



# OFFICE OF THE AUDITOR GENERAL



## Activity Plan (Transition)

For the Year Ended  
31 March 2008

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**Office of the Auditor General of Newfoundland and Labrador**

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28 March 2008

Ref: oag0308E23.04

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

Dear Sir:

I have the honour to submit herewith an Activity Plan (Transition) for the Office of the Auditor General for the year ended 31 March 2008. The Plan is being submitted as required by the *Transparency and Accountability Act*.

Although the House of Assembly Management Commission has not made a final determination as to which category to place the House of Assembly and the statutory officers, based on discussions with officials at the House of Assembly and the Transparency and Accountability Office, it is anticipated that my Office will be a Category 3. I note that the enclosed Plan exceeds the requirements of Category 3.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'. The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping stroke at the end.

**JOHN L. NOSEWORTHY, CA**  
**Auditor General**

Enclosure



# Office of the Auditor General

*Newfoundland and Labrador*

## Activity Plan 2007-08 (Transition)

### Message from the Auditor General



I am pleased to present the activity plan for our Office for the fiscal year 2007-08. The plan is an extract from our strategic plan for the four-year period from 1 April 2004 to 31 March 2008. The purpose of this activity plan is to provide the Transparency and Accountability Office with a transition plan for the fiscal year 2007-08 and will provide the background for the first annual report, to be filed by 30 September 2008, as required by the *Transparency and Accountability Act*.

Although the House of Assembly Management Commission has not made a final determination as to which category to place the House of Assembly and the statutory officers, based on discussions with officials at the House of Assembly and the Transparency and Accountability Office, it is anticipated that my Office will be a Category 3. I note that this Plan exceeds the requirements of Category 3.

As outlined in the *Auditor General Act*, the Auditor General carries out a vital role in bringing an independent audit and reporting process to bear upon the manner in which Government and its various entities discharge their responsibilities. 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.



# Office of the Auditor General

*Newfoundland and Labrador*

In the coming months our Office will be engaged in a strategic planning process to renew our strategic plan for the three-year period from 1 April 2008 to 31 March 2011. Pursuant to the *Transparency and Accountability Act*, we will prepare an activity plan that sets a clear vision of where we will be by 2011 and the activities that the Office will undertake to reach that vision. As Auditor General, I am accountable for the preparation of this plan and for the achievement of its goals and objectives.

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

**JOHN L. NOSEWORTHY, CA**  
**Auditor General**





# Office of the Auditor General

*Newfoundland and Labrador*

## Table of Contents

	<b>Page</b>
1.0 Introduction	1
2.0 Overview	2
3.0 Our Mandate	2
4.0 Lines of Business	3
5.0 Values	5
6.0 Primary Client	6
7.0 Our Vision	6
8.0 Mission	6
9.0 Challenges and Strategies	7
10.0 Objectives	10



# Office of the Auditor General

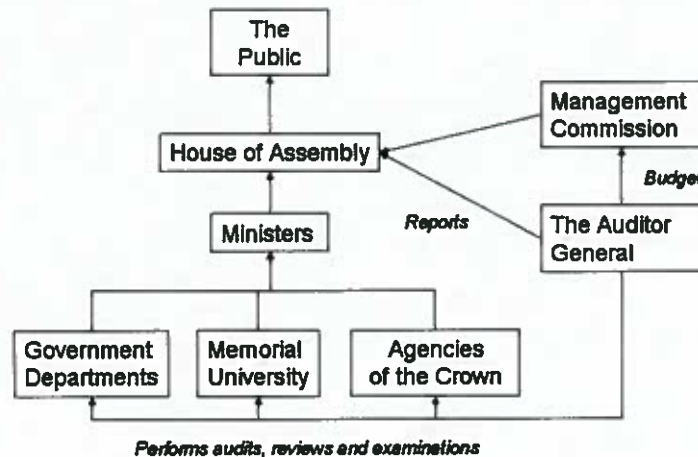
*Newfoundland and Labrador*

## 1.0 Introduction

The *Auditor General Act* determines the role of the Auditor General. The Auditor General has a direct responsibility to report to the House of Assembly. Implicit in the *Auditor General Act* is the requirement for the Auditor General 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 responsible Government. Accountability fosters public trust and confidence in the integrity of the political system. As well, accountability which focuses on the key aspects of Government performance relative to intended results will, over time, lead to improved performance.

