

# Annual Report

## Office of the Auditor General

January 2022



OFFICE OF THE AUDITOR GENERAL  
NEWFOUNDLAND AND LABRADOR

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## REPORT OVERVIEW

### WHY WE DID THIS ANNUAL REPORT

We prepared this annual report in accordance with the Auditor General Act, 1991, to:

- Comment on the audit of the province's financial statements, also known as the Public Accounts, for the year ended March 31, 2021;
- Provide updates on the status of recommendations from two 2018 performance audits;
- Disclose an unaudited report on government's response to the pandemic; and,
- Share information on the work of the Office and what audits are currently underway.

### OBSERVATIONS ON THE AUDIT OF PUBLIC ACCOUNTS

- A clean audit opinion was issued in October 2021 on the province's Consolidated Summary Financial Statements for the year ended March 31, 2021.
- Attention was drawn to government's commitment to ensure electricity rates in this Province are not impacted by the Muskrat Falls Project. Government has not finalized specific strategies for its rate mitigation plan and implementation of this plan may have a significant financial impact on the province in future years.
- Our Office has not been able to complete the audit of the financial statements of the Office of the High Sheriff for the fiscal years ended March 31, 2018 through March 31, 2021 because the information necessary to complete the audits was not available. As a result, there is a risk that undetected errors have occurred with the funds in trust.
- The Consolidated Summary Financial Statements have generally been available between six to seven months after the year-end, which is longer than most other jurisdictions. One major obstacle to an earlier release is a provision in the Financial Administration Act, which stems from when the province used a cash basis of accounting and allowed charges to occur in the month following year end. The province moved to full accrual accounting in the 1990s, however the relationship between the Estimates process and government accounting has not been updated. Newfoundland and Labrador is the only province that follows this practice. The province could consider amendments to the Act to reflect modern accounting practices or pursue alternatives to ensure a timelier release, particularly given the shortened timeframes in the Act for an election year report.
- Numerous incidents of potentially fraudulent actions by recipients of government funding or government employees were reported as part of the annual Public Accounts audit or throughout the year. Generally, these incidents did not result in monetary loss and were reported to police if deemed appropriate.
- Areas of improvement include estimation of taxation revenues; offshore royalties and the carry back of decommissioning costs; disaster assistance recording; contingent liabilities relating to environmental indemnification; payments to a pension plan; completeness of the government reporting entity and accuracy in Public Accounts.

## UPDATE ON 2018 PERFORMANCE AUDITS

- We expect that entities can fully implement the majority of recommendations within three years of an audit report being issued. For the performance audits we completed in 2018, less than 63 per cent of our recommendations have been fully implemented to date.
- The Department of Fisheries, Forestry and Agriculture fully implemented five of the six recommendations from the audit into the management of firearms and ammunition. The Department has not fully implemented an oversight framework for inventory management. Specifically, the annual monitoring requirements have not been fully followed, the firearms control report has not been completed since 2019, and the assessment on the tracking and monitoring of each firearm and on ammunition stored in locations outside of the headquarters vault has not been completed.
- The Newfoundland and Labrador English School District did not fully implement either of the two recommendations resulting from our 2018 audit into the management of procurement. These recommendations pertained to the governance structure, processes for setting ethical organizational behavior and oversight of the development and performance of internal controls and risk management. Specifically, the District has not communicated or trained staff in the newly-established code of conduct and ethics and has not fully implemented a fraud risk management program or internal control policy that evaluates the effectiveness of their internal control environment.

## GOVERNMENT'S FINANCIAL RESPONSE TO THE PANDEMIC

- Our report summarizes information gathered from government departments to provide an unaudited listing of government's actions in response to the pandemic.
- Significant impacts from the pandemic occurred or will occur throughout the 2020-21, 2021-22 and 2022-23 fiscal years.
- In the 2020-21 fiscal year, \$470.7 million was committed. The federal government committed 51 per cent and the provincial government cost shared or fully funded the remaining 49 per cent of the funding. The estimated actual costs incurred in 2020-21 was \$356.9 million, or just under 76 per cent of the committed amount.

## ANNUAL REPORT ON OPERATIONS

- In the nine months since the Auditor General has been appointed, her Office has provided a clean audit opinion on the Public Accounts; concluded three performance audits; provided status reports on performance audits released in 2017 and 2018; and initiated plans for implementation of the modernized Auditor General Act, 2021.
- Substantive progress was made in 2021 on the three large scale performance audits currently ongoing: Nalcor Energy and two audits involving the Department of Justice and Public Safety. All three reports are expected to be released in 2022.

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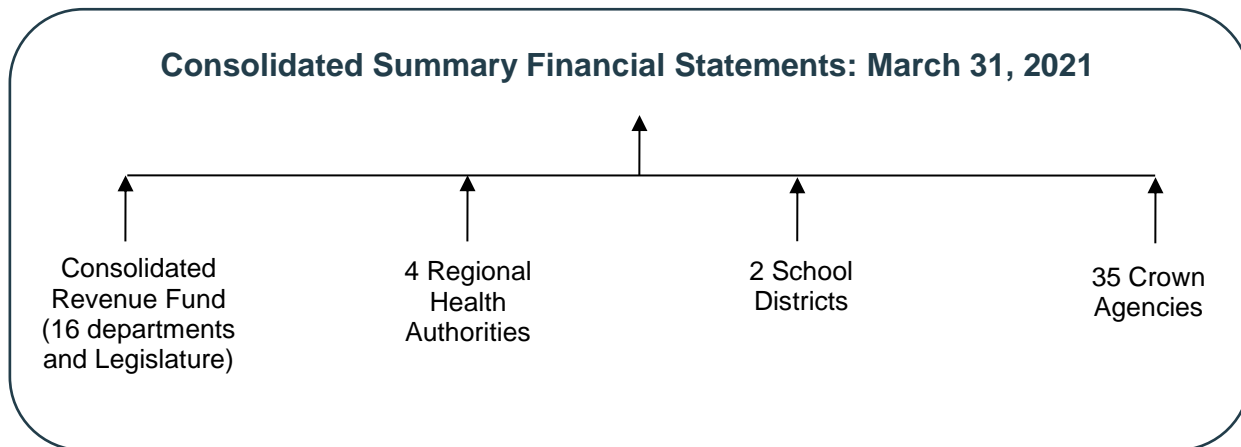
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# AUDIT OF THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

## BACKGROUND

As per section 11 of the Auditor General Act, 1991, the Office of the Auditor General must conduct an annual financial audit of the Consolidated Summary Financial Statements (also referred to as the Public Accounts). These statements show financial results for all organizations in the government reporting entity. In addition to government departments and the legislature, the government reporting entity includes 41 other government entities. The financial statements of these entities are audited by either the Office of the Auditor General or a private sector auditor.



### Audited by the Office of the Auditor General

C.A Pippy Park Commission  
 Consolidated Revenue Fund  
 Heritage Foundation of Newfoundland and Labrador  
 Innovation and Business Investment Corporation  
 Livestock Owners Compensation Board  
 Newfoundland and Labrador Arts Council  
 Newfoundland and Labrador Crop Insurance Agency  
 Newfoundland and Labrador Housing Corporation  
 Newfoundland and Labrador Immigrant Investor Fund Limited  
 Newfoundland and Labrador Industrial Development Corporation  
 Newfoundland and Labrador Legal Aid Commission  
 Newfoundland and Labrador Liquor Corporation  
 Newfoundland and Labrador Municipal Financing Corporation  
 Provincial Advisory Council on the Status of Women - Newfoundland and Labrador  
 Provincial Information and Library Resources Board  
 The Rooms Corporation of Newfoundland and Labrador



**Entities Audited by  
a Private Sector  
Auditor**

Atlantic Lottery Corporation Inc.  
 Board of Commissioners of Public Utilities  
 Central Regional Health Authority  
 Chicken Farmers of Newfoundland and Labrador  
 College of the North Atlantic  
 Conseil scolaire francophone provincial de Terre-Neuve et Labrador  
 Credit Union Deposit Guarantee Corporation  
 Dairy Farmers of Newfoundland and Labrador  
 Eastern Regional Health Authority  
 Egg Farmers of Newfoundland and Labrador  
 Labrador-Grenfell Regional Health Authority  
 Marble Mountain Development Corporation  
 Memorial University of Newfoundland  
 Multi-Materials Stewardship Board  
 Municipal Assessment Agency Inc.  
 Nalcor Energy  
 Newfoundland and Labrador 911 Bureau Inc.  
 Newfoundland and Labrador Centre for Health Information  
 Newfoundland and Labrador English School District  
 Newfoundland and Labrador Film Development Corporation  
 Newfoundland and Labrador Sports Centre Inc.  
 Newfoundland Hardwoods Limited  
 Oil and Gas Corporation of Newfoundland and Labrador  
 Western Regional Health Authority

**Unaudited Entities  
(not material)**

Churchill Falls (Labrador) Corporation Trust

**No Statements  
Prepared (inactive)**

Newfoundland and Labrador Farm Products Corporation

The Consolidated Summary Financial Statements provide the most complete information about the financial position and operating results of the province. They are the principal means by which government reports to the House of Assembly, and to the people of the province, on its accountability and management of public funds.

Government, through the Office of the Comptroller General, is responsible for providing the House of Assembly with these statements, prepared in accordance with Canadian Public Sector Accounting Standards. The statements include a statement of responsibility which



outlines government's responsibility for maintaining a system of internal control in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, financial records are properly maintained, and financial statements are prepared that are free from material misstatement whether due to fraud or error.

A copy of the Consolidated Summary Financial Statements are available on the government's website.



## AUDIT OPINION

An unqualified audit opinion on the Consolidated Summary Financial Statements for the year ended March 31, 2021, was issued on October 22, 2021. It concluded that the statements were fairly presented, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

This audit opinion does not extend to the effectiveness of internal controls. However, if we identified issues during our audit that result in recommendations to improve controls or management practices, those issues were communicated to government.

