

REPORT TO THE HOUSE OF ASSEMBLY

On the Business Plan

For the Year Ended March 31, 2021



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

Office of the Auditor General Newfoundland and Labrador



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

VISION

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

Office Location

7 Pippy Place
St. John's
Newfoundland and Labrador
Canada
A1B 3X2

Mailing Address

P.O. Box 8700
St. John's
Newfoundland and Labrador
Canada
A1B 4J6
Telephone: (709) 729-2700
Email: oagmail@oag.nl.ca
Website: www.ag.gov.nl.ca/ag



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

September 2021

Speaker
House of Assembly

In compliance with the **House of Assembly Accountability, Integrity and Administration Act**, which prescribes the application of the **Transparency and Accountability Act**, I have the honour to submit herewith, for transmission to the House of Assembly, my Report on the Business Plan of the Office of the Auditor General for the year ended March 31, 2021.

As an Officer of the House of Assembly, the Auditor General provides an independent, unbiased, and informed opinion on matters that are considered to be significant to the Members of the House of Assembly. The Office is committed to promoting accountability and encouraging positive change in the stewardship, management and use of public resources.

This Report to the House of Assembly is for the year ended March 31, 2021, and is the first Report related to the Office's Business Plan, 2020 - 2023. That Plan was presented to the Speaker of the House of Assembly on December 22, 2020. This report is intended to provide Members of the House of Assembly with a full overview of the operations of the Office during 2020-21: our plan, our budget, and the results achieved. I am accountable for the actual results reported.

A professional team makes the work of the Office of the Auditor General possible. I thank the team for their dedication and continued professionalism in their work.

Respectfully submitted,

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

Table of Contents

	Page
Overview of the Office	1
Highlights and Accomplishments	4
Report on Performance	5
Opportunities and Challenges	10
Audited Financial Information	13
 Appendices	
I Financial Statements Audited by the Office of the Auditor General	23
II Crown Entity Financial Statements Audited by Private Sector Auditors	25

Table of Contents

Overview of the Office

Who We Are and Who We Serve

The Office of the Auditor General of Newfoundland and Labrador is an independent, non-partisan office that reports to and serves the province's House of Assembly. The Office assists the House of Assembly in holding Government accountable for its management of public funds, programs, and services.

The Auditor General is the independent auditor of the financial statements of the Province of Newfoundland and Labrador and its various Crown entities. These financial audits provide independent opinions on whether government entities' financial statements are fairly presented and free of material misstatements or errors.

The Office also conducts audits of provincial government programs and services including: evaluating program results compared to previously established criteria; assessing compliance with legislation and other governing authorities; and evaluating management practices and control systems. Results of these audits are reported to the House of Assembly and include recommendations designed to improve processes and overall performance in the delivery of public services and the management of public funds. The Office also monitors and reports on Government's progress and the status of recommendation implementation.

The Auditor General may also conduct special assignments in response to requests from the Lieutenant-Governor in Council; resolutions by the House of Assembly; or requests from the Public Accounts Committee. The nature and scope of these assignments vary and the audit results are reported to the requesting party.

Our Vision and Values

The vision of the Office of the Auditor General is promoting positive change and accountability in the public sector through impactful audits.

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

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



Independence

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 its Crown agencies.

Credibility

The Office of the Auditor General complies with professional and office standards to produce relevant and reliable audit reports.