The House of Assembly is responsible for overseeing the activities of Government and holding Government accountable for its handling of public money. To assist this process, the Government provides information about how it used the public funds entrusted to it. But what assurance do Members of the House of Assembly have that this information is appropriate, credible and complete? How can Members know that the information they receive accurately reflects the results of the activities of the Government? The answer is the House of Assembly uses the services of the Auditor General to assist it in carrying out its oversight responsibilities. 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.

Consequently, the Auditor General's fundamental role is to bring an independent audit and reporting process to bear upon the manner in which conferred responsibilities are discharged in the public sector. This role is superimposed on the accountability relationship which exists between all levels of Government through to the House of Assembly. The accountability relationship is depicted in the chart which follows.





# Office of the Auditor General

*Newfoundland and Labrador*

## 2.0 Overview

The priorities identified within this plan are applicable to the Office of the Auditor General. Our current vision, mission and values are from our strategic plan for the four-year period from 1 April 2004 to 31 March 2008. Recognizing the importance of keeping these components relevant and up-to-date, they will be reviewed and revised, where necessary, during development of our new strategic plan for the three-year period from 1 April 2008 to 31 March 2011. Planning sessions relating to the new strategic plan are scheduled to occur during April and May 2008.

### Staff and Budget

As at 31 December 2007, the Office of the Auditor General had 35 filled positions (approximately 69% male and 31% female) and 6 vacant positions, with an estimated budget of \$3,426,800 (Estimates 2007-08).

## 3.0 Our 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 auditor of the financial statements and accounts of the Province.
- 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.
- The Auditor General will carry out special assignments whenever the Lieutenant-Governor in Council so requests or the House of Assembly or the Public Accounts Committee by resolution so requires.
- Calling attention to anything the Auditor General considers significant or 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.



#### **4.0 Lines of Business**

In part, successful strategic planning requires that we define and integrate major business elements of the Office with appropriate strategies for completion and measures of performance. Analysis of our role, mission and values, review of environmental trends and our vision of the future all support the allocation of resources to the following lines of business:

- Financial Statement Audits;
- Legislative Audits;
- Monitoring Crown Agency Reports;
- Special Assignments; and
- Report Publishing

These lines of business and related challenges, strategies and objectives form the major segment of our strategic plan and are outlined in the immediately following sections.

##### **FINANCIAL STATEMENT AUDITS**

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 Canadian Institute of Chartered Accountants. In addition, issues identified during a financial statement audit may lead to recommendations that are addressed in a letter to the auditee and/or included in the Auditor General's Report to the House of Assembly.

##### **LEGISLATIVE AUDITS**

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

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





# Office of the Auditor General

*Newfoundland and Labrador*

## **MONITORING CROWN AGENCY REPORTS**

There are a significant number of Crown agencies in the Province. Some of these have financial transactions and prepare financial statements while the remainder are considered as non-financial agencies and do not prepare financial statements.

All entities which prepare financial statements are listed in our annual accountability report to the House of Assembly. The financial statements of many of these agencies are audited by our Office while the remainder are audited by private sector auditors. These audits must be completed in time to consolidate the agencies' financial statements with the Public Accounts of the Province. If the Auditor General is not the financial statement auditor of an entity, then section 14 of the *Auditor General Act* provides the Auditor General with a role in reviewing information resulting from audits conducted by the private sector auditor.

## **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.

A summary of special assignments conducted is included in the Office's Annual Report to the House of Assembly on Reviews of Departments and Crown Agencies.

## **REPORT PUBLISHING**

This work focuses on the publishing aspects of all external reports produced by our Office. It crosses all other lines of business since all audits require some form of reporting. Specifically, reports produced by the Office must be timely, concise, and clear as to content, format and design, and achieve consistently high quality.



# Office of the Auditor General

*Newfoundland and Labrador*

The following are the main types of reports issued by the Office:

- audit reports and management letters related to the audit of financial statements including the audit of the Public Accounts of the Province;
- the Annual Report to the House of Assembly on the Audit of the Financial Statements of the Province;
- the Annual Report to the House of Assembly on Reviews of Departments and Crown Agencies which includes a section on monitoring Crown agencies;
- the Annual Report to the House of Assembly on the Operations of the Office; and
- reports resulting from special assignments.

## 5.0 Values

*The following values are from our strategic plan for the four-year period 1 April 2004 to 31 March 2008. An updated vision, mission and values will be part of our strategic plan for the three-year period 1 April 2008 to 31 March 2011.*

We carry out our mission within the context of a set of values that define our commitments and beliefs. These are our values.