Government includes a Financial Statement Discussion and Analysis report with the Consolidated Summary Financial Statements. This analysis provides an overview of changes in government's financial position and highlights key figures and comparatives. This report is considered part of the 'other information' that is included in the Public Accounts of the province. Our opinion on the statements does not cover the 'other information' and we do not express any form of conclusion on that section. However, standards require us to review the 'other information' and, in doing so, consider whether this information is substantially inconsistent with the financial statements, the information obtained during the audit, or otherwise appears to be significantly misstated. If we conclude that there is a substantial misstatement, we are required to report that.

For the year ended March 31, 2021, there was no substantial misstatement identified in the Financial Statement Discussion and Analysis report.

## OTHER MATTER

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

In April 2019, government released a proposed framework that outlined possible options to mitigate anticipated increases in electricity rates as a result of the Muskrat Falls Project coming online. Since that time, government has been working on its rate mitigation plan, but the plan remains incomplete. In its Financial Statement Discussion and Analysis report for the year ended March 31, 2021, government included commentary on risks to the province's financial position and forecast, including the risks associated with the rate mitigation strategy. However, the statements did not disclose information on the rate mitigation plan because it was not required by Canadian Public Sector Accounting Standards for this reporting timeframe.

## OBSERVATIONS RESULTING FROM OUR AUDIT

The work performed by the Office of the Auditor General on the province's financial statements and those of other government entities are directed at expressing an audit opinion, but not to express an opinion as to whether the systems or controls are properly designed or are operating effectively. However, each year issues may come to our attention and result in recommendations to improve internal controls, financial statement preparation, or financial reporting.

## OFFICE OF THE HIGH SHERIFF

The Office of the High Sheriff operates the Judgement Enforcement Registry, which receives funds from third parties and holds the funds in trust for distribution to other third parties in accordance with Court Orders. The funds are recorded as a trust in Schedule 9 of the Public Accounts; the fees charged to its clients are recorded as revenue of the province.

Our Office has not been able to complete the audit of the financial statements of the Office of the High Sheriff for the fiscal years ended March 31, 2018 through March 31, 2021 because the information necessary to complete the audits was not available. As a result of information not being available for audit, there is a risk that undetected errors have occurred.

It is critical that the required information be made available by the Office of the High Sheriff so that the audits of that Office may be completed in a timely manner.

## TIMING OF RELEASE OF THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

Since 2017, the Office of the Auditor General and the Office of the Controller General has made considerable progress in concluding the audit of the Public Accounts earlier. With the exception of 2020, where timing was impacted by the pandemic, the financial statements have generally been available between six to seven months after the year-end.

Year End	Audit Report Date	Number of Days After Year-end
March 31, 2017	September 29, 2017	182
March 31, 2018	October 4, 2018	187
March 31, 2019	October 18, 2019	201
March 31, 2020	December 23, 2020	267
March 31, 2021	October 22, 2021	205

Source: Public Accounts

A review of other Canadian jurisdictions for the past two years indicates a range of audit report dates. Newfoundland and Labrador continues to be one of the latest to report each year.

Jurisdiction	Audit Report Date for the Year Ended	
	March 31, 2021	March 31, 2020
Newfoundland and Labrador	October 22, 2021	December 23, 2020
Nova Scotia	September 13, 2021	August 13, 2020
Prince Edward Island	October 25, 2021	January 8, 2021
New Brunswick	September 16, 2021	October 8, 2020
Quebec	October 22, 2021	December 22, 2020
Ontario	August 27, 2021	September 11, 2020
Manitoba	September 20, 2021	September 25, 2020
Saskatchewan	June 17, 2021	June 18, 2020
Alberta	June 21, 2021	July 29, 2020
British Columbia	July 16, 2021	July 8, 2020
Canada	September 9, 2021 (November 19, 2021)	October 9, 2020

Source: Public Accounts – all provinces and Canada



In 2017, the Financial Administration Act was amended to require that the Public Accounts be tabled before November 1 of the following fiscal year. The previous date was February 1. The Act was further amended to require that, in the year of a general election, the Public Accounts be tabled no less than 15 days prior to the fixed election date, generally the second Tuesday in October every four years. This would require the Public Accounts to be tabled in mid-September in the year of a fixed election date. Given past audit report dates, this would appear to be challenging to achieve.

One major obstacle to an earlier release is a current provision in the Act, which allows the province's books to remain open for up to a month after year-end to facilitate processing certain transactions from the previous year. This provision in the Act stems from when the province used a cash basis of accounting. The province moved to full accrual accounting in the 1990s, however the relationship between the Estimates process and accrual government accounting has not been updated.

Newfoundland and Labrador is the only province that follows this practice. This provision essentially means that the province is one month late in starting to prepare the year-end financial statements, which thereby effects the timing of audit work.

The province should strongly consider amendments to the Act to reflect modern accounting and controllership practices or pursue alternatives to ensure that Public Accounts can be released in a timelier manner.

## **OPPORTUNITIES FOR IMPROVEMENTS IDENTIFIED**

During our audit of the Public Accounts we identified opportunities for improvements and made government aware of the following:

### **Estimation of Taxation Revenues**

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

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

### **Offshore Royalties – Carry Back of Decommissioning Costs**

There are four oil production facilities located in the province's offshore; all facilities except Hibernia follow Part VII of the Royalty Regulations, 2003. The regulations allow operators to carry back actual net decommissioning costs incurred against earlier net royalty revenue, commencing in the period of substantial completion of the decommissioning. The carry back

of net decommissioning costs may result in the province having to reimburse the operator(s) for royalties previously paid.

The ability of operators to carry back costs represents a potential liability for the province, especially for the projects governed by the Royalty Regulations. Government has disclosed a contingent liability regarding the carry back of decommissioning costs in the Public Accounts for the year ended March 31, 2021. Government indicates that uncertainty currently exists with respect to the existence, nature, and extent of any obligation that the province has for future decommissioning carry back amounts due to several factors beyond its control. No operators have submitted or indicated their intent to submit a decommissioning proposal as of March 31, 2021, as a result there is no reimbursement owing at year-end.

Under the Hibernia Royalty Agreement, the province acknowledged there should be a sharing of decommissioning costs for Hibernia on an agreed basis and will enter into discussions regarding this matter at a future date. No discussions have commenced as of March 31, 2021.

Government should determine the impact, if any, that the carry back of expected decommissioning costs will have on offshore royalties and ensure that these costs are accounted for in the Public Accounts in accordance with Canadian Public Sector Accounting Standards.

#### **Revenues from the Disaster Financial Assistance Arrangement**

The federal government, under the national Disaster Financial Assistance Arrangement, assists provinces with the costs of dealing with disasters that have placed a significant burden on a province's economy. The province currently recognizes revenues under the assistance arrangement when it actually receives the funding. Many other jurisdictions in Canada recognize revenue under the assistance arrangement prior to the funding actually being received.

Government should review its policy for recognizing revenues received from the Disaster Financial Assistance Arrangement.

#### **Contingent Liability – North Atlantic Refining Limited**

As at March 31, 2021, the province disclosed that it had provided an environmental indemnity to the organization purchasing North Atlantic Refining Limited's Come by Chance oil refinery. An environmental site assessment report required to accurately determine the liability was not finalized by the audit report date of October 22, 2021.

The site has remained in operation since the environmental indemnity was provided, which may further complicate the quantification of the liability related to the indemnity.

#### **Special Payment Exemption - Pension Plan of Memorial University**

A Crown Corporation within the government reporting entity is required to make minimum contributions to address the net unfunded liability of its pension plan. These contributions are required for over 15 years for the going concern valuation and five years for the solvency valuation. However, each fiscal year, the Crown Corporation can request exemptions from



government relating to these contributions. Without these exemptions, the Crown Corporation would be required to make significant special payments (contributions) each year.

The request for exemptions was approved on July 8, 2020 for the years ended March 31, 2019 and March 31, 2020. Memorial University had requested exemptions for the year ended March 31, 2021; however, the exemption was not approved by the audit report date of October 22, 2021.

### **Completeness of the Government Reporting Entity**

Ensuring the completeness of the government reporting entity will provide Public Accounts users with the most comprehensive information about the province's financial position. The Office of the Comptroller General is responsible for assessing whether entities should be included or excluded from the government reporting entity, based on an assessment of government control.

Our Office has identified that an entity that should be considered for inclusion as a government reporting entity and has requested the Comptroller General to determine whether control exists. Conversely, certain entities which are presently included indicate they should not be included because they do not consider themselves to be controlled, either directly or indirectly, by government.

We encourage the Office of the Comptroller General to conclude their review of entities both included and excluded to ensure accuracy and completeness of the government reporting entity.

### **Preparation of the Public Accounts**

It is important to use complete and accurate information to prepare Public Accounts in order to reduce the risk of error and improve the timeliness of completing the work. Our Office noted instances where the Office of the Comptroller General received incomplete or inaccurate information from departments, agencies, boards and/or commissions.

We noted instances where budget information that was included in the Public Accounts was prepared on a basis that was inconsistent with the presentation and classification used in the Public Accounts. As a result, it may be difficult to compare actual results to planned results. The comparison of actual and budgeted financial results provides key accountability information about the government's performance in achieving its operational goals.

We also noted instances where the Office of the Comptroller General was not always notified when work-in-progress assets were placed into service. As a result, the required amortization of these assets was not initially recorded. We also noted an instance where amortization was incorrectly calculated as there had been betterments to the asset that were not reflected in the calculation of amortization. The Office of the Comptroller General corrected the identified errors. We recommend that their Office should reinforce government's policy with all departments to ensure assets are reviewed monthly to determine whether any assets that have been placed into service or disposed of are properly recorded and that the costs of any betterments made to assets are reflected in the calculation of amortization.

