



OFFICE OF THE AUDITOR GENERAL



BUSINESS PLAN

2014 - 2017

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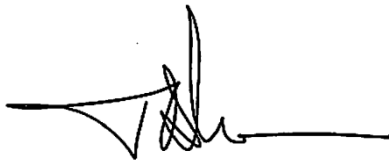
1. Message from the Auditor General

I am pleased to present a three year business plan for the Office of the Auditor General covering the period from April 1, 2014 to March 31, 2017. Section 48(1) of the *House of Assembly Accountability, Integrity and Administration Act* prescribes the application of the *Transparency and Accountability Act* (the *Act*) to the statutory offices. Pursuant to a directive from the House of Assembly Management Commission, the Office has developed this plan in accordance with the requirements contained in the *Act* for a category 2 entity.

The *Act* requires that a plan be tabled in the House of Assembly every three years. The Office has undertaken a comprehensive planning exercise to identify priority issues and key goals that we wish to achieve by March 31, 2017.

I would like to take this opportunity to thank the staff of the Office for their participation and feedback provided during the planning process.

As Auditor General, I am responsible and accountable for the preparation of this three year business plan and the achievement of its goals and objectives. Progress made towards achieving the identified goals and objectives will be reported annually.



TERRY PADDON, CA
Auditor General

2. Overview

Responsibility

The House of Assembly is responsible for overseeing the activities of Government and for holding Government accountable for its management of public money and other public resources. The Government reports to the House of Assembly on a regular basis with information about how public funds are used. The Office of the Auditor General is an independent resource available to the House of Assembly to assist in the financial oversight process.

The Auditor General is 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 Office of the Auditor General in Newfoundland and Labrador is also the independent Legislative Auditor of Government, reporting to the House of Assembly on significant matters which result from examinations of Government, its departments and agencies of the Crown.

The primary characteristic of the Office of the Auditor General is the independent, non-partisan, nature of the office which is intended to ensure objective oversight of the operations of Government. This role is an integral component of the accountability relationship which exists between all levels of Government through to the House of Assembly.

The Auditor General has a responsibility to report directly to the House of Assembly. In accordance with the *Auditor General Act*, the Auditor General is required to provide the House of Assembly with timely, relevant information, necessary to enhance public sector accountability and performance. This requirement to report is centered on the concept of accountability and is central to our system of Government.

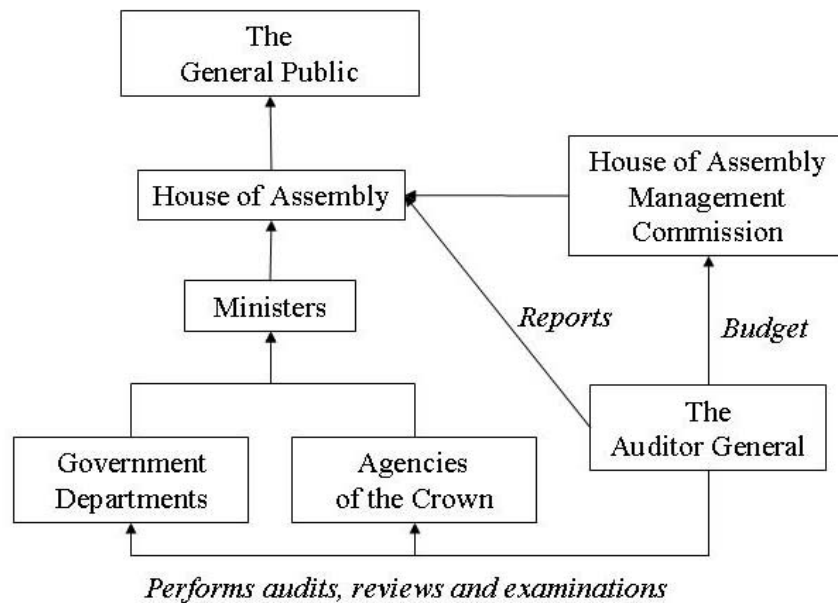
Accountability

Accountability fosters public trust and confidence in the integrity of the political system and focuses on the key aspects of Government performance relative to intended results which will, over time, lead to improved performance. We recognize that the continued relevance and credibility of our reports is of paramount importance if we are to meet the needs of the Members of the House of Assembly.

The accountability relationship is depicted in Figure 1.

Figure 1

**Office of the Auditor General
Accountability Relationship**



Staff and Budget

As at March 31, 2014, the Office had 41 approved permanent positions and 1 approved temporary manager position. For the 2014-15 fiscal year, the Office has a budget of approximately \$3.6 million.

The Office operates from two locations, one in the St. John’s Metro Region and the other in Corner Brook. For further information, please visit our website at www.ag.gov.nl.ca/ag.