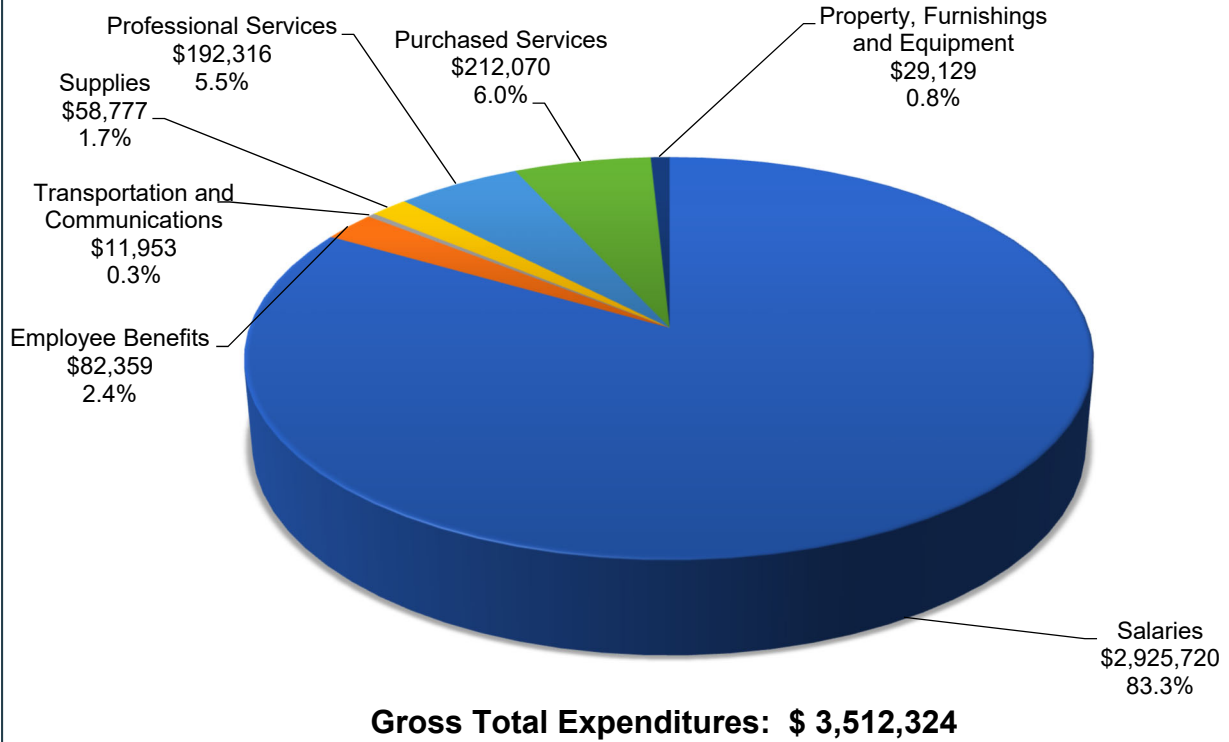
Integrity

Our staff work in a professional and ethical manner, ensuring respect, objectivity, trust, honesty and fairness.

Financial and Staff Profile

As at March 31, 2021 the Office employed 37 staff (18 male, 19 female). The Office incurred gross expenditures of \$3,512,324 for the year ended March 31, 2021. Approximately 89 per cent of the gross expenditures relate to salaries and office accommodations (office accommodations is included in Purchased Services). The balance of expenditures relate to regular Office operations and include staff training, professional development, and travel.

**Gross Expenditures of the Office of the Auditor General
for the Fiscal Year Ended March 31, 2021**



Highlights and Accomplishments

Due to the COVID-19 pandemic, the Government of Newfoundland and Labrador passed legislation that changed statutory deadlines by up to three months. The deadline for tabling the Office of the Auditor General's annual report was changed from January 31 to April 30. As of April 30, 2021, the Office has issued the following two reports:

- A report to the House of Assembly, **Update on Recommendations from the June 2017 Report**, was submitted to the Speaker of the House of Assembly and released publicly on April 30, 2021, (<https://www.ag.gov.nl.ca/ag/2021.htm>). The report included updates on the implementation status of 37 recommendations from the June 2017 Report that encompassed 17 organizations.
- The Office completed the audit of the Consolidated Summary Financial Statements of the Province (commonly referred to as Public Accounts) for the year ended March 31, 2020. Public Accounts provide the most complete information about the financial position and operating results of the Province. The Public Accounts serve as the principal means by which Government reports to the House of Assembly and to all Newfoundlanders and Labradorians on its accountability and stewardship of public funds. In addition to the Public Accounts, the Office completed the financial statement audit of 26 Government entities.

A report to the House of Assembly on the **Audit of the Financial Statements of the Province of Newfoundland and Labrador** was submitted to the Speaker of the House of Assembly and released publicly on April 30, 2021, (<https://www.ag.gov.nl.ca/ag/2021.htm>). The Report expanded on information contained in the Public Accounts and provided information on key indicators regarding the state of Government's finances. It also highlighted a number of key risks to Government's fiscal outlook and budget targets to 2020-21, and included observations on other matters that came to the Office's attention during the audit of the Public Accounts.

Report on Performance

Strategic Issue 1: Strengthen Employee Orientation and Onboarding Experience

Effective orientation and onboarding processes are essential to engage new employees and enable them to successfully integrate into the organization. These include business processes necessary for a new employee to successfully contribute to the delivery of the Office’s mandate. It also requires effective, documented business processes to enable knowledge transfer within the Office and ensure that orientation and onboarding processes are current/up-to-date and reflect best practice.