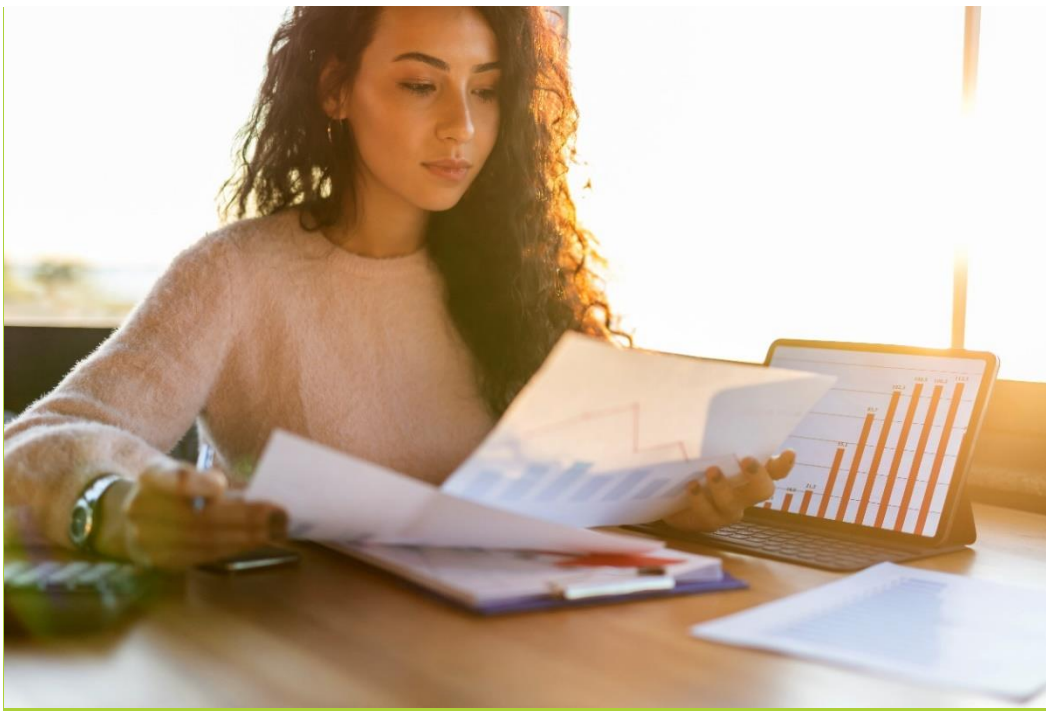
It is important that the information used to prepare Public Accounts is consistent with the Canadian public sector accounting standards.

## INCIDENTS REPORTED TO LIEUTENANT-GOVERNOR IN COUNCIL

Pursuant to section 15 of the Auditor General Act, 1991, the Auditor General must report to the Lieutenant-Governor in Council any situations that may involve the improper retention or misappropriation of public money, or any activity that could constitute an offence under the Criminal Code, or another act, which became evident during the audit process. The Act also requires that a list of incidents and the date reported to the Lieutenant-Governor in Council be attached to the annual report. Incidents would be reported to the Auditor General by government or discovered as part of the annual Public Accounts audit.

Appendix III details all activity reported to the Minister of Finance in accordance with section 15 of the Act.

Numerous incidents relate to potentially fraudulent actions by recipients of government funding, such as duplicate cheque cashing, falsified documents, or attempts to defraud a program. They did not result in any monetary loss to government and were reported to police if deemed necessary. There were potentially fraudulent incidents involving government employees, such as falsely representing credentials, personal use of corporate credit cards, or inappropriate use of government resources. In some cases, employees were terminated as a result of investigations conducted. Generally, these incidents were not reported to the police but handled internally through disciplinary processes.





# UPDATE ON PREVIOUS PERFORMANCE AUDIT REPORTS

## BACKGROUND

In April 2018, the Office released a special report on the Management of Firearms and Ammunition by the Wildlife Division of the then-named Department of Fisheries and Land Resources. The report covered the audit period of February 2017 to October 2017 and found deficiencies in the systems of internal controls intended to safeguard firearms and ammunition. The audit period extended back to February 2016 for the audit of the acquisitions and dispositions of firearms and ammunition and also found internal controls deficiencies in this area.

Six recommendations were issued:

1. The Department of Fisheries and Land Resources should establish and communicate comprehensive policies and procedures to guide staff in the acquisition, disposition, recording, storage, use, movement and monitoring of firearms and ammunition.
2. The Department of Fisheries and Land Resources should ensure the inventory system is complete and accurate including:
  - updating the system on a timely basis for each acquisition, disposition, and transfer of firearms and ammunition;
  - maintaining transaction history, supporting documentation, and relevant information for each inventory item; and
  - reconciling the inventory system and the Federal firearms registry on a periodic basis with inventory counts and investigating any discrepancies.
3. The Department of Fisheries and Land Resources should ensure the Federal firearms registry is updated on a timely basis for firearms that are acquired, lost, stolen or disposed as required by legislation.
4. The Department of Fisheries and Land Resources should ensure the secure access to, and storage of, firearms and ammunition at all storage locations throughout the Province.
5. The Departments of Fisheries and Land Resources should consider segregating the custody and recording keeping duties of staff involved with the firearms inventory, and if not practical to do so, ensure mitigating controls are in place.
6. The Department of Fisheries and Land Resources should develop an oversight framework for monitoring inventory management processed including establishing policies that:
  - outline the content and frequency of inventory reports to be reviewed by senior management, for monitoring changes to inventory, inventory usage, and inventory levels in relation to the delivery of its programs and staffing levels;
  - require annual and periodic inventory counts, including surprise counts; and

- require the periodic review of the effectiveness of inventory controls and an assessment of any risks identified.

In September 2018, the Office also released a special report on the Management of the Procurement of Goods and Services by the Newfoundland and Labrador English School District. The report covered the audit period of July 2011 to June 2016 and dealt with the procurement processes primarily within the Facilities Branch of the District. The report included audit findings regarding procurement transactions, some of which appeared to be unusual in nature. Findings also related to the management of risks for the safeguarding of assets.

Two recommendations were issued:

1. The Board of Trustees and senior management should set clear expectations for ethical organizational behavior. This should include:
  - Establishing and communicating a written code of ethics and conduct that integrates conflict of interest prevention and management to all staff, including consequences of non-compliance with these standards.
  - Providing training to employees to promote an understanding of their role and responsibility for ethical organizational behavior, including compliance with legislation and school district policies and procedures.
  - Monitoring adherence to the standards of conduct including establishing a reporting mechanism by which employees may report suspected violations of the standards.
  - Investigating allegations of violations of the standards on a timely basis and taking appropriate actions when allegations are substantiated.
2. The Board of Trustees and senior management should provide effective oversight on the development and performance of school district internal controls. This should include:
  - Developing a fraud risk management program that includes a fraud risk assessment to identify specific fraud risks, assess their likelihood and significance, and implement and monitor appropriate controls to mitigate risks to an acceptable level.
  - Establishing a policy requiring a separate periodic evaluation of the effectiveness of district internal control environment with associated evaluation results and recommendations to be provided to the Board.
  - Implementing measures on a timely basis to address the significant internal control deficiencies outlined in this report and any other deficiencies identified through the recommended fraud risk management program and periodic evaluation of internal controls.
  - Conducting Board meetings with both the Internal and External auditors at least annually to discuss, for example, internal audit planning and any concerns identified with respect to internal controls or other financial matters.

## STATUS OF RECOMMENDATIONS AND OBSERVATIONS

We expect that it is reasonable for entities to fully implement the majority of recommendations within three years of the audit report being issued. Progress on these recommendations is reported as of September 30, 2021.

### MANAGEMENT OF FIREARMS AND AMMUNITION (2018)

Summary of Recommendations	Status		
	Fully implemented or otherwise resolved	Partially implemented	No action
1. Establish and communicate policies and procedures for acquisition, disposition, recording, storage, use, movement and monitoring of firearms and ammunition.	√		
2. Ensure the inventory system is complete and accurate, including timely system updates, documentation and reconciliations.	√		
3. Ensure the Federal firearms registry is updated on a timely basis.	√		
4. Ensure secure access and storage of firearms and ammunition throughout the province.	√		
5. Consider segregating the custody and record keeping duties of staff or ensure mitigating controls are in place.	√		
6. Develop an oversight framework for monitoring inventory management processes, including surprise counts and periodic review of controls and risks.		√	

The Department of Fisheries, Forestry and Agriculture (formerly Fisheries and Land Resources) fully implemented five of the six recommendations (83 per cent). One of the six recommendations (17 per cent) was not fully implemented.

The department has not fully implemented our recommendation regarding an oversight framework for inventory management processes. The department had established an oversight framework for monitoring inventory management processes, which included such processes as annual and periodic inventory counts and a periodic review of the effectiveness of inventory controls. As well, in May 2021, an electronic armory inventory management system was implemented for improving record keeping and ensuring the accuracy and completeness of the department's firearms inventory control program. However, the annual monitoring requirements set out in the oversight framework were not fully followed between 2019 and September 30, 2021 (the date of our audit).

The last annual firearms control report completed by the department was in 2019. At that time, the report highlighted issues with the effectiveness of inventory controls. The department has not completed this full assessment on the tracking and monitoring of all firearms (functional and non-functional) since then. While the majority of the functional firearms were assessed, the majority of non-functional firearms were not assessed. The department has also not completed this full assessment on ammunition stored in locations outside of the headquarters vault since 2019. As a result, there is a risk that firearms and ammunition recorded at those sites are no longer there or are not in good operating condition. The department advised that the COVID-19 pandemic impacted the department's operations in achieving the full implementation of this recommendation.

