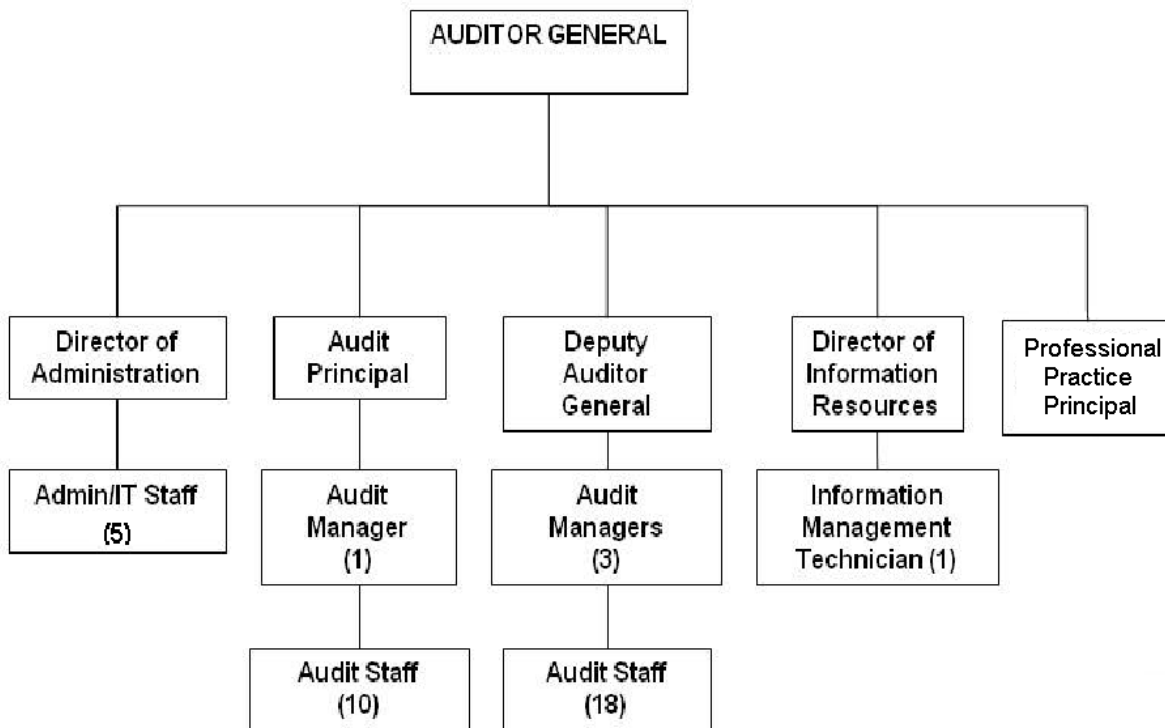
The Office is comprised of 44 positions. As of 31 March 2011, our Office had 38 employees, 32 in head office and 6 in the regional office in Corner Brook. Eight employees worked in administrative, information management and IT support, while the remaining 30 worked directly in audit. Of these 30 audit staff, 23 had professional accounting designations and 6 were in the process of completing their professional accounting program. Our Network Administrator has a Certified Network Administrator designation.

Figure 3 shows the organization structure of our Office.

Overview of the Office of the Auditor General

Figure 3

Office of the Auditor General Organization Structure (44 positions)



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, legislative audits (value for money 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. Jessica Bitsack marks Uniform Evaluations for the Canadian Institute of Chartered Accountants and David White is a member of the Board of Directors of the Certified General Accountants Association (CGA) of Newfoundland and Labrador.