3. Mandate

The mandate of the Office of the Auditor General is derived from the *Auditor General Act* and includes the following:

- The Auditor General is the independent auditor of the financial statements of the Province and expresses an opinion annually as to the fair presentation of those financial statements.
- Where appointed by statute or 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 independent auditor.
- The Auditor General reports to the House of Assembly on any significant results of audits, examinations and inquiries of Government departments, Crown corporations or Crown agencies.
- The Auditor General, where in his or her opinion such an assignment does not interfere with the Auditor General's primary responsibilities under the *Auditor General Act*, may carry out special assignments whenever requested by the Lieutenant-Governor in Council, the House of Assembly or the Public Accounts Committee.

4. Lines of Business

The Office of the Auditor General delivers on its mandate through the following lines of business:

1.0 Audit of the 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 generally accepted auditing standards established by the Chartered Professional Accountants of Canada. 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 on the Financial Statements to the Province.

2.0 Performance Audit

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

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

The findings of the performance audits are reported in the Auditor General's Report to the House of Assembly on Reviews of Departments and Crown Agencies.

Performance audits also result in recommendations which are designed to improve processes and overall performance in the delivery of public services, and in the management of public money and other resources. It is important that Government carefully consider these recommendations and take appropriate action. Therefore, we monitor the extent to which Government implements our recommendations. We commence monitoring of recommendations approximately two years after a recommendation has been made and will continue to monitor recommendations until they are fully implemented, otherwise resolved or the entity's position is such that further monitoring would be of no benefit, for a maximum period of four years after a Report is published. We report the status of the implementation of recommendations annually in the Update on Prior Years' Recommendations.

3.0 Special Assignments

A special assignment is completed in response to a request from the Lieutenant-Governor in Council, or a resolution by the House of Assembly or the Public Accounts Committee. The nature and scope of these assignments vary, depending on the nature of the request. A special assignment will result in a report of findings to whoever makes the request.

5. Values

Values are the fundamental principles that guide behaviour and decision making. They are the critical success factors that are essential to effective performance-based planning because they underline the decision-making process, impacting the ability of any organization to achieve defined goals and objectives. Clear communication and articulation of values promotes alignment between organizational culture and achievement of outcomes.

Above all else, the Office of the Auditor General must have independence, credibility and integrity. These are essential to everything we do; critical to our success.

Independence

The Office of the Auditor General must remain independent of Government and the Government Entities it audits. This independence is fundamental to the Office's ability to ensure objective oversight of the operations of Government. This role is an integral component of the accountability relationship which exists between all levels of Government through to the House of Assembly.

The Office of the Auditor General demonstrates its independence in fact and in appearance by remaining non-partisan; avoiding perceived and real conflicts of interest (politically, financially and personally); adhering to professional codes of ethics and standards; and conducting audits with objectivity, basing opinions on facts, not on pre-conceived opinions, free from influence or control by others in matters of opinion.

Credibility

To successfully fulfill our mandate, the Office of the Auditor General must provide reports and audit opinions that are considered credible by the House of Assembly and the public at large. Credibility provides value to our primary clients and stakeholders and focusing us to produce work on topics that are appropriate, timely and relevant.

The Office of the Auditor General strives to achieve credibility by producing results that are based on evidence and compliance with rigorous professional and office standards. Internal quality control measures, coupled with adherence to high-quality work ethics, produce results that reinforce our credibility. Additionally, the Office establishes its credibility by conducting relevant performance audits that evaluate value-for-money in consideration of efficiency, effectiveness and economy.

Integrity

The Office of the Auditor General holds integrity as a priority value. This is demonstrated through an uncompromising and predictably consistent commitment to rigorous professional standards. Integrity is also demonstrated through consistency in action and application of moral and ethical principles. The Office of the Auditor General consistently maintains the confidences of its auditees, considers all relevant perspectives when making decisions and remains objective, free from other influences.

6. Primary Clients

Primary clients are any person, group, or organization served by or utilizing the programs, services and/or products offered by the entity. Identifying the primary client and then determining whether their needs are being met helps an organization determine its priority issues, ensure its mandated obligations are met, and drive the organization's vision and mission.

The primary client of the Office is the House of Assembly. The Office has a significant number of internal and external stakeholders which are:

- Speaker of the House of Assembly
- General Public
- Members of the House of Assembly
- House of Assembly Management Commission
- House of Assembly Audit Committee
- Public Accounts Committee
- Government Departments and Crown Agencies

7. Vision

The Office of the Auditor General is an integral component of Government accountability.

8. Mission

The Office of the Auditor General serves as an independent resource to the House of Assembly to support them in their responsibility for overseeing the activities of Government and for holding Government accountable for its management of public money and other public resources. The Office of the Auditor General continuously strives to improve upon its ability to provide the people of this Province and their elected representatives with an independent assessment of the performance of their Government. With this in mind, the Office of the Auditor General has identified the following mission as its priority focus for the 2014-17 planning cycle:

Mission: By March 31, 2017, the Office of the Auditor General will have enhanced its provision of high quality audit services to the House of Assembly.