## MANAGEMENT OF THE PROCUREMENT OF GOODS AND SERVICES (2018)

Summary of Recommendations	Status		
	Fully implemented or otherwise resolved	Partially implemented	No action
1. Set clear expectations for ethical organizational behavior, including establishing and communicating a code of ethics and conduct, training, monitoring and investigating violations.		√	
2. Provide effective oversight on the development and performance of internal controls, including a fraud risk management program, internal control program and meetings with internal and external auditors,		√	

The Newfoundland and Labrador English School District did not fully implemented either of the two recommendations. These recommendations pertained to the governance structure and processes for setting ethical organizational behavior and the effective oversight of the development and performance of internal controls. As a result of these recommendations not being fully implemented, the organization may still be vulnerable to some of the risks that contributed to the weak control environment that existed during the original audit period.

The first recommendation noted that the Board of Trustees and senior management should set clear expectations for ethical organizational behavior. The recommendation outlined areas that should be included, such as a written code of ethics communicated to employees; monitoring adherence to those standards; and investigating allegations of violations. While the district has implemented parts of this recommendation in each of these areas, the recommendation is not fully implemented, which leaves risks. For example, the school district established a code of conduct and ethics, but could not demonstrate that they had communicated the code to all staff. There has been some general training completed on ethics, but the district has not trained staff in its newly-established code of conduct and ethics. As a result, they have not ensured that staff have been fully provided with the right tools and information to help them make ethical decisions in relevant situations.



Our second recommendation noted that the Board of Trustees and senior management should provide effective oversight on the development and performance of the district's internal controls. The recommendation set out areas that should be included, such as implementing a fraud risk management program and setting out policy to ensure evaluation of the effectiveness of the school district's internal control environment.

The school district has not fully implemented a fraud risk management program. They also have not established an internal control policy that requires periodic evaluation of the effectiveness of their internal control environment and the associated evaluation results and recommendations to be provided to the board. It is important that an organization monitor the effectiveness of internal controls that are designed to mitigate risks and determine whether the controls are operating as intended or whether corrective action is required. Regarding fraud risk management, this would include developing a fraud risk management program that includes identifying specific risks and ensuring the implementation and monitoring of appropriate controls, all in order to reduce risks to an acceptable level. Continuous review of these controls, to ensure they are functioning to address existing and new risks, is essential to ongoing risk management.

The school district did implement a new planning and financial system to address some of the internal control deficiencies identified in our audit report. The new system, for example, does not allow an employee working in the procurement processes to perform conflicting functions, such as setting up a purchase order and receiving a product into the system without proper approvals. However, not all of the internal control deficiencies that existed at the date of our audit report have been corrected. For example, the district has still not fully implemented proper asset management procedures such as those related to asset tracking.

Government announced that it will be integrating the district into the Department of Education. The elected board of the school district was dissolved on November 30, 2021. An interim transition board was appointed on the same day.



# FINANCIAL RESPONSE TO THE COVID-19 PANDEMIC

## BACKGROUND

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. Effective March 18, 2020, the provincial Minister of Health and Community Services declared COVID-19 a public health emergency in the province under the Public Health Protection and Promotion Act. Declaring a public health emergency gives the province's Chief Medical Officer of Health the authority to introduce special measures they believe necessary to protect the health of the province's population.

The pandemic did not have a significant financial impact on the province for the year ended March 31, 2020. Significant financial impacts related to the pandemic occurred or will occur throughout the 2020-21, 2021-22 and 2022-23 fiscal years. This financial information report will focus primarily on the 2020-21 fiscal year, where \$470.73 million was committed to COVID-19 relief. The estimated actual costs incurred in 2020-21 was \$356.9 million, or 75.8 per cent of the announced amount. The federal government committed 51 per cent of the total announced funding; the provincial government cost shared or fully funded the remaining 49 per cent of the announced funding of \$470.73 million. Some initiatives will continue into 2021-22. In such cases, the projected costs will extend over more than one fiscal year.

This report does not comment on the effectiveness of the province's response to the COVID-19 pandemic. The information presented was obtained solely from government departments and news releases. As a result, this report is unaudited and provided as information only.

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

Information presented in this report is based upon the departmental structure that existed as of March 31, 2021. The table below explains the acronyms used to describe each department referenced in this report:



Department	Acronym
Children, Seniors and Social Development	CSSD
Digital Government and Service NL	DGSNL
Education	EDU
Environment, Climate Change and Municipalities	ECCM
Executive Council	EC
Finance	FIN
Fisheries, Forestry and Agriculture	FFA
Health and Community Services	HCS
Immigration, Skills and Labour	ISL
Industry, Energy and Technology	IET
Justice and Public Safety	JPS
Public Procurement Agency	PPA
Tourism, Culture, Arts and Recreation	TCAR
Transportation and Infrastructure	TI





## SUMMARY OF FEDERAL GOVERNMENT RESPONSE

The federal government announced \$242.26 million in direct funding for COVID-19 relief:

Provincial Department	COVID-19 Related Initiatives	Federal Commitment (\$000)
<b>Safe Restart Agreement</b>		
EDU	Early learning and child care	10,210
ECCM	Supporting municipalities	27,412
FIN	Transit	1,000
HCS	Testing, contact tracing, and data management	41,118
	Personal protective equipment	41,118
	Health care system capacity	16,447
	Supporting vulnerable populations	10,143
<b>Subtotal: Safe Restart Agreement</b>		<b>\$ 147,448</b>
<b>Other Federal Funding</b>		
EDU	Safe reopening of schools	26,180
ISL	Essential workers	52,500
	Workforce Development Agreement	12,657
	Students supporting communities program	153
TCAR	Emergency support fund for sport organizations	2,758
TI	Investing in Canada infrastructure program	561
<b>Subtotal: Other Federal Funding</b>		<b>\$ 94,809</b>
<b>Total Federal Funding</b>		<b>\$ 242,257</b>

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

The federal government also provided personal protective equipment from the national emergency stockpile and COVID-19 vaccines, at no cost to the province. The value of the personal protective equipment was \$14.8 million; due to confidentiality clauses in vaccine contracts, no value is known for the vaccines.

### OIL AND GAS INDUSTRY RECOVERY ASSISTANCE FUND

In September 2020, the Oil and Gas Industry Recovery Assistance Fund was announced. While this funding was not specifically in response to the COVID-19 pandemic, it is included separately because the pandemic did impact the industry and the funding did support individuals and companies, similar to the financial responses included in this report. The province established an oil and gas industry recovery task force to determine how to distribute the \$320 million in funding and to oversee its usage. The task force identified three target areas, specifically maintaining existing installations, increasing production and accelerating production. The task force distributed the \$320 million in two streams.



The first stream totaled \$288 million and targeted the operators of existing offshore installations. Under this stream, government would fund up to 50 per cent of the costs incurred on approved projects by operators of existing offshore installations.

As of March 2021, the following projects were approved or pending approval:

- Up to \$41.5 million (50 per cent) for the West White Rose Project
- Up to \$38.0 million (40 per cent) for the Hibernia Project
- Up to \$28.0 million (40 per cent) for a pending project related to the Hibernia Project
- Up to \$175.0 million (50 per cent) for the pending Terra Nova Project

With respect to the pending Terra Nova Project, approval was subject to an agreement between government and the owners of the Terra Nova Project being reached; it was not reached by March 31, 2021. On June 16, 2021, it was announced that the contribution would increase to \$205 million and the province would make changes to the royalty structure, to reduce royalties to the province, valued at over \$300 million.

The second stream, with an allocation of \$32 million, would provide support to the service and supply community.

As of March 31, 2021, \$2.1 million was disbursed from the \$320 million Fund.



## SUMMARY OF PROVINCIAL GOVERNMENT RESPONSE

The provincial government announced \$228.47 million in direct funding for COVID-19 relief:

Provincial Department	COVID-19 Related Initiatives	Provincial Commitment (\$000s)
CSSD	Virtual visits	7
EDU	Technology to support digital learning	20,300
	Childcare compensation grants	14,639
	Essential worker child care service	2,300
	Support for MUN - The Works	400
ECCM	Stimulus program for communities	10,770
	Emergency support for arenas and pools	600
EC	Relief grants for isolated Labrador communities	331
	Funding for sex trade	60
	Wage subsidy program for employees isolating	5
FIN	Residential construction rebate program	40,000
	Canadian Emergency Commercial Rent Assistance Program (Note 1)	1,400
FFA	Agriculture sector development	12,850
	Forest industry development plan	5,740
	Secondary diary processing facility	5,000
	Residual forestry biomass conversion program	3,500
	Aquaculture initiatives	1,225
	Secondary forestry innovation pilot projects	400
HCS	Physician disruption policy	23,817
	811 HealthLine	5,440
	Newfoundland and Labrador Prescription Drug Program	587
	Children's Dental Health Program extension	8
ISL	Essential worker support (Note 1)	13,800
	Students supporting communities program (Note 1)	147
IET	Small business assistance program	30,000
	Tourism and hospitality support program	25,000
	Financial measures for electricity customers	2,500
	Business tech solutions	2,055
TCAR	Artist and musician support program	5,000
	Stay Home Year 2020	450
TI	Investing in Canada infrastructure program (Note 1)	140
<b>Total</b>		<b>\$ 228,471</b>

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

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



## DETAILED RESPONSE BY PROVINCIAL DEPARTMENTS

The summary table below outlines committed and estimated actual costs spent in 2020-21, by provincial department responsible for implementation.