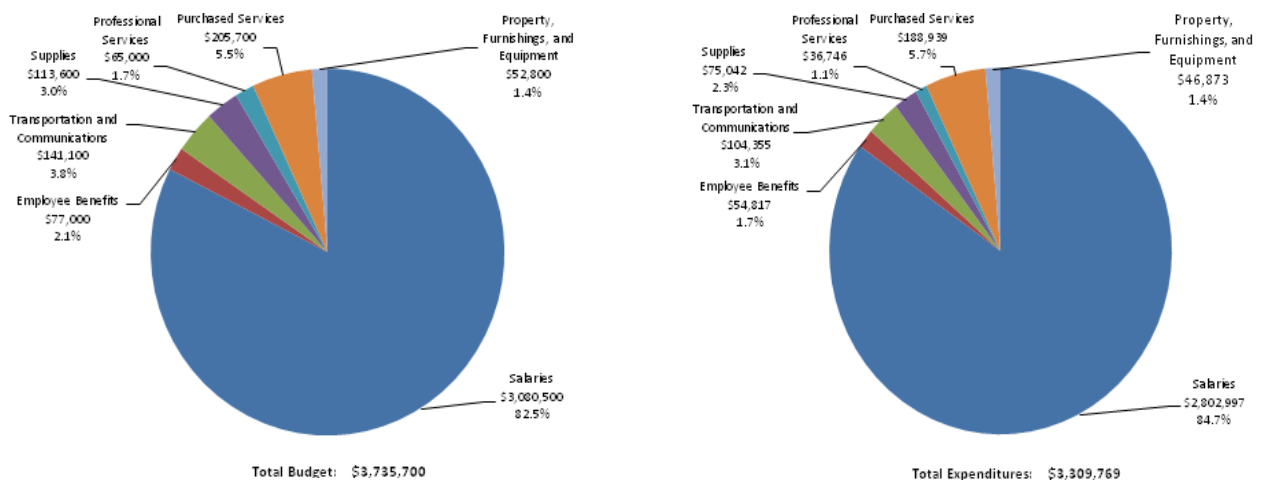
During the year, Ian Stark completed his program of studies leading to designation as a Chartered Accountant, and Pauline Reynolds recently completed her program of studies leading to designation as a Certified Management Accountant.

2.7 Revenues and Expenditures

The budget provided by the House of Assembly Management Commission and approved by the Legislature for the 2011 fiscal year totalled \$3.736 million. The actual gross expenditures of the Office totalled only \$3.310 million, \$426,000 less than budget. Information on the approved budget and actual expenditures of the Office for the year ended 31 March 2011 is presented in Figure 4.

Figure 4

Gross Expenditures of the Office of the Auditor General Budget versus Actual Fiscal year ending 31 March 2011



Approximately 90% 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. Grant Thornton audited the financial information of our Office and their report, along with the financial information for the Office for the year ended 31 March 2011 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 Key Statistics

Following are some key statistics relating to the Office of the Auditor General as at 31 March 2011:

Description	Total		
	2011	2010	2009
- Total number of staff	38	40	37
- Number of audit staff	30	33	31
- Number of administrative, information management and IT support staff	8	7	6
- Number of staff located in head office	32	35	32
- Number of staff located in regional office	6	5	5
- Number of male staff	24	24	23
- Number of female staff	14	16	14
- Total average age of all staff	43	42	43
- Average age of male staff	44	44	45
- Average age of female staff	40	41	39
- Total legislative auditing experience audit staff	421 years	438 years	405 years
- Total number of staff with professional accounting designations	23	24	21
- Total number of Chartered Accountants	15	16	12
- Total number of Certified Management Accountants	5	5	5
- Total number of Certified General Accountants	3	3	4
- Average number of professional development days	8	8	11

Overview of the Office of the Auditor General

**CHAPTER
3
HIGHLIGHTS AND
ACCOMPLISHMENTS**

Highlights and Accomplishments

Following is a summary of key highlights and accomplishments for our Office during the fiscal year ending 31 March 2011:

3.1 Canadian Auditing Standards

Canadian Auditing Standards recently went through a major revision resulting from the adoption of International Standards on Auditing issued by the International Auditing and Assurance Standards Board. This means that audits conducted by our Office must now comply with the revised standards. During the year we determined the impact of these changes on the way we conduct our work, revised our procedures as necessary, and provided related training to our employees.

3.2 Electronic Working Papers

The Office has now completed its transition from paper to electronic working papers for our financial statement audits. Caseware Working Papers software had been piloted for select audits and has since been adopted for use on all financial statement audits.

3.3 Professional Development

As part of our efforts to continue providing meaningful professional development to our staff, and in recognition of the need for succession planning, a concentrated effort was made during the year to provide our management staff with opportunities for leadership and other human resource development.

3.4 Information Technology Virtualization

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. This year we have continued virtualization of our Office servers and consolidated our data resources onto virtual disks allowing for faster file retrieval and integration into our Business Continuity Plan.