Measure: Enhanced provision of high quality audit services

Indicators:

- Developed and implemented a performance audit methodology that incorporates value-for-money
- Improved timelines for completing financial statement audits, as compared to 2012-13 baseline
- Developed and implemented an employee performance management program

9. Goals and Objectives

Issue 1: Performance Audit Methodology

The Office of the Auditor General promotes accountability and encourages positive change in the stewardship, management and use of public resources by conducting reviews of Government departments and Crown agencies. In the future, our Office intends to conduct audits with a greater emphasis on whether Government is achieving value-for-money in the delivery of public services, and the management of public money and other resources. As a result, greater emphasis will be placed on determining whether Government programs are being managed with due regard for economy and efficiency, and whether there are measures in place to determine their effectiveness. Our performance audit methodology will need to be revised to incorporate value-for-money concepts to accommodate our increased emphasis in this area.

Goal: By March 31, 2017, the Office of the Auditor General will have implemented a performance audit methodology that incorporates value-for-money.

Measure: Implemented performance audit methodology that incorporates value-for-money

Indicators:

- Audit assurances provided by the Office of the Auditor General assess the economy, efficiency and effectiveness in Government's delivery of its various programs
- Staff trained, as required, in value-for-money auditing techniques and procedures
- Select components of the performance audit methodology are evaluated and where necessary, adjustments are made to ensure value-for-money audit assurances can be provided

Objectives:

1.0 By March 31, 2015, the Office of the Auditor General will have developed a performance audit methodology approach which incorporates value-for-money.

Measure: Developed performance audit methodology approach

Indicators:

- Reviewed best practices within other jurisdictions
 - Developed options for aligning the Office's current audit methodology with an approach which incorporates value-for-money
 - Identified and prioritized training requirements of staff and the resources needed to deliver that training
- 2.0 By March 31, 2016, the Office of the Auditor General will have initiated the implementation of a new audit methodology which incorporates value-for-money.
- 3.0 By March 31, 2017, the Office of the Auditor General will have completed the implementation of a new audit methodology approach and initiated the evaluation of select components.

Issue 2: Timeliness of Financial Statement Audits

In order for financial statement information to be beneficial to users it has to be relevant. One of the ways relevance is achieved is by ensuring the information is received by users and decision makers in a timely manner as the usefulness of information for decision making declines as time elapses. The Office of the Auditor General is the independent auditor of the Province's financial statements and the financial statements of several Crown agencies. Our primary objective is to improve the timeliness of the audit of the Province's financial statements. We will consult with Government and review our audit approach to identify opportunities to improve the timeliness of the audit of the Province's financial statements. Improving the timeliness of the completion of Crown agency financial statement audits also provides users of these financial statements with more relevant information. Therefore, we will consult with Crown agencies and review our audit approach to identify opportunities to improve the timeliness of the audits of their financial statements.

Goal: By March 31, 2017, the Office of the Auditor General will have improved the timelines for completing financial statement audits.

Measure: Improved timelines

Indicators:

- Improved timelines for completing financial statement audits, as compared to 2012/13 baseline
- Staff trained in the new/revised audit methodologies
- Effectiveness of new/revised audit methodologies evaluated

Objectives:

1.0 By March 31, 2015, the Office of the Auditor General will have identified viable options to improve the timelines for completing financial statement audits.

Measure: Identified viable options

Indicators:

- Reviewed current audit methodologies and experiences in completing previous financial statement audits to identify reasons for unacceptable timelines
 - Consulted with auditees to identify viable options for improving upon timelines
 - Defined acceptable turnaround times for completing financial statement audits
 - Identified and prioritized staff training requirements and the resources needed
- 2.0 By March 31, 2016, the Office of the Auditor General will have implemented new/revised audit methodologies for improving the timelines for completing financial statement audits.
- 3.0 By March 31, 2017, the Office of the Auditor General will evaluate the effectiveness of its new/revised audit methodologies to determine if they are improving the timelines for completing financial statement audits.

Issue 3: Employee Performance Management

In order to deliver upon its mandate, the Office of the Auditor General relies upon a team of professionals. An employee performance management program is crucial in the development and maintenance of a team of competent professionals. Regular performance appraisals, a key part of ongoing professional development, encourage staff to succeed and reinforce the importance of quality work and compliance with professional standards and our Office's policies. We will develop and implement a new employee performance management system that clearly communicates employee performance expectations, evaluates employees' performance against these expectations, and provides support to employees in their ongoing professional development.

Goal: By March 31, 2017, the Office of the Auditor General will have implemented a methodology to evaluate employees' performance that includes employee feedback and identification of professional development needs.

Measure: Implemented employee performance management program

Indicators:

- Improved communication of employee performance expectations and key messages needed for employees to meet those expectations
- Alignment of training needs with skill capacity gaps

Objectives:

1.0 By March 31, 2015, the Office of the Auditor General will have defined the purpose/intent of the employee performance management program.

Measure: Defined purpose/intent of program

Indicators:

- Reviewed best practices to determine typical components and processes of employee performance management programs
- Consulted with staff to identify current challenges and options for overcoming these challenges
- Identified management and employee expectations of a performance management program

2.0 By March 31, 2016, the Office of the Auditor General will have developed an employee performance management program.

3.0 By March 31, 2017, the Office of the Auditor General will have implemented an employee performance management program.