Provincial Department	COVID-19 Related Initiatives	Total Commitment (\$000s)	Estimated 2020-21 (\$000s)	% spent
CSSD	Virtual visits	7	7	100.0%
EDU	Safe reopening of schools	26,180	18,841	72.0%
	Technology to support digital learning	20,300	5,075	25.0%
	Childcare compensation grants	14,639	14,639	100.0%
	Early learning and child care	10,210	10,199	99.9%
	Essential worker child care service	2,300	1,970	85.7%
	Support for MUN - The Works	400	400	100.0%
ECCM	Supporting municipalities	27,412	27,412	100.0%
	Stimulus program for communities	10,770	10,500	97.5%
	Emergency support for arenas and pools	600	600	100.0%
EC	Relief grants for isolated Labrador communities	331	323	97.6%
	Funding for sex trade	60	60	100.0%
	Wage subsidy program for employees isolating	5	5	100.0%
FIN	Residential construction rebate program	40,000	18,099	45.2%
	Canadian Emergency Commercial Rent Assistance Program	1,400	1,400	100.0%
	Transit	1,000	1,000	100.0%
FFA	Agriculture sector development	12,850	9,790	76.2%
	Forest industry development plan	5,740	3,979	69.3%
	Secondary dairy processing facility	5,000	0	0.0%
	Residual forestry biomass conversion program	3,500	0	0.0%
	Aquaculture initiatives	1,225	623	50.9%
	Secondary forestry processing innovation pilot projects	400	296	74.0%
HCS	Testing, contact tracing, and data management	41,118	41,118	100.0%
	Personal protective equipment	41,118	41,118	100.0%
	Physician disruption policy	23,817	23,817	100.0%

Provincial Department	COVID-19 Related Initiatives	Total Commitment (\$000s)	Estimated 2020-21 (\$000s)	% spent
	Health care system capacity	16,447	16,447	100.0%
	Supporting vulnerable populations	10,143	10,143	100.0%
	811 HealthLine	5,440	5,440	100.0%
	Newfoundland and Labrador Prescription Drug Program	587	587	100.0%
	Children's Dental Health Program extension	8	8	100.0%
ISL	Essential worker support	66,300	45,000	67.9%
	Workforce Development Agreement	12,657	7,561	59.7%
	Students supporting communities program	300	300	100.0%
IET	Small business assistance program	30,000	22,000	73.3%
	Tourism and hospitality support program	25,000	9,800	39.2%
	Financial measures for electricity customers	2,500	488	19.5%
	Business tech solutions	2,055	686	33.4%
TCAR	Artist and musician support program	5,000	2,485	49.7%
	Emergency support fund for sport organizations	2,758	2,758	100.0%
	Stay Home Year 2020	450	627	139.3%
TI	Investing in Canada infrastructure program	701	1,290	184.0%
<b>Total</b>		<b>\$ 470,728</b>	<b>\$ 356,891</b>	<b>75.8%</b>

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

Each provincial department provided additional details on the specific financial commitments that they were responsible for implementing. In some cases, other relief measures were also reported. All sources of information are unaudited and come from government news releases and consultation with departments.

## Department of Children, Seniors and Social Development (CSSD)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Virtual visits	Provincial	7	7	No
<b>Total</b>		<b>\$ 7</b>	<b>\$ 7</b>	

Virtual visits - In April 2020, government announced, in consultation with Bell Canada, support for virtual visits for children in the care of government. The visits supported individuals who were unable to visit with children and families due to the suspension of in-person family visitation during the COVID-19 lock-down period.

Other relief measures - In April 2020, government extended access to its Youth Services and Kinship Programs to youth who will be age 22 during the pandemic; the program normally provides access to youth from age 16 to 21. Government did not indicate that any additional funding was required for this service extension.

In May 2020, government partnered with the Jimmy Pratt Foundation and Food First NL, Seniors NL and the Newfoundland and Labrador Association of the Deaf to provide additional functionality for the 811 HealthLine for people facing food insecurity during the pandemic. No additional funding was requested as government's existing helpline was used to field calls that were then referred to the appropriate agency for action.

## Department of Digital Government and Service NL (DGSNL)

While DGSNL did not announce or report any COVID-19 related funding programs for the 2020 or 2021 fiscal years, the department did provide information on other relief measures.

Other relief measures - In March 2020, the Residential Tenancies Act, 2018 was amended to extend notice periods to assist tenants who have difficulty paying rent during the current public health emergency.

In May 2020, government announced that businesses were permitted to defer filing of their yearly returns and associated fees until October 2020.

Government amended the Pensions Benefits Act, 1997, in December 2020 to allow individuals with locked-in retirement savings arrangements to have early access to a portion of their retirement income.

In March 2020 and February 2021, all Motor Registration Division offices temporarily suspended front-counter services, including taking photographs (except in urgent circumstances, as determined by the Registrar of Motor Vehicles). To avoid delays, driver's licenses were renewed using the photo on file, even if the photo was required to be updated.

The timeline for submission of routine medical reports was extended for a specified period of time and lifted once the province moved to a less restrictive alert level under the COVID-19 pandemic. Routine taxi, public passenger bus and school bus inspections were suspended, except in cases where these vehicles were involved in a collision or to address a reported or observed imminent hazard.

### Department of Education (EDU)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Safe reopening of schools	Federal	26,180	18,841	Yes
Technology to support digital learning	Provincial	20,300	5,075	Yes
Childcare compensation grants	Provincial	14,639	14,639	No
Safe Restart Agreement - early learning and child care	Federal	10,210	10,199	No
Essential worker child care service	Provincial	2,300	1,970	No
Support for MUN - The Works	Provincial	400	400	No
<b>Total</b>		<b>\$ 74,029</b>	<b>\$ 51,124</b>	

Safe reopening of schools - Federal funding was announced in August 2020 for the safe restart of schools. The funds will be used to hire additional guidance counsellors, administrators, term substitutes, custodians, and student assistants. The funds will also be utilized for additional busing, bus cleaning, remote learning, occupational health and safety and health resources.

Technology to support digital learning - Funding for technology to support digital learning was announced in July 2020. The funding will be used to purchase laptops for all teachers and Chromebooks for all junior high and high school students. Delays were experienced obtaining the technology and as of March 31, 2021, school districts had been reimbursed for approximately \$5.1 million with funding of \$15.2 million carried over to the 2021-22 fiscal year.

Childcare compensation grants - This program, announced in March 2020, provided grants for regulated childcare centers and family childcare homes to reduce the initial impacts of the pandemic. The program was for the period from March 17, 2020 to June 26, 2020.



Safe Restart Agreement - early learning and child care - This funding, announced in January 2021, supported regulated child care service providers so that they could maintain the continued operating capacity necessary to provide child care services for returning workers. The funding was distributed to support child care operators and early childhood educators to cover the period from July 2020 to March 2021. One-time grants were also provided to support initiatives to address ongoing public health requirements, including COVID-19 specific renovations and equipment, staffing capacity needs as well as enhanced cleaning, and PPE. A one-time grant of \$1,500 was paid to full-time early childcare educators while part-time educators received \$750.

Essential worker child care service - Funding for this service, announced in March 2020, provided essential workers in need of child care with reimbursement of up to \$200 per child per week until June 26, 2020.

Support for MUN - The Works - Announced in September 2020, this funding supported The Works reopening the Aquarena pool during the pandemic. Memorial University of Newfoundland also contributed an additional \$0.2 million to the project.

Other relief measures - In March 2020, government announced the temporary suspension of repayment of the provincial portion of student loans for a period of six months to coincide with the federal government's decision to suspend its portion of student loan repayments.

In May 2020, government announced enhancements to the student loan program for the 2020-21 program year to align with recent changes to the federal Canada Student Loans Program. These changes included increasing the weekly loan limit to \$100 per week of study from \$40 and exempting student and spousal contributions when assessing applications for provincial student aid.

#### Department of Environment, Climate Change and Municipalities (ECCM)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Safe Restart Program supporting municipalities	Federal	27,412	27,412	No
Stimulus program for communities	Provincial	10,770	10,500	Yes
Emergency support for arenas and pools	Provincial	600	600	No
<b>Total</b>		<b>\$ 38,782</b>	<b>\$ 38,512</b>	

Safe Restart Program supporting municipalities - Under the federal Safe Restart Agreement, \$27.4 million was allocated to support municipalities. The funds were provided to municipalities, on a per capita basis, as additional operating grants. Municipalities received a total of \$54.8 million, with the federal and provincial governments each contributing \$27.4 million. The province's contribution was provided from existing municipal operating funding paid to municipalities during the year ended March 31, 2021. As a result, the province did not provide any incremental funding as part of this COVID-19 response measure.

Stimulus program for communities - This program was announced in November 2020. The funding, totaling \$23.54 million, is allocated over a two-year period and is for small-scale community enhancement projects. The program is targeted at small to medium scale municipal enhancement projects and municipal upgrades, to help provide short-term employment and to stimulate economic activity. The second year of this program will continue under the Department of Municipal and Provincial Affairs, with \$12.77 million expected to be spent in 2021-22.

Emergency support for arenas and pools - This emergency support program, announced in October 2020, supports community arenas and pools through the Special Assistance Grant program. The funding is intended to assist municipalities and other organizations that encountered additional expenses and lost revenue as a result of the pandemic. A one-time grant of up to \$10,000 will be paid to municipalities, registered non-profits, private organizations or partnerships operating arenas or pools.

Other relief measures - Payment of water usage charges for 2019 related to microbreweries, wineries, and aquaculture, normally due during the 2020-21 fiscal year, were waived. Payment of water use charges for all other industries were deferred until March 31, 2021.

### Department of Executive Council (EC)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Relief Grants for isolated Labrador Communities	Provincial	331	323	No
Funding for sex trade	Provincial	60	60	No
Wage subsidy program for employees isolating	Provincial	5	5	No
<b>Total</b>		<b>\$ 396</b>	<b>\$ 388</b>	

Relief grants for isolated Labrador communities - This grant program, announced in July 2020, was distributed as an one-time payment of \$250 to 1,213 households in nine isolated Labrador communities impacted by the pandemic.

Funding for sex trade - Two agreements, signed in April 2020 and administered through the Office for the Status of Women, assisted individuals in the sex trade to alleviate the impacts of COVID-19.