3.5 Information Technology Security Review

This year an external consultant was engaged to perform a security review of our entire Information Technology environment. The emphasis was to identify and assess any vulnerabilities from the standpoint of the Office of the Auditor General as a stand alone domain and within our shared applications with the Government of Newfoundland and Labrador through our external connection with the Office of the Chief Information Officer.

Highlights and Accomplishments

3.6 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 of the Province and Crown agencies, legislative audits (value for money audits), and special assignments – outlined in the Business Plan for 2008-09 to 2010-11.

Performance Measures	Status 2010-11
<p>1. Complete our audit of the financial statements of the Province 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.</p>	<p>Our Auditor's Report on the Public Accounts for the year ended 31 March 2010 was dated 15 December 2010. The Public Accounts were released by Government on 20 January 2011.</p> <p>Of the 27 Crown agency financial statement audits that were performed during 2010, 21 were completed within three months of the fiscal year-end. The remaining 6 audits could not be completed within three months because we did not receive all necessary information from the related agencies to complete the audits within the three month period.</p> <p><i>Note: Although comments in this Report relate to the fiscal year ended 31 March 2011, for the most part comments on our work related to financial statements for the fiscal year ended 31 March 2010.</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 and cost.</p>	<p>During 2009 and 2010, auditing standards in Canada changed to be consistent with International Auditing Standards. As a result of these changes, the electronic audit working papers software program which is used by the Office required major revisions to the approach used in performing our financial statement audits. These changes impacted on the number of hours required to complete our various audits. Of the 27 Crown Agency financial statement audits that were performed during 2010, 16 audits were completed within 10% variance of budget for time and cost, 3 audits were not completed within 10% variance of budget because of issues related to the client's lack of preparation, 6 audits were not completed within 10% variance of budget because of the new audit methodologies, and 2 audits were not completed within 10% variance of budget because of the new audit methodologies as well as issues with the client's lack of preparation.</p> <p><i>Note: Although comments in this Report relate to the fiscal year ended 31 March 2011, for the most part comments on our work related to financial statements for the fiscal year ended 31 March 2010.</i></p>

Highlights and Accomplishments

Performance Measures	Status 2010-11
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.	The Executive Committee and Audit Management group met in August 2010, February 2011 and March 2011 to develop our new 3-year Business Plan for 2011 to 2014, review past work, discuss strategic human resource issues and plan for upcoming audits. All employees attended a consultation session in November 2010 to identify possible legislative audits for the coming year.
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.	On 26 January 2011, we released the report <i>Update on Prior Years' Report Items</i> related to monitoring the implementation status of prior years' recommendations. We found that approximately 89.1% of all recommendations had been acted upon.
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 2010 Report to the House of Assembly on <i>Reviews of Departments and Crown Agencies</i> was provided to the Speaker on 26 January 2011, prior to the statutory deadline of 31 January.
6. Report on all special assignments conducted within the time period requested.	There were no special assignments to report on for the period 1 April 2010 to 31 March 2011.
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. We could not provide the Report to the Speaker within six months after our fiscal year end of 31 March 2011, as the House of Assembly had been dissolved prior to the 2011 general election.

Highlights and Accomplishments

CHAPTER
4
OUTPUTS

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

4.1 Update on Overall Progress for the 2008-2011 Business Plan Period

4.1.1 Report on Mission

Mission: 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.

Results: The Office of the Auditor General has maintained audit services to the House of Assembly that are in compliance with our mandate.

4.1.2 Report on Overall Goals

Goal 1: By 31 March 2011, the Office of the Auditor General will have implemented a new human resource plan designed to enhance human resource capacity.

Measure: Human resource plan

Indicators:

- recruitment and retention strategy;
- employee development program; and
- succession strategy.

Results: Although progress towards a new human resource plan has been made in several areas, legislative amendments to the *Auditor General Act*, first requested in 2005, are required to fully achieve this goal. Specific progress within areas controllable by the Office has included:

- introduction of an employee development program which utilizes employee-submitted individual development plans for personal and professional development training;
- development of recruitment and retention strategies which include partnering with Memorial University's School of Business and successful recruitment of new staff; and
- development of succession strategies which include identification of opportunities for auditors to participate in professional practice and human resource initiatives, and in the provision of leadership training as part of the employee development program.

Outputs

Goal 2: 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.