2020-23 Goal:

By March 31, 2023, the Office of the Auditor General will have developed documented onboarding business processes that support new employees through their first year of employment and enable them to successfully integrate into the organization and contribute to the delivery of its mandate.

2020-21 Objective:

By March 31, 2021, the Office of the Auditor General will have explored its current orientation and onboarding processes to identify strengths and prioritize areas of opportunity.

2020-21 Indicators	2020-21 Accomplishments
Identified Project Leaders for the office and auditing processes.	Project Leaders have been identified for the consultation, development and documentation of orientation processes for financial audit, performance audit and corporate functions.
Identified existing strengths and priority areas of opportunity.	<p>Existing strengths identified include new-hire checklists and an orientation presentation made to all new staff including a review of available courses in accounting, auditing and enabling competencies. Supervisors meet regularly with staff to review goals and results and identify next steps.</p> <p>Mentoring relationships are encouraged and each CPA student is assigned a mentor.</p> <p>At the end of the first year of employment, an onboarding survey is conducted to assess the new employees’ experience to determine what worked.</p>



2020-21 Indicators	2020-21 Accomplishments
	Priority areas for development have been identified and they include an update to the employee intranet site to incorporate branding, design and content updates. Also, probationary forms for new employees will be developed.
Developed a staff consultation process to solicit employee feedback and share ongoing progress.	A staff consultation process has been developed and includes employee surveys; consultation sessions with staff; senior management meetings; and setting up working groups to examine specific issues.
Researched intranet layouts to identify the best presentation of information for employees.	Our research primarily included informal discussions with employees from other organizations and entities, as well as internet research.

Discussion of Overall Results

During 2020-21, the Office reviewed current orientation and onboarding processes and identified several existing processes, including new employee orientations sessions, mentoring, and onboarding surveys as current strengths. The redesign of the intranet has been prioritized and research has been conducted to explore format options. Probationary forms for new employees will also be designed with the goal of strengthening the onboarding processes.

Objective: By March 31, 2022, the Office of the Auditor General will have conducted staff consultations; identified the changes required to improve its orientation and onboarding processes - including its intranet content and have a plan for its implementation.

Indicators: Staff consultations on orientation and onboarding processes are conducted.

Continue to document our business processes.

Identify necessary intranet changes with the purpose of modernizing its design and content.

Continue to pursue areas of opportunity for training - particularly in project management.



Strategic Issue 2: Learning and Development Plans

Formal learning and development plans will be developed to strengthen the overall leadership and technical competencies of employees.

2020-23 Goal:

By March 31, 2023, the Office of the Auditor General will have developed formal employee learning and development plans that strengthen overall leadership and technical competencies of employees.

2020-21 Objective:

By March 31, 2021, the Office of the Auditor General will have developed an employee consultation process to support the development of formal employee learning and development plans for audit positions.

2020-21 Indicators	2020-21 Accomplishments
Identified Project Leaders for the leadership and technical competencies.	Project Leaders have been identified for the consultation, development, and documentation of learning and development plans for audit positions covering financial and performance audits, as well as corporate functions.
Developed a needs assessment process to identify priority areas of development in the leadership and technical competency areas.	A needs assessment template and process has been developed.
Developed a staff consultation process to solicit employee feedback and share ongoing progress.	A staff consultation process has been developed and includes employee surveys, consultation sessions with staff, senior management meetings and setting up working groups to examine specific issues.

Discussion of Overall Results

During 2020-21, the Office identified Project Leaders to oversee the development of learning and development plans for audit positions covering financial and performance audits, as well as corporate functions. Both a needs assessment template and a staff consultation process have been developed to facilitate establishment of learning and development plans.

Objective: By March 31, 2022, the Office of the Auditor General will have completed a needs assessment that identifies leadership and technical competencies for audit positions.



Indicators: Completion of the needs assessment process to identify leadership and technical competencies for audit positions.

Completion of the staff consultation process to obtain feedback on proposed leadership and technical competencies.

Develop a process to ensure technical competencies, such as data analytics and IT general controls, are refreshed regularly.

Strategic Issue 3: Key Performance Indicators

The Office of the Auditor General will develop Key Performance Indicators to determine the effectiveness of internal processes. These indicators will inform the Office about what it is doing well and assist in determining the root cause of any challenges to improve performance in these areas of opportunity.