Wage subsidy program for employees isolating - This program was announced in March 2020 to provide compensation to private sector employers for continuation of pay to employees who were required to self-isolate for 14 days due to COVID-19 travel restrictions. Only individuals who were scheduled to return to work within this period would be compensated.

### Department of Finance (FIN)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Residential construction rebate program	Provincial	40,000	18,099	Yes
Canada Emergency Commercial Rent Assistance Program	Cost-shared	1,400	1,400	No
Safe Restart Program for public transit (Note 1)	Federal	1,000	1,000	No
<b>Total</b>		<b>\$ 42,400</b>	<b>\$ 20,499</b>	

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

Residential construction rebate program - This program was announced in June 2020 with initial funding of \$30.0 million. The program provided homeowners with a rebate on construction and renovations, intended to stimulate the economy and employment in the province's construction industry. In fall 2020, funding increased by \$10.0 million to \$40.0 million.

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

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

Other relief measures - Government extended the filing deadlines for various tax programs due to pandemic impacts on businesses and individuals. The expiry date for Fuel Tax Exemption Permits was extended from March 31, 2020 to June 30, 2020.

### Department of Fisheries, Forestry and Agriculture (FFA)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Agriculture sector development	Provincial	12,850	9,790	Partial
Forest industry development plan	Provincial	5,740	3,979	No
Secondary dairy processing facility	Provincial	5,000	0	Yes
Residual forestry biomass conversion program	Provincial	3,500	0	Yes
Aquaculture initiatives	Provincial	1,225	623	Partial
Secondary forestry processing innovation pilot projects	Provincial	400	296	No
<b>Total</b>		<b>\$ 28,715</b>	<b>\$ 14,688</b>	

Agriculture sector development - The agriculture sector development plan, announced in June 2020, consisted of several initiatives designed to create jobs, support employment in rural communities, and help open new markets and products for renewable resource-based businesses during the COVID-19 pandemic. These initiatives included clearing and developing land for large scale potato production, establishing red meat abattoir facilities throughout the province, and providing access roads and bridges to productive agricultural Crown-owned land available for lease.

Forest industry development plan - The forest industry development plan, announced in June 2020, consisted of several initiatives intended to generate work for 100 people for 16 weeks. These initiatives included planting additional tree seedlings, building additional new forest access roads, and implementing a spray program for spruce budworm.

Secondary dairy processing facility - The Secondary Dairy Processing funding, announced in July 2020, provided financial support of \$25 million for secondary processing of industrial milk in Deer Lake.

Residual forestry biomass conversion program - Announced in June 2020, the program was established to promote switching from fossil fuel to forestry residue (wood chips and pulpwood) for commercial buildings and institutions. The program was to begin at select College of North Atlantic buildings in Central Newfoundland.

Aquaculture initiatives - Aquaculture initiatives funding was announced in July 2020 as part of a plan to support renewable resource-based businesses and employment in rural communities during the pandemic. The initiatives included implementing a post-pandemic seafood marketing fund and upgrading the St. Alban's aquatic animal health laboratory.

Secondary forestry processing innovation pilot projects – Announced in June 2020, the funding was intended to enhance the economic sustainability of the forest industry in the province and support the commercialization and introduction of new technologies and processes. A maximum of \$100,000 (50 per cent of project costs) was available to forestry sector businesses to undertake secondary processing projects.

Other relief measures – Several fees administered by the department were deferred or eliminated, such as aquaculture license fees and Crown lands fees for aquaculture sites. Full rebates were also offered for base fish processor and buyer licensing fees to assist fish processing plants and fish buyers.

## Department of Health and Community Services (HCS)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Safe Restart Agreement	Federal	108,826	108,826	No
Physician disruption policy	Provincial	23,817	23,817	Yes
811 HealthLine	Provincial	5,440	5,440	Yes
Newfoundland and Labrador Prescription Drug Program	Provincial	587	587	No
Children's Dental Health Program extension	Provincial	8	8	No
<b>Total</b>		<b>\$ 138,678</b>	<b>\$ 138,678</b>	

Safe Restart Agreement - The Safe Restart Agreement, announced in July 2020, provided an emergency federal investment to help provinces and territories safely restart their economies. The province has allocated funding under this Agreement to different departments with the largest amount, \$108.83 million, allocated to the Department of Health and Community Services for the following initiatives:

- Testing, contact tracing, and data management (\$41.12 million) – funds used for additional human resources and infrastructure requirements related to testing and contact tracing
- Health care system capacity (\$16.45 million) – funds used for additional infection prevention and control measures; reducing the backlog of non-COVID-19 related procedures; preparing surge capacity; staffing required to improve environmental services; financial support for staff negatively impacted by public health orders; and increased resources to meet demand for peer support, support remote patient monitoring for people accessing substance abuse programs and to broaden the reach of opioid dependency treatment
- Vulnerable populations (\$10.14 million) – funds used to support infrastructure upgrades to address infection prevention and control in residential care facilities; enhanced

pneumococcal and influenza vaccinations; accommodations; and funding for a temporary homeless shelter

- Personal Protective Equipment for health and non-health workers (\$41.12 million) – funds used to recover some of the costs (incurred and ongoing) to secure purchases of personal protective equipment such as transportation costs; advisory services to support supply chain management; and investment in local manufacturers

The Safe Restart Agreement did not continue into the 2021-22 fiscal year; however, there were new federal programs announced that were similar. The department did co-share a budget of \$1.66 million with Newfoundland Labrador Housing Corporation for supporting vulnerable populations and \$0.430 million with the Department of Fisheries, Forestry and Agriculture, as part of the initiatives noted above.

Physician disruption policy - This policy compensated fee-for-service physicians who commit to be available to provide additional services during the pandemic. Originally announced in April 2020, the first generation of the policy was retroactive to March 2020 and was in effect to July 6, 2020. It was activated again in February 2021 and remained in effect at March 31, 2021. The cost of the second program will be paid in the 2021-2022 fiscal year.

811 HealthLine - The additional functionality, announced in June 2020, was intended to help residents schedule virtual walk-in clinics appointments with a nurse practitioner for urgent and non-emergency health issues via phone, text, or video.

Newfoundland and Labrador Prescription Drug Program - The department announced a policy in March 2020 to cover additional dispensing fees incurred for beneficiaries of the 65 Plus Plan and Foundation Plan. The extra fees were due to a 30-day dispensing limit established during the initial stage of the pandemic to manage potential drug shortages due to stockpiling of medications by patients.

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

Other Relief Measures - In March 2020, government partnered with the Canadian Red Cross to provide a help line to people self-isolating during the pandemic, including provisions to support self-isolation in hotels. Services are provided on a cost-recovery basis and costs incurred to March 31, 2021 total approximately \$0.138 million. There was no cost to the public associated with this partnership.



## Department of Immigration, Skills and Labour (ISL)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Essential worker support	Cost-shared	66,300	45,000	No
Workforce Development Agreement	Federal	12,657	7,561	Yes
Students supporting communities program	Cost-shared	300	300	Yes
<b>Total</b>		<b>\$ 79,257</b>	<b>\$ 52,861</b>	

Essential Worker Support Program - This program, announced in June 2020, provided a one-time payment to individuals who meet eligibility criteria and worked in professions included in the federal government's "Guidance on Essential Services and Functions in Canada during the COVID-19 Pandemic." Government provided an additional 10 per cent of the eligible amount to employers to offset mandatory related payroll costs. This program was cost-shared: federal (\$52.5 million) and provincial (\$13.8 million).

Workforce Development Agreement - Additional federal funding of \$18.97 million for this existing Agreement was announced in November 2020. This funding will be disbursed over a two-year period (\$7.56 million in 2020-21 and \$11.41 million in 2021-22). The funding was intended to assist Canadians in underrepresented groups and those in sectors that have been hardest hit by the pandemic, such as construction, transportation, and hospitality. The eligible supports include skills training, on-the-job training, employer-sponsored training, financial assistance and benefits, employment counselling and services, and job opportunities.

Student Supporting Communities Program - This program, announced in May 2020, provided a \$3,500 grant to organizations to hire students to help seniors and other vulnerable groups facing social isolation during the COVID-19 pandemic. This program was cost-shared: federal (\$153,000) and provincial (\$147,000).

## Department of Industry, Energy and Technology (IET)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Small business assistance program	Provincial	30,000	22,000	Yes
Tourism and hospitality support program	Provincial	25,000	9,800	Yes
Financial measures for electricity customers	Provincial	2,500	488	Yes
Business Tech Solutions Program	Provincial	2,055	686	Yes
<b>Total</b>		<b>\$ 59,555</b>	<b>\$ 32,974</b>	

Small business assistance program - This program, announced in October 2020, allocated \$25 million for small businesses and \$5 million for community organizations. Small businesses and community organizations could use the funding to help with revenue losses and increased costs associated with adapting their businesses during the pandemic. The deadline for the receipt of applications for this program was December 22, 2020. In February 2021, the program application process reopened for an additional two weeks as there was funding remaining.

Tourism and hospitality support program – The \$25 million program, announced in May 2020, allowed small and medium tourism operators to avail of one-time non-repayable working capital contributions of either \$5,000 or \$10,000, dependent on gross sales. Due to reorganization of government departments in August 2020, this program became the responsibility of IET to administer.

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

Business Tech Solutions program - The provincial and federal governments announced an investment in TechNL in September 2020, who would provide grants to Newfoundland and Labrador companies. The original investment of \$3.0 million was increased to \$6.015 million, with the provincial investment paid through the Innovation and Business Investment

Corporation. The program was cost shared: \$2.055 million provincial, \$3.4 million federal and \$0.56 million from businesses.

Other relief measures - Support for the mining, mineral exploration and quarry industries was provided via deferring of rental and fees payments, waiving mineral expenditure requirements for 2020, and waiving water use charge payments related to mineral exploration for 2019. The total projected benefit of these measures was \$30.0 million.