We believe in independence for our Office, integrity in our conduct and quality in our work. Therefore we will:

- maintain our independence and avoid the perception of bias;
- ensure credibility and relevance of our work;
- strive for excellence in our work and seek continuous improvement in our use of technology, methodology and training;
- treat all external parties with courtesy and respect; and
- conduct ourselves according to the highest professional standards.

We believe everyone should be treated with fairness and respect. Therefore, in our Office, all employees:

- are recognized and valued for contributions;
- communicate openly and work together as a team;
- receive necessary opportunities for professional and personal growth; and
- are accountable for quality performance and encouraged to improve processes.



# Office of the Auditor General

*Newfoundland and Labrador*

## 6.0 Primary Client

Under the *Auditor General Act*, the Auditor General is appointed as the House of Assembly's legislative auditor of Government, its various departments and all of its Crown agencies. Therefore, the Auditor General's primary client is the House of Assembly and all of these entities are auditees of the Auditor General. In addition, the Auditor General is the financial statement auditor of the Province's financial statements and the financial statements of 30 Crown agencies. Therefore, these entities are also clients of the Auditor General for financial statement audit purposes.

## 7.0 Our Vision

*The following vision is from our strategic plan for the four-year period 1 April 2004 to 31 March 2008. An updated vision, mission and values will be part of our strategic plan for the three-year period 1 April 2008 to 31 March 2011.*

- To contribute to the public accountability process.

## 8.0 Mission

*The following mission is from our strategic plan for the four-year period 1 April 2004 to 31 March 2008. An updated vision, mission and values will be part of our strategic plan for the three-year period 1 April 2008 to 31 March 2011.*

Based on our *Act*, we have defined the mission of the Office of the Auditor General as follows:

- The Office of the Auditor General serves the House of Assembly by providing independent examinations of Government and its entities.
- As legislative auditors, we audit financial statements and other accountability documents, evaluate management practices and control systems, and determine compliance with legislative and other authorities.
- Our purpose is to promote accountability and encourage positive change in the stewardship, management and use of public resources.



# Office of the Auditor General

*Newfoundland and Labrador*

## 9.0 Challenges and Strategies

### Financial Statement Audits

#### Challenges

A major challenge of the Office is to maintain excellence in the quality of our financial statement audits. We must also ensure fees and audit time are kept as low as possible. Of equal importance is the need to complete audits within established deadlines to ensure timely reporting of information to the House of Assembly.

#### Strategies

- We will continue to monitor quality in our audits through a professional practice and challenge review process.
- We will continue efforts to reduce time and fees through the use of more efficient work processes.
- We will be proactive in working with auditees to ensure that good quality information required to be audited is available on a timely basis.
- We will be proactive in meeting with senior auditee officials to enhance the auditee-auditor relationship.

### Legislative Audits

#### Challenges

- The challenge for our Office is to ensure we maximize our limited resources to fulfill our mandated responsibility.
- We must help ensure the House of Assembly has information of sufficient breadth and depth to hold Government and its entities accountable for their use of public resources.
- Our Office has to identify meaningful projects that will deliver results and will enhance the value and impact of audit assessments and recommendations.
- Improved public sector accountability will lead to positive change in the management and use of public resources.





# Office of the Auditor General

*Newfoundland and Labrador*

## **Strategies**

- We will continue to build on our experiences with the departments and Crown agencies and use a risk-based system to assign priorities and selection criteria to legislative audits of Crown agencies, Government departments and programs.
- We will continue to utilize Audit Managers as a repository of information on departments and Crown agencies. As well, we will ensure that all staff have input into project identification.
- The Executive Committee will meet with each Audit Manager on a regular basis to review the status of legislative audits.
- We will be proactive in offering to meet with senior auditee officials to discuss issues arising from reviews completed.
- We will continue to monitor quality in our legislative audits through the use of quality control criteria.
- We will monitor and track the implementation of our recommendations.
- We will continue to promote the development of an accountability framework within the public sector.

## **Monitoring Crown Agency Reports**

### **Challenges**

- A major challenge for this line of business is to maintain a system for collecting financial statement audit information that will enable us to provide adequate accountability information to the House of Assembly.
- A further challenge for our Office is to obtain audited financial statements and management letters on a timely basis for monitoring purposes.

### **Strategies**

- Our strategy is to maintain a database of Crown agencies and relevant information to enable effective monitoring.
- We will be proactive in working with private sector auditors to provide audited financial statements and management letters on a timely basis.
- We will also report annually to the House of Assembly on our monitoring of Crown agencies.