Key Performance Indicators will be developed for the Office's financial audits, performance audits and our corporate functions, such as human resources.

2020-23 Goal:

By March 31, 2023, the Office of the Auditor General will have developed and implemented Key Performance Indicators for financial audit, performance audit and corporate functions.

2020-21 Objective:

By March 31, 2021, the Office of the Auditor General will have reviewed the internal processes supporting financial audits, performance audits, and corporate functions and identified the most beneficial information available for developing Key Performance Indicators.

2020-21 Indicators	2020-21 Accomplishments
Identified project leaders for the development/ implementation of Key Performance Indicators for financial audits, performance audits, and corporate functions.	Project leaders have been identified for the development and documentation of Key Performance Indicators for financial and performance audits, as well as corporate functions.
Analyzed internal processes to identify relevant information for developing Key Performance Indicators.	Information has been identified to support the development of Key Performance Indicators for several areas such as: audit milestones (financial and performance audit); weekly meetings with employees to review goals and results; probationary reviews; recruitment and retention; and monitoring of the Business Continuity Plan, Occupational Health and Safety Program, and Inventory management.

Discussion of Overall Results

During 2020-21, the Office identified Project Leaders to review internal processes to identify available and beneficial information to be used in developing Key Performance Indicators for financial audit, performance audit, and corporate processes. Information has been identified that can be used to develop Key Performance Indicators that will be beneficial to the Office for monitoring internal processes.

Objective: By March 31, 2022, the Office of the Auditor General will have developed Key Performance Indicators regarding the internal processes supporting financial audits, performance audits, and corporate functions.

Indicators: Key Performance Indicators developed for financial audits.

Key Performance Indicators developed for performance audits.

Key Performance Indicators developed for corporate functions.

Opportunities and Challenges

Following is a summary of opportunities and challenges anticipated for the Office:

Amendments Required to the Auditor General Act

A key priority for the Office continues to be advancing necessary amendments to the **Auditor General Act (the Act)**. The current Act was assented to in October 1991. Since that time, many changes have happened in both the Office and the legislative auditing community. Several amendments to the Act are required to modernize and align the Act with best practices embodied in legislation of other Auditors General throughout Canada, including providing the Office with access to Cabinet records.

These amendments will ensure that governing legislation allows the Office to serve the members of the House of Assembly, and in turn the public, in the most effective manner. During 2017-18 significant effort was undertaken by working with Government to advance these amendments as Bill 1 during the legislative session. While the Bill did not proceed in 2017-18, the Office remains committed to working with Government to advance these required amendments.

Office Resource Management

The Office, Government, as well as its Crown agencies, have a desire to improve accountability by publicly releasing audited financial statements as soon as possible after the end of the fiscal year. However, the Office will continue to be challenged in 2021-22 - and beyond - to match available resources to the expected time line required to complete audits. While the Office's line of business of auditing financial statements requires more than 50 per cent of its overall resources, the performance of this work is concentrated during the period of May to August; this is because the year end for the Province and most of its Crown agencies is March 31.

Further, amendments to the **Financial Administration Act** in March 2017 required the Province's financial statements (the Public Accounts) to be submitted to the House of Assembly earlier, resulting in a shorter period of time to complete the Public Accounts audit. Previously, the Public Accounts were required to be submitted by January 31 of the following fiscal year. The afore mentioned amendments now require the Public Accounts to be submitted before November 1, three months earlier. In a year of a general election, the Public Accounts are required to be submitted no less than 15 days before the date fixed for that election.



The Office will continue to pursue opportunities to improve the efficiency of our audits, including increasing interim work for our financial statement audits, with an overall goal to improve the efficiency and timeliness of audit completion.

Selection of Performance Audits

Conducting relevant performance audits is a critical part of how the Office meets its mandate of promoting accountability and creating positive change in Government. To be effective in creating that positive change, performance audits must be timely and relevant to the public and the House of Assembly. Performing appropriate risk evaluations of Government programs and selecting topics of relevance remain a priority and a challenge. The Office will continue to explore opportunities and best practices in processes used in the selection of performance audits.

Professional Development

The Office is committed to supporting all staff to ensure they are equipped with the appropriate skills and knowledge to meet high standards of quality work, comply with professional standards, and uphold office values. The Office will continue to look for opportunities to provide the required training and development through collaborating with other legislative audit offices, as well as Government and other professional accounting bodies. The Office looks forward to continued implementation of its performance engagement framework that will support on-going and relevant professional development.