### **Department of Justice and Public Safety (JPS)**

While JPS did not announce or report any COVID-19 related funding programs for the 2020 or 2021 fiscal years, the department did provide information on other relief measures.

Other relief measures - In March 2020, a number of inmates were released from correctional facilities across the province to reduce the spread of COVID-19 in these facilities. All of these individuals were within 30 days of their regularly scheduled release date or released on custody pending court procedures. The department did not incur any additional expenses related to this measure.

### **Public Procurement Agency (PPA)**

While the Public Procurement Agency did not announce or report any COVID-19 related funding programs for the 2020 or 2021 fiscal years, the agency did provide information on other relief measures.

Other relief measures - A local preference provision was added to the Public Procurement Regulations. This provision mandated an allowance of ten per cent for local suppliers on all procurements under trade agreement thresholds. Also, the thresholds at which open calls for bids are required were increased to allow for more opportunities to direct business to local suppliers. A short-term increase to thresholds from \$100,000 to \$264,200 was also made for engineering services for municipalities and local service districts. The short-term threshold increase for engineering services expired March 31, 2021.

## Department of Tourism, Culture, Arts and Recreation (TCAR)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Artist and musician support program	Provincial	5,000	2,485	Yes
Emergency support fund for sport and recreation organizations	Federal	2,758	2,758	No
Stay Home Year 2020	Provincial	450	627	No
<b>Total</b>		<b>\$ 8,208</b>	<b>\$ 5,870</b>	

Artist and musician support program - The artist and musician support program provided support of up to \$5,000 for artists and musicians impacted by COVID-19 who could demonstrate an earnings loss of at least 25 per cent from their professional activity since March 16, 2020.

COVID-19 emergency support fund for sport and recreation organizations - This fund, announced in September 2020, provided grants to non-profit provincial sport and recreation organizations to help maintain jobs, support business continuity, and provide short-term operational viability. The application deadline was a two-phased process, with one deadline in October 2020 and a second deadline in December 2020.

Stay Home Year 2020 - The Stay Home Year 2020 marketing campaign, announced in June 2020, was intended to encourage Newfoundland and Labrador residents to vacation in the province to help the tourism industry during the 2020-21 fiscal year. This marketing campaign began in June 2020 and ran over a 10-week period advertising on television, radio, digital and social media platforms.

## Department of Transportation and Infrastructure (TI)

COVID-19 Related Initiative	Funding Source	Commitment (\$000s)	Estimated 2020-21 (\$000s)	Does it continue into 21-22?
Investing in Canada infrastructure program	Cost-shared	701	1,290	Yes
<b>Total</b>		<b>\$ 701</b>	<b>\$ 1,290</b>	

Investing in Canada Infrastructure Program - In October 2020, there was an amendment to the existing federal Investing in Canada infrastructure program, referred to as the COVID-19 Resilience Infrastructure Program. Approval was given to the department, in coordination with the departments of Health and Community Services and Education, to cost-share expenditures for repair and maintenance projects (federal-80 per cent/provincial-20 per cent). In July 2021, there was a second amendment to the Agreement. As a result of this amendment, the federal government increased its commitment to a maximum of \$60.86 million over four fiscal years from 2021 to 2024 for COVID-19 Resilience Infrastructure projects.



# LEGISLATIVE RESPONSIBILITY OF THE OFFICE OF THE AUDITOR GENERAL

## BACKGROUND

The Office of the Auditor General conducts audits and reviews that examine how well the Government of Newfoundland and Labrador manages its financial responsibilities. The Office is the independent Legislative Auditor for the Government of Newfoundland and Labrador and is governed by the Auditor General Act, 1991. The Office works diligently to provide the House of Assembly with timely and relevant information that enhances accountability and performance across the province's public sector.



The Auditor General is also responsible to report annually to the House of Assembly.

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

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

The Auditor General has sole discretion in identifying and selecting the projects the Office undertakes. When selecting audits, the Auditor General considers a number of risk related factors, including financial magnitude, impact of the subject matter on residents of the province, and public interest.



## ANNUAL REPORT ON OPERATIONS

The House of Assembly appointed Denise Hanrahan as the Auditor General, effective April 22, 2021.

On April 30, 2021, the Auditor General delivered her first annual report to the House of Assembly. She also delivered her annual update report on the status of implementation of recommendations from the performance audits conducted in 2017.

In September 2021, the Auditor General acknowledged the release of the Report on the MV Veteran and MV Legionnaire to the Public Accounts Committee of the House of Assembly. The Report was the result of a request from the Public Accounts Committee in March 2018 to review the process used during the construction and subsequent operation of the vessels.

The Office conducted 26 audits of financial statements in 2021 and issued unqualified audit opinions for all entities except for one. The Office is currently performing interim financial audit work on government departments, agencies, boards and commissions relating to the year ending March 31, 2022.

In November 2021, a modernized Auditor General Act was introduced in the House of Assembly. The previous legislation was enacted in 1991 and there had been only minor amendments since that time. This modernized legislation will enhance the independence of the Office of the Auditor General, expand access to information for the Office and increase transparency. Some of the legislative changes include:

- Enhancing the scope of the Office of the Auditor General by making it the default financial statement auditor, for all government departments, agencies, boards and commissions;
- Allowing the Office to audit the expenditure of government funds including grants provided to persons, corporations and organizations;
- Ensuring the Auditor General has access to all necessary records, including cabinet records; and
- Adding offences under the Act, with penalties for obstruction.

The Auditor General Act, 2021, is expected to be proclaimed into law in 2022. The operations of the Office, including organizational structure changes, will continue to be reassessed to ensure the expanded mandates can be achieved effectively and efficiently.

In December, 2021, the Auditor General acknowledged the release of the Report on the Physical Mitigation of Muskrat Falls Reservoir Wetlands to the Public Accounts Committee of the House of Assembly. The report was the result of a request from the Public Accounts Committee in October 2019 to examine whether a breakdown in communication resulted in wetland capping not preceding the reservoir flooding at Muskrat Falls.

As at December 2021, the Office is actively working on several performance audits for release in 2022:

- Nalcor Energy – four areas under audit (discretionary expenses, embedded contractors, compensation and conflict of interest);
- Department of Justice and Public Safety - Adult Custody (rehabilitation) programming; and
- Department of Justice and Public Safety - Community Corrections (rehabilitation) programming.

The audit into cannabis producer agreements was concluded in late 2021. There were no substantive findings. A management letter will be issued to the Department of Industry, Department of Industry, Energy and Technology in 2022.

## APPENDIX I – ABOUT THE REPORT

### Level of Assurance & Audit Procedures

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

The limited assurance engagement was completed on the status of recommendations included in the April 2018 Report on the Management of Firearms and Ammunition and the September 2018 Report on the Management of Procurement of Goods and Services. We provide limited assurance as of September 30, 2021 on recommendations assessed as fully implemented or otherwise resolved, partially implemented or no action, to determine if departments' and agencies' assessments were free from material misstatement. For recommendations assessed as fully implemented or otherwise resolved and partially implemented, our work consists primarily of enquiry and discussion with management officials at Government departments and Crown agencies, and an examination of selected supporting documentation. No procedures were performed, and therefore no assurance is provided where the status on recommendations is noted as no action.

We conducted our work in accordance with Sections 12 of the Auditor General Act, 1991. We comply with Canadian Standard on Quality Control 1 and, accordingly, maintain a system of quality control that includes documented policies and procedures to ensure compliance with professional standards, ethical requirements and legal and regulatory requirements. We complied with the independence and ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of Newfoundland and Labrador.



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



SANDRA RUSSELL, CPA, CA  
Deputy Auditor General



KEITH BUTT, CPA, CA  
Assistant Auditor General



TRENA KEATS, CPA, CA  
Assistant Auditor General

## APPENDIX II – INDEPENDENT AUDITOR’S REPORT

To the House of Assembly, Province of Newfoundland and Labrador

### Opinion

I have audited the Consolidated Summary Financial Statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and notes to the Consolidated Summary Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2021, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

### Other Matter

Without modifying my opinion, I draw attention to government’s commitment to ensure electricity rates in this Province are not impacted by the Muskrat Falls Project. Government has not finalized specific strategies for its rate mitigation plan. Implementation of this plan may have a significant impact on the Province’s Consolidated Summary Financial Statements in future years.

### Other Information

Management is responsible for the other information. The other information comprises the information in the Public Accounts of Newfoundland and Labrador, but does not include the Consolidated Summary Financial Statements and my auditor’s report thereon.

My opinion on the Consolidated Summary Financial Statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Consolidated Summary Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Summary Financial Statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If,

based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

In preparing the Consolidated Summary Financial Statements, management is responsible for assessing the Province of Newfoundland and Labrador's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to cease operations, or there is no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Province of Newfoundland and Labrador's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the Consolidated Summary Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province of Newfoundland and Labrador's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province of Newfoundland and Labrador's ability to continue as a going concern. If I conclude that a

material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Consolidated Summary Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Newfoundland and Labrador to cease to continue as a going concern.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

As required under Section 11 of the Auditor General Act, I also report that in my opinion, these Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2021, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these Consolidated Summary Financial Statements applied on a basis consistent with that of the preceding year.

**SANDRA RUSSELL, CPA, CA**  
**Deputy Auditor General**

October 22, 2021  
St. John's, Newfoundland and Labrador



## Appendix III – Reports to Lieutenant-Governor in Council

During the audit of the Public Accounts for the year ended March 31, 2021, our Office became aware of numerous matters and reported them to the Minister of Finance on January 18, 2022.