## **Special Assignments**

### **Challenges**

- A major challenge for our Office in conducting these assignments is to respond quickly to these requests and still be able to fulfill our mandated responsibility.
- Since these assignments cannot be planned in advance, our limited resources must be reallocated to accommodate any such requests when they arise and as such, care must be taken to ensure that the work can be done without interfering with our ability to carry out our primary responsibilities under the *Act*.

### **Strategies**

- We will carefully plan any special assignments that are requested in order to maximize the results obtained in the hours available.
- We will continue efforts to carry out special assignments in an efficient and timely manner through improved work processes in order to minimize the disruption to our legislated responsibilities.

## **Report Publishing**

### **Challenges**

- The significant challenge for our Office is to ensure that enhancements are continuously made to the format and presentation of all our reports to the House of Assembly and other external users. These enhancements must ensure we remain current with emerging technology while keeping cost and effort at reasonable levels.
- To ensure consistency in formatting our reports.

### **Strategies**

- A major strategy for the Office will be to further enhance the paper and electronic formats of our annual reports.
- We will continue to ensure staff are aware of Office policy as to report format and the need for consistency.



# Office of the Auditor General

*Newfoundland and Labrador*

## 10.0 Objectives

<b>Financial Statement Audits</b>	<b>Objectives</b> <ol style="list-style-type: none"><li>1.1 Complete our audit of the financial statements of the Province by 30 September of each year and complete all other financial statement audits within three months of their fiscal year-end.</li><li>1.2 Provide the House of Assembly with our report on the audit of the financial statements of the Province by 30 November of each year.</li><li>1.3 Determine during the audit planning cycle which audit procedures can be eliminated or changed in order to reduce audit time and costs while meeting professional standards. As a result, each time budget will be established to meet audit requirements.</li><li>1.4 Complete all audits within budgets for time and cost. We will monitor actual cost and time relative to budgets. Our target for success is to be within a 10% variance of budget for time and cost.</li><li>1.5 Conduct all audits in accordance with professional standards and comply with internal Office policy. All financial statements and management letters will be subjected to a professional practice and challenge review process. Our target for success is 100% compliance.</li><li>1.6 Communicate with all auditees on an annual basis to ensure that good quality information required to be audited is available on a timely basis.</li><li>1.7 Offer to hold meetings with senior auditee officials.</li></ol>
<b>Legislative Audits</b>	<b>Objectives</b> <ol style="list-style-type: none"><li>2.1 Continue to use risk-based audit management. 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.</li></ol>



# Office of the Auditor General

*Newfoundland and Labrador*

	<p>2.2 The Executive Committee will meet with each Audit Manager on at least a monthly basis to discuss the status of each legislative audit.</p> <p>2.3 Offer to hold meetings with senior auditee officials.</p> <p>2.4 Ensure a high level of quality in the legislative audit process by subjecting all reports to quality control criteria and a professional practice and challenge review process.</p> <p>2.5 Monitor the degree to which positive change has occurred resulting from implementation of our recommendations or evidence that major issues will be addressed. Our target for success is that 80% of all recommendations will be implemented within two years of our report date.</p> <p>2.6 Provide the House of Assembly with our report on reviews of departments and Crown agencies by 31 January of the year following the previous fiscal year-end.</p> <p>2.7 Provide the House of Assembly with an accountability report on our Office by 31 January of each year.</p>
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<b>Monitoring Crown Agency Reports</b>	<b>Objectives</b> <p>3.1 Review the auditor's report, audited financial statements, recommendations to management, annual report, and any other relevant reports of each of the Crown agencies.</p> <p>3.2 Maintain The Audit Universe Monitoring System (TAUMS) to record relevant information on each of the Crown agencies.</p> <p>3.3 Contact private sector auditors to arrange for receipt of financial statements and management letters on a timely basis and monitor receipt of this information.</p> <p>3.4 Provide the House of Assembly with a report on monitoring of Crown agencies by 31 January of each year.</p>
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# Office of the Auditor General

*Newfoundland and Labrador*

<b>Special Assignments</b>	<b>Objectives</b>  4.1 Strive to perform special assignments whenever requested. 4.2 Report on all special assignments conducted within six months of beginning our work. 4.3 Subject all reports to quality control criteria and a challenge review process.
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<b>Report Publishing</b>	<b>Objective</b>  5.1 Provide staff with direction relating to the Office's existing auditing policy on drafting reports and emphasize the need for consistency in report drafting.
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