Measure: Business process improvement

Indicators:

- electronic working paper software;
- readiness for international financial reporting standards (IFRS); and
- records and information management system.

Results: Business processes have been enhanced through further development of our audit methodology and the introduction of a new records and information management system. Specific progress has included:

- utilization of electronic working paper software on all financial statement audits;
- provision of detailed information to employees related to IFRS accounting principles, including a presentation by a national level instructor; and
- implementation of a new records and management system for corporate records using TRIM software.

4.2 Update on Progress Related to Goals and Objectives for 2010-11

4.2.1 Human Resource Management

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 2011, the Office of the Auditor General will have reviewed and updated its human resource management initiatives.

Measure: HR management initiatives reviewed and updated

Outputs

Human Resource Management			
	Planned Progress for 2010-11	Actual Progress for 2010-11	Explanation of Variance (if applicable)
1	Change of reporting for the Office from the Executive Branch of Government to the House of Assembly Management Commission relating to human resource matters.	<p>In 2005, a formal request to amend the <i>Auditor General Act</i> was submitted to the then Speaker of the House of Assembly.</p> <p>In 2008, additional amendments were identified and sent to the former Speaker of the House of Assembly.</p> <p>In 2009, we followed-up on the status of the request.</p>	This request has still not been acted upon.
2	Succession strategies for the Office of the Auditor General will be reviewed and updated as required.	Our succession strategy includes participation in the MUN School of Business Co-op Program. We implemented this strategy and it ensures that qualified applicants are available for entry level positions.	n/a
3	Employee Development Program will be reviewed and updated.	Another component of our succession strategy includes the Employee Development Program which was implemented in 2009. During 2010-11, employees submitted their second annual Individual Development Plans for personal and professional development training. The Program was reviewed and updated as necessary during consideration of these requests.	n/a

Outputs

4.2.2 Business Processes

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 2011, the Office of the Auditor General will have reviewed and updated a series of business process initiatives.

Measure: Business processes reviewed and updated

Business Processes			
	Planned Progress for 2010-11	Actual Progress for 2010-11	Explanation of Variance (if applicable)
1	An orientation package about <i>CaseWare Working Papers</i> software for new audit staff will be developed.	An orientation document entitled "The Top 10 List of Basics for CaseWare Working Papers" was developed and posted on the Office Intranet.	n/a
2	A Policies and Procedures Manual for records and information management will be finalized.	The policies and procedures manual for the Office's records and information management system has been finalized and posted on the Office Intranet.	n/a
3	The TRIM system will be available to audit staff.	The TRIM software was installed on staff computers and staff have been trained on the system.	n/a
4	The Office's Disaster Recovery Plan will be updated and tested.	The Office's Disaster Recovery Plan is in the process of being updated. A Business Continuity portion of the Plan has been drafted and is under review by the Office's Executive Committee. The IT portion of the Plan has not been completed as yet.	Movement of the Office's IT system to its own domain server took longer than originally anticipated; therefore, work on the IT portion of the Office's Disaster Recovery Plan is not complete. This initiative is included in our new 3-year Business Plan for 2011-2014.

**CHAPTER
5
OPPORTUNITIES AND
CHALLENGES AHEAD**

Opportunities and Challenges Ahead

Following is a summary of opportunities and challenges anticipated for our Office during the fiscal year ending 31 March 2012 and beyond:

5.1 Amendments Required to the *Auditor General Act*

In July 2008, the former Auditor General wrote the former 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 an earlier letter to the then Speaker in April 2005. The additional proposed amendments related to the requirements of the new *House of Assembly Accountability, Integrity and Administration Act*. In 2009, the former Auditor General followed-up on the status of the request. The request for amendments has still not been acted upon. 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 - Succession Planning

Both the former Auditor General and a long-time Audit Manager recently retired. As well, the former Director of Information Resources recently accepted a position with a Government department. The demographics at this Office indicate that, within the next year, an additional 4 of the remaining 7 executive and senior management staff will be eligible to retire. This could leave a competency gap at the senior level in the Office. It is critical that the corporate memory of remaining staff be at a level that enables a smooth transition through this demographic shift.