- In August 2020, the Department of Finance informed the Professional Services and Internal Audit Division (PSIA) of Executive Council of an instance of fraud where a vendor attempted to cash a cheque twice. It was detected as a duplicate, resulting in no monetary loss to government. The matter has been referred to police.
- In August 2020, the former Department of Advanced Education, Skills and Labour reported two instances where the same payee attempted to cash a cheque twice. Both attempts were detected as duplicates, resulting in no loss to government. The matter has been referred to police.
- On April 16, 2021, the Department of Finance – Tax Administration Division informed PSIA of an instance of attempted fraud by an external individual whereby receipts were altered to obtain a higher refund through a government rebate program. It was determined through an investigation that the receipts may have been altered by a third party. Based on the investigation, the department decided to remove the questionable receipts from the rebate application and process the remaining amount.
- In April 2021, the Public Accounts and Banking Services Division of the Department of Finance informed PSIA of three instances where a second attempt was made to cash a cheque. In one of those instances, the payee's name was also altered. In each instance, there was no loss to government and the police were informed.
- In June 2021, the Department of Immigration, Population Growth and Skills reported that an employee had falsely represented education credentials and work experience on their resume. Treasury Board Secretariat has investigated the incident and disciplinary action was taken to terminate the employee.
- The Department of Children, Seniors and Social Development reported that during the 2020-21 fiscal year, there were two instances of suspected fraud involving the use of the corporate charge/travel cards. The balances of each card were paid by the department and then the cards were cancelled. The balances paid were recorded as accounts receivable from each employee and repayment arrangements are in place. The balance from one employee has since been repaid in full. Disciplinary action is being carried out by the employees' supervisor and Treasury Board Secretariat.

- The Department of Digital Government and Service NL reported the following:
  - As part of a government-wide review of all corporate charge/travel cards, the department reviewed fourteen employees who had made cash withdrawals on their assigned cards. Four of fourteen employees were identified as having used the government-owned card for personal reasons. Treasury Board Secretariat and the department are addressing each employee on an individual basis.
  - In addition, there was one other instance identified where an employee was using a government issued travel card for personal purchases. This was reported to the department's Executive and Treasury Board Secretariat and the employee was disciplined.

The employees have repaid all amounts outstanding, resulting in no loss to government.

- The Department of Environment and Climate Change reported that as part of a government-wide review of all corporate charge/travel cards, the activity of two of its employees was investigated. Based on the investigation the employees were disciplined. The employees have repaid all amounts outstanding, resulting in no loss to government.
- Executive Council informed PSIA of the following:
  - In October 2020, there was an instance where an individual used government's information technology resources inappropriately. The employee was terminated. This instance was not reported to police.
- The Department of Fisheries, Forestry and Agriculture reported that seven employees were alleged to have used government's Corporate Credit Card for personal cash advances and charges. These instances were dealt with by the department in consultation with PSIA and Treasury Board Secretariat. The employees have since repaid all personal cash advances and charges, resulting in no loss to government. The matter was not reported to police.
- The former Department of Immigration, Skills and Labour reported eight instances of cheque fraud during the year where individuals attempted to cash a cheque more than once. All instances were detected as duplicate, resulting in no loss to government. All instances were referred to police.
- The Office of Indigenous Affairs and Reconciliation of Executive Council reported that one employee is alleged to have used government's Corporate Credit Card for personal use. The funds have since been repaid resulting in no loss to government. Disciplinary action will be taken and the Office of the Comptroller General has been notified. This instance was not reported to police. Additional internal controls and policies and processes have been implemented.
- The Department of Industry, Energy, and Technology reported that four employees are alleged to have used government's Corporate Credit Card for personal use from January 2015 to October 2020. Two of these employees were transferred to the Department of Industry, Energy, and Technology from the Department of Tourism,

Culture, Arts, and Recreation. These instances were not reported to police. The department and Treasury Board Secretariat are addressing the employees on an individual basis. The amounts owing from these four employees have since been repaid, resulting in no loss to government.

- The Department of Justice and Public Safety reported that one employee is alleged to have used government's Corporate Credit Card for personal use. The department, in consultation with the Office of the Comptroller General and Treasury Board Secretariat, dealt with the incident. The department paid the balance owing on the card and it will be recovered from future payroll. As a result, there has been no loss to government. The matter was not reported to police.
- The Department of Tourism, Culture, Arts and Recreation reported that six employees were alleged to have used government's Corporate Credit Card for personal cash advances and charges. Two of these employees were transferred to the Department of Industry, Energy and Technology and will be addressed by that department. For the four investigated by the Department of Tourism, Culture, Arts and Recreation, these instances were dealt with by the department in consultation with PSIA and Treasury Board Secretariat. The employees have repaid all amounts outstanding, resulting in no loss to government. The instances were not reported to police.
- The Department of Transportation and Infrastructure reported the following matters to our Office:
  - A potentially fraudulent purchase was identified on a corporate charge card held by an employee. The charge was initiated by an unidentifiable third party. The card company cancelled the card and re-issued a new card to the card holder. No discipline was required as the employee was not at fault. This incident was not reported to police.
  - An employee was suspected of attempting to cash three manual travel claim cheques twice. All instances were detected as duplicates and there was no loss to government. The department completed an investigation that determined no discipline was required. This incident was not reported to police.
  - In May 2021, a situation was identified whereby an employee was working for multiple entities, including a private company, during government working hours. An investigation confirmed this suspicion. The employee has been terminated.
  - An investigation is ongoing into nine employees to determine whether they had used cash advances on their travel cards for personal reasons. A preliminary report has been prepared by the PSIA and interviews are being scheduled with the employees. All balances were repaid in full at the outset of the investigation. There were no losses to government as a result of these incidents.
  - An investigation is currently ongoing within a division of the department regarding relationships between certain employees and vendors.
  - An employee took home a discarded asset without permission. The asset was returned and employee was disciplined.
  - The Department also informed PSIA of the following:

- In June 2021, a resident reported that employees used government-owned materials inappropriately. An investigation was completed and no discipline was required.
- In December 2020, PSIA was informed of a fraudulent attempt to update an employee's banking information for payroll purposes. The internal controls in place prevented the fraud from occurring. This instance was not reported to police.

In addition to matters that our Office becomes aware of during the audit of the Public Accounts, we became aware of the following other matters during the year:

- On March 30, 2021, the Office of the Executive Council informed our Office of an instance of potential fraud by an employee. In this instance, Executive Council identified potential irregularities in the use of a corporate credit card by an employee and requested PSIA to investigate. The employee repaid all personal amounts charged to the credit card. Therefore, there was no financial loss to government. This matter was not reported to the police for investigation; however, the employee was terminated. Our Office reported this matter to the Minister of Finance on May 14, 2021.
- On April 19, 2021, the Office of Women and Gender Equality informed our Office of an instance of potential fraud by an employee. An employee was alleged to have used their corporate credit card for personal expenses. The credit card was taken from the employee and the outstanding balance had been repaid at that time. As a result, there was no financial loss to government. This matter was not reported to the police for investigation; however, the employee was suspended without pay. Our Office reported this matter to the Minister of Finance on May 26, 2021.
- On May 12, 2021, the Department of Education informed our Office of an instance of potential fraud by an applicant for a student loan. Based on the investigation undertaken, the applicant was denied access to the Student Aid Program. There was no financial loss to government. The matter was not reported to the police. Our Office reported this matter to the Minister of Finance on May 26, 2021.
- On June 17, 2021, a Crown Corporation informed our Office of an instance of potential fraud. In this instance, there was a fraudulent attempt to update an employee's banking information for payroll purposes. As a result of the actions of the employee and the Crown Corporation, no money was transferred to the third party's bank account. As a result, there was no financial loss to the Crown Corporation or the employee. This matter was reported to the police for investigation. Our Office reported this matter to the Minister of Finance on July 13, 2021.
- During our audit of the Support Enforcement Division of the Department of Justice and Public Safety for the year ended March 31, 2021, we became aware of instances of potential fraud as follows:
  - Seventeen cheques, issued to seven separate payees, cleared the bank twice. Also, one cheque cleared the bank a third time. In each case, the Support Enforcement Division identified the duplicate cheque during its monthly bank reconciliation process and was reimbursed by the bank. As a result, there was no

financial loss to government. The payees were requested to use direct deposit for future transactions and the matters were reported to police in accordance with direction provided by government.

- The Support Enforcement Division also identified an instance where a cheque that was issued in May 2019 had a stop payment order issued against it in March 2020. A replacement cheque was also issued at that time. The original cheque was then cashed in September 2021. The bank did not return the original cheque, resulting in a loss to government. This instance was not reported to police and the Support Enforcement Division is in the process of determining if there is a way to recover the funds lost.

Our Office reported these matters to the Minister of Finance on December 22, 2021.

- On November 25, 2021, the Department of Education informed our Office of an instance of potential fraud by a regulated family child care home provider (the Provider). The Provider is a recipient of government funding through several different programs. An audit of the Provider's records relating to one of these programs determined that the Provider was intentionally overbilling the program. The overpayments have been recovered. In addition, the Provider was found to have allegedly falsified applications to receive funding under other programs to which the Provider was not entitled. The investigation related to these matters is still in progress. The matter has not yet been reported to the police. Our Office reported this matter to the Minister of Finance on December 22, 2021.
- On December 13, 2021, the Department of Transportation and Infrastructure informed our Office of an instance of potential misappropriation of a government asset. The incident was reported to police for investigation. Our Office reported this matter to the Minister of Finance on January 11, 2022.

## Appendix IV – About Us

### VISION

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

### MISSION

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

### VALUES

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

### AUDIT TEAM

The Auditor General wishes to sincerely thank the staff of her Office for their support and diligence as she completes her inaugural year. The financial audit, performance audit and administrative teams continue to proudly perform their work with independence, credibility and integrity. She would also like to recognize the contribution of Chrysta Collins, our Manager of Communication, for her dedication in getting this annual report completed.



Office of the Auditor General Staff – November 2021



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