Peer Review

To ensure the Office's work is of the highest quality; in compliance with generally accepted accounting principles; and generally accepted auditing standards of the Chartered Professional Accountants of Canada, the Office participates in the peer review program offered through the Canadian Council of Legislative Auditors. In addition, the Office participates in the practice inspection program of the Association of Chartered Professional Accountants of Newfoundland and Labrador. During 2020-21, a peer review of a financial statement attest audit was completed by another legislative audit office; these peer reviews provide the Office with the opportunity to continually review and improve audit processes.

COVID-19 Pandemic

The COVID-19 pandemic resulted in the Office of the Auditor General closing to the public on March 17, 2020. Additionally, and as a result of the pandemic, the majority of staff also moved from the office environment to remote working. While the Office was well positioned to remote working, there were still challenges encountered for audits conducted during 2020-21; in particular, staff could not visit client offices to perform certain audit procedures. As a result, audit evidence was collected through alternative methods in order to complete audits.

As a result of client staff also working remotely, additional challenges were encountered in obtaining access to client staff and some audit evidence. In some instances, client staff were assigned other priorities due to the pandemic. This resulted in delays in completing certain audits.

Audited Financial Information

This section includes the audited financial information of the Office for the year ended March 31, 2021.



Financial Information

Office of the Auditor General

Province of Newfoundland and Labrador

March 31, 2021

Contents

	Page
Independent Auditors' Report	1-2
Supplementary Financial Information	3
Schedule of Expenditures	4
Schedule of Gross Expenditures and Unexpended Balances	5
Notes to the Financial Information	6-8



Grant Thornton LLP
15 International Place
Suite 300
St. John's, NL
A1A 0L4

T (709) 778-8800
F (709) 772-7892
www.GrantThornton.ca

Independent Auditors' Report

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

Opinion

We have audited the supplementary financial information of the Office of the Auditor General, Province of Newfoundland and Labrador ("the Office") as at March 31, 2021, which comprises the schedule of expenditures and schedule of gross expenditures and unexpended balances for the year then ended, and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the accompanying financial information presents fairly in all material respects, the financial position of the Office of the Auditor General, Province of Newfoundland and Labrador, as at March 31, 2021, and its results of operations for the year then ended in accordance with policies disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial information section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial information, which describes the basis of accounting. The financial information is prepared to assist the Office of the Auditor General and the House of Assembly Management Commission, Province of Newfoundland and Labrador to meet the requirements of Section 32 of the Auditor General Act. As a result, the financial information may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the House of Assembly Management Commission and the Office of the Auditor General, Province of Newfoundland and Labrador and should not be used by parties other than the members of the House of Assembly Management Commission and management of the Office of the Auditor General, Province of Newfoundland and Labrador.





Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial information, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 this financial information.

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

- Identify and assess the risks of material misstatement of the financial information, 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 our 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 Office'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 Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

Grant Thornton LLP

Chartered Professional Accountants

St. John's, Canada
August 31, 2021

Audit | Tax | Advisory

© Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

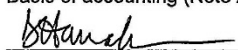


3

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

Year Ended March 31	2021	2020
Assets		
Current		
Accounts receivable	\$ 661	\$ 2,175
Prepays	<u>41,892</u>	<u>24,731</u>
	<u>\$ 42,553</u>	<u>\$ 26,906</u>
Liabilities		
Current		
Vouchers payable	\$ 741	\$ -
Accrued paid/annual leave	797,639	681,379
Accrued payroll	10,176	103,561
Accrued overtime	7,963	5,009
Accrued sick leave	27,017	32,488
Accrued severance pay	<u>51,040</u>	<u>51,040</u>
	<u>\$ 894,576</u>	<u>\$ 873,477</u>

Basis of accounting (Note 2)

 Auditor General

See accompanying notes to the financial information.