5.3 Legislative Audit Projects

Conducting relevant legislative audit projects is a critical part of how the Office meets our mandate of promoting accountability and creating positive change in Government. To be effective in creating that positive change, legislative audits must be timely and relevant to the public and the House of Assembly. Twenty years ago, our Office developed a database called The Audit Universe Management System (TAUMS). TAUMS is a database of information relating to all departments and agencies of the Crown. It is used to support the assessment of risk levels of criteria related to a potential project. These risk levels are then evaluated when selecting legislative audit projects. The TAUMS system now needs to be reviewed and the software upgraded to ensure that it reflects today's needs.

5.4 New Professional Standards - Accounting

In 2011, Canadian Generally Accepted Accounting Principles (GAAP) changed significantly. Most Government entities will be revising their financial reporting practices to comply with public sector accounting standards for fiscal years beginning on or after 1 January 2011. We have provided training to our staff and will work with the Crown agencies we audit to ensure full compliance with the new standards.

5.5 Advancing Technology

The requirements for data and email server management are constantly evolving. The IT industry is moving towards virtualization which eliminates the need for physical hardware to operate a computer system. This trend will continue and in the coming year the Office will continue its work towards a complete consolidation of servers and other IT enhancements. These changes, in conjunction with the Office's Disaster Recovery Plan initiative, will help ensure that we have adequate back-up and recovery procedures necessary to protect our data and provide uninterrupted access to our system which is necessary for auditors to conduct their work.

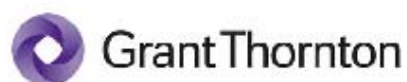
CHAPTER

6

FINANCIAL INFORMATION

Financial Information

This section includes the audited financial statements of the Office for the year ended 31 March 2011.



Financial Information

Office of the Auditor General

Province of Newfoundland and Labrador

March 31, 2011

Contents

	Page
Independent Auditors' Report	1
Supplementary Financial Information	3
Schedule of Expenditures and Related Revenue	4
Schedule of Gross Expenditures and Unexpended Balances	5
Notes to the Financial Information	6-7



Independent auditors' report

Grant Thornton LLP
187 Kenmount Road
St. John's, NL
A1B 3P9
T (709) 722-5900
F (709) 722-7802
www.GrantThornton.ca

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

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, 2011, the schedule of expenditures and related revenue and the schedule of gross expenditures and unexpended balances, for the year then ended.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of this financial information in accordance with the policies disclosed in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

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

Opinion

In our opinion, the financial information presents fairly, in all material respects, the financial position of the Office of the Auditor General, Province of Newfoundland and Labrador, as at March 31, 2011, and the results of its operations for the year then ended in accordance with policies disclosed in Note 2.

Other matters

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 handwritten signature in black ink that reads "Grant Thornton LLP".

St. John's, Newfoundland and Labrador

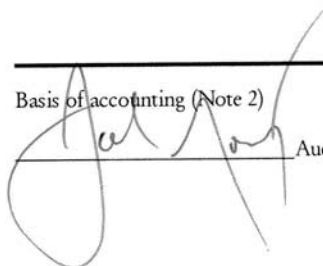
June 23, 2011

Chartered Accountants

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

Year Ended March 31	2011	2010
Assets		
Current		
Audit fees work in progress	\$ 113,025	\$ 114,532
Accountable advance	700	700
Prepays	<u>22,650</u>	<u>15,787</u>
	<u>\$ 136,375</u>	<u>\$ 131,019</u>
Liabilities		
Current		
Accrued paid/annual leave	\$ 1,250,573	\$ 1,091,199
Accrued payroll	20,446	11,919
Accrued overtime	6,122	10,919
Accrued severance pay	<u>652,463</u>	<u>590,772</u>
	<u>\$ 1,929,604</u>	<u>\$ 1,704,809</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	2011		2010	
	Actual	Estimates		Actual
		Amended	Original	
Executive Support				
Salaries	\$ 219,148	\$ 219,200	\$ 219,200	\$ 216,884
Salaries (statutory)	153,070	153,100	153,100	152,711
Employee benefits	4,358	5,000	5,000	1,743
Transportation and communications	16,467	27,000	27,000	12,931
Professional services	-	10,000	10,000	-
Purchased services	123	1,000	1,000	5,054
	<u>\$ 393,166</u>	<u>\$ 415,300</u>	<u>\$ 415,300</u>	<u>\$ 389,323</u>
Administrative Support				
Salaries	\$ 185,964	\$ 186,000	\$ 186,000	\$ 219,135
Employee benefits	3,067	8,500	8,500	7,704
Transportation and communications	27,091	41,600	41,600	26,948
Supplies	75,042	113,600	113,600	97,795
Professional services	36,746	45,000	45,000	49,318
Purchased services	188,816	204,700	204,700	206,403
Property, furnishings and equipment	46,873	62,800	52,800	49,163
	<u>\$ 563,599</u>	<u>\$ 662,200</u>	<u>\$ 652,200</u>	<u>\$ 656,466</u>
Audit Operations				
Salaries	\$ 2,244,815	\$ 2,512,200	\$ 2,522,200	\$ 2,204,964
Employee benefits	47,392	63,500	63,500	45,652
Transportation and communications	60,797	72,500	72,500	73,459
Professional services	-	10,000	10,000	71,118
	2,353,004	2,658,200	2,668,200	2,395,193
Revenue – Provincial	<u>(264,436)</u>	<u>(222,700)</u>	<u>(222,700)</u>	<u>(266,298)</u>
	<u>\$ 2,088,568</u>	<u>\$ 2,435,500</u>	<u>\$ 2,445,500</u>	<u>\$ 2,128,895</u>
Net expenditures	<u>\$ 3,045,333</u>	<u>\$ 3,513,000</u>	<u>\$ 3,513,000</u>	<u>\$ 3,174,684</u>

Basis of accounting (Note 2)

See accompanying notes to the financial information.

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

Year Ended March 31	2011	2010
Original estimates (net)	\$ 3,513,000	\$ 3,427,900
Add: revenue estimates net of statutory payments	<u>69,600</u>	<u>73,500</u>
Total appropriation	<u>3,582,600</u>	<u>3,501,400</u>
Total net expenditure	3,045,333	3,174,684
Add: revenue in excess of statutory payment	<u>111,366</u>	<u>113,587</u>
Total gross expenditure (budgetary, non-statutory)	<u>3,156,699</u>	<u>3,288,271</u>
Unexpended balance of appropriation	<u>\$ 425,901</u>	<u>\$ 213,129</u>

See accompanying notes to the financial information.

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Financial Information
March 31, 2011

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 and liabilities

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 work 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 Financial Information
March 31, 2011

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 four years as follows: 2012 - \$165,825; 2013 - \$152,831; 2014 - \$143,550; and 2015 - \$71,775.

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 and group life and health insurance liability are recognized in the Public Accounts for all public servants. Pension expense and group life and health insurance expense for public servants are also reported in the Public Accounts under the Consolidated Fund Services. The Province matched the contributions of public servants and these expenses are 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

Auditor General Act

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

Auditor General Act

(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 the 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;

Auditor General Act

- (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 2010

Departmental Audits Performed by the Office of the Auditor General

(as they were presented in the Province's Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2010)

General Government Sector

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

Legislative Sector

- Legislature

Resource Sector

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

Social Sector

- Child, Youth and Family Services
- 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 2010

Agencies of the Crown Whose Financial Statement Audits Were 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
Research & Development Corporation of 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 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

Department of Natural Resources

Livestock Owners Compensation Board
Newfoundland and Labrador Crop Insurance Agency

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

Department of Tourism, Culture and Recreation

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

Department of Transportation and Works

Newfoundland and Labrador Housing Corporation (Reports through Minister)

**APPENDIX
IV
AGENCIES OF THE CROWN WHOSE
FINANCIAL STATEMENT AUDITS WERE PERFORMED
BY PRIVATE SECTOR AUDITORS
AS AT 31 MARCH 2010**

Agencies of the Crown Whose Financial Statement Audits Were 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
Embalmers and Funeral Directors Board

Department of Health and Community Services

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 Were 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
Dairy Farmers of Newfoundland and Labrador
Egg Producers of Newfoundland and Labrador
Gull Island Power Company Limited
Lower Churchill Development Corporation Limited
Nalcor Energy
Nalcor Energy - Bull Arm Fabrication Inc.
Nalcor Energy - Oil and Gas Inc.
Newfoundland and Labrador Hydro Electric Corporation
The Churchill Falls (Labrador) Corporation Limited
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**

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 assurances 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.

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

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.

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

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.

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

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 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.

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