4

Office of the Auditor General
Province of Newfoundland and Labrador
Schedule of Expenditures

Year Ended March 31	2021	2021	2020
	<u>Actual</u>	<u>Original Budget</u>	<u>Actual</u>
Total Expenditures			
Salaries	\$ 2,925,720	\$ 3,359,200	\$ 2,880,720
Employee benefits	82,359	94,800	108,096
Transportation and communications	11,953	80,000	40,230
Supplies	58,777	55,000	48,903
Professional services	192,316	99,000	353,864
Purchased services	212,070	225,000	228,045
Property, furnishings and equipment	29,129	21,100	15,670
	<u>\$ 3,512,324</u>	<u>\$ 3,934,100</u>	<u>\$ 3,675,528</u>
Related Revenue	<u>1,515</u>	<u>-</u>	<u>-</u>
Net expenditures	<u>\$ 3,510,809</u>	<u>\$ 3,934,100</u>	<u>\$ 3,675,528</u>

Basis of accounting (Note 2)

See accompanying notes to the financial information.



5

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

Year Ended March 31	2021	2020
Original budget estimates (net)	\$ 3,934,100	\$ 3,809,700
Less: estimated statutory payments	<u>(183,200)</u>	<u>(183,200)</u>
Total appropriation	<u>3,750,900</u>	<u>3,626,500</u>
Total net expenditure	3,510,809	3,675,528
Less: statutory payments	(109,273)	(183,209)
Add: revenue less transfers and statutory payments	<u>1,515</u>	<u>-</u>
Total gross expenditure (budgetary, non-statutory)	<u>3,403,051</u>	<u>3,492,319</u>
Unexpended balance of appropriation	<u>\$ 347,849</u>	<u>\$ 134,181</u>

See accompanying notes to the financial information.



Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Financial Information
March 31, 2021

1. Nature of operations

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

2. Summary of significant accounting policies

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

Basis of accounting

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

Assets and liabilities

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

Capital assets

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

Revenue recognition

Effective April 1, 2015, the Office of the Auditor General no longer invoices for its audit services.

Operating expenses

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

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Financial Information
March 31, 2021

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

Severance pay

Up to and including the 2018 fiscal year, severance pay was accounted for on an accrual basis and calculated based upon years of service and current salary levels. The right to be paid severance vested with non-unionized employees and management upon nine years or more of service, and accordingly no provision was made in the accounts for employees with less than this amount of continuous service. The amount was payable when the employee ceased employment with the Province.

Effective March 31, 2018, there was no further accumulation of severance for unionized employees. Unionized employees with one or more years of continuous service, to a maximum of 20 years, were entitled to severance pay and could decide the manner and timing in which it is paid out. Severance for all unionized employees was paid out during the 2019 fiscal year.

Effective June 1, 2019, there was no further accumulation of severance for non-unionized employees and management. Non-unionized employees and management with one or more years of continuous service, to a maximum of 20 years, were entitled to severance pay and could decide the manner and timing in which it is paid out. Severance for non-unionized employees and management is calculated based upon years of service and current salary levels as at May 31, 2018. The remaining balance relates to employees who had not elected to have severance paid out up to March 31, 2021.

Sick leave

Sick leave has been accounted for on an accrual basis and estimated based on management's best estimate of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels.

Income taxes

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

3. Commitments

The Office has entered into agreements for the lease of equipment requiring payments as follows: 2022 - \$1,548.

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Financial Information
March 31, 2021

4. Employee future benefits

Under the Auditor General Act, all persons employed in the Office of the Auditor General are employees for the purposes of the Public Service Pensions Act, 2019, and are entitled to all the benefits under that Act. No pension or other post employment future benefit expenditures have been recorded in this financial information.

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

APPENDICES

APPENDIX I

FINANCIAL STATEMENTS AUDITED BY THE OFFICE OF THE AUDITOR GENERAL

Appendix I

Financial Statements Audited by the Office of the Auditor General

Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

Crown Corporations and Agencies

C.A. Pippy Park Commission
C.A. Pippy Park Golf Course Limited
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

Other

Director of Support Enforcement
House of Assembly
Newfoundland and Labrador Government Sinking Fund
Office of the High Sheriff of Newfoundland and Labrador
Office of the Public Trustee
Province of Newfoundland and Labrador Pooled Pension Fund
Supreme Court of Newfoundland and Labrador

APPENDIX II

CROWN ENTITY FINANCIAL STATEMENTS AUDITED BY PRIVATE SECTOR AUDITORS

Appendix II

Crown Entity Financial Statements Audited by Private Sector Auditors

Atlantic Lottery Corporation, Inc.
Board of Commissioners of Public Utilities
Canada-Newfoundland and Labrador Offshore Petroleum Board
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
Memorial University of Newfoundland - Pension Plan
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
Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador



