



# OFFICE OF THE AUDITOR GENERAL



## BUSINESS PLAN

For Three Fiscal Years  
2011-12, 2012-13 and 2013-14



## Office of the Auditor General of Newfoundland and Labrador

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14 June 2011

Ref: DP01-Z0511

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

Dear Sir:

I have the honour to submit herewith, for transmission to the House of Assembly, my Business Plan for three fiscal years 2011-12, 2012-13 and 2013-14. The Plan is being submitted in accordance with the requirements contained in the *Transparency and Accountability Act* for a category 2 entity.

Respectfully submitted,

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

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

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## **Message from the Auditor General**



I am pleased to present a three year business plan for my Office covering 1 April 2011 to 31 March 2014. Pursuant to a directive from the House of Assembly Management Commission, my Office has developed this plan in accordance with the requirements contained in the *Transparency and Accountability Act* (the *Act*) for a category 2 entity.

The *Act* requires that a plan (as applicable for each entity) be tabled in the House of Assembly every three years. In the past few months my Office has undertaken a comprehensive strategic planning exercise to identify our strategic issues and the key goals that we wish to achieve by the end of the current planning cycle i.e. 31 March 2014.

I would like to take this opportunity to thank employees of the Office for their participation and feedback provided during the planning process. I also extend my gratitude to employees of the Transparency and Accountability Office for the expertise and guidance generously provided by them.

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

A handwritten signature in black ink, appearing to read "John Noseworthy". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

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



## **1. Strategic Plan at a Glance**

### **Vision**

*The Office of the Auditor General is a highly valued legislative audit office recognized for assisting Members of the House of Assembly in holding Government accountable for the prudent use and management of public resources.*

### **Mission**

By 2017, the Office of the Auditor General will have enhanced its provision of high quality audit services to the House of Assembly in order to, in compliance with its mandate, continue to provide information which will assist the House of Assembly in holding Government accountable for the stewardship, management, and use of public resources, while promoting accountability and encouraging positive change.

### **Strategic Issues**

#### **Issue 1: Business Processes (Legislative Audit Projects)**

Goal: By 31 March 2014, the Office of the Auditor General will have implemented and tested an updated identification and selection process for legislative audits.

Objectives:

- By 31 March 2012, the Office of the Auditor General will have identified areas of improvement in its process for the identification and selection of legislative projects.
- By 31 March 2013, the Office of the Auditor General will have updated and tested its process for the identification and selection of legislative audits.
- By 31 March 2014, the Office of the Auditor General will have documented and implemented an updated system for the identification and selection of legislative audits.

#### **Issue 2: Human Resource Management**

Goal: By 31 March 2014, the Office of the Auditor General will have improved succession planning by enhancing our professional development strategy which is designed to ensure that staff are adequately trained to fill key positions and maintain our ability to conduct audits.

Objectives:

- By 31 March 2012, relevant professional development will have been made available to staff of the Office of the Auditor General.
- By 31 March 2013, the Office of the Auditor General will have reviewed the Employee Development Program to incorporate additional succession planning considerations.
- By 31 March 2014, the Office of the Auditor General will have updated the Employee Development Program to address additional succession planning considerations.

#### **Issue 3: Information Technology**

Goal: By 31 March 2014, the Office of the Auditor General will strengthen controls related to the protection of the Office's auditing working papers/data.

Objectives:

- By 31 March 2012, the Office of the Auditor General will have enhanced the security measures in place and available for the protection of the Office's audit working papers/data.
- By 31 March 2013, the Office of the Auditor General will have documented the measures in place to enhance the protection of the Office's audit working papers/data.
- By 31 March 2014, the Office of the Auditor General will have updated the measures in place to enhance the protection of the Office's audit working papers/data.



## 2. Introduction

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

The Office of the Auditor General in Newfoundland and Labrador is the independent Legislative Auditor of Government, reporting 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 financial statements.

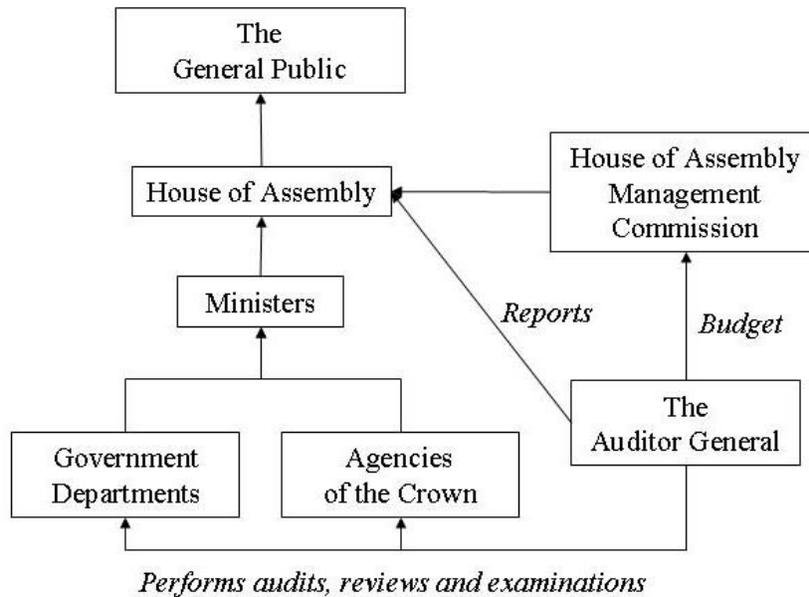
As outlined in the *Auditor General Act*, the Auditor General's fundamental role is to bring an independent audit and reporting process to bear upon the manner in which conferred responsibilities are discharged in the public sector. This role is superimposed on the accountability relationship which exists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

Since proclamation of the *Auditor General Act* (the *Act*) in October 1991, the Auditor General has had a direct responsibility to report to the House of Assembly. In accordance with the *Act*, the Auditor General is required to provide the House of Assembly with timely, relevant information, necessary to enhance public sector accountability and performance. This requirement to report is centered on the concept of accountability and is central to our system of Government.

The accountability relationship is depicted in Figure 1.

Figure 1

**Office of the Auditor General  
Accountability Relationship**



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

### 3. Staff and Budget

As at 31 March 2011, the Office had 42 approved permanent positions and 1 approved temporary manager position. For the 2012 fiscal year, the Office has a budget of approximately \$3.8 million. Figure 2 shows our organization structure while Figure 3 provides details of the 2011-12 budget.

Figure 2

#### Office of the Auditor General Organization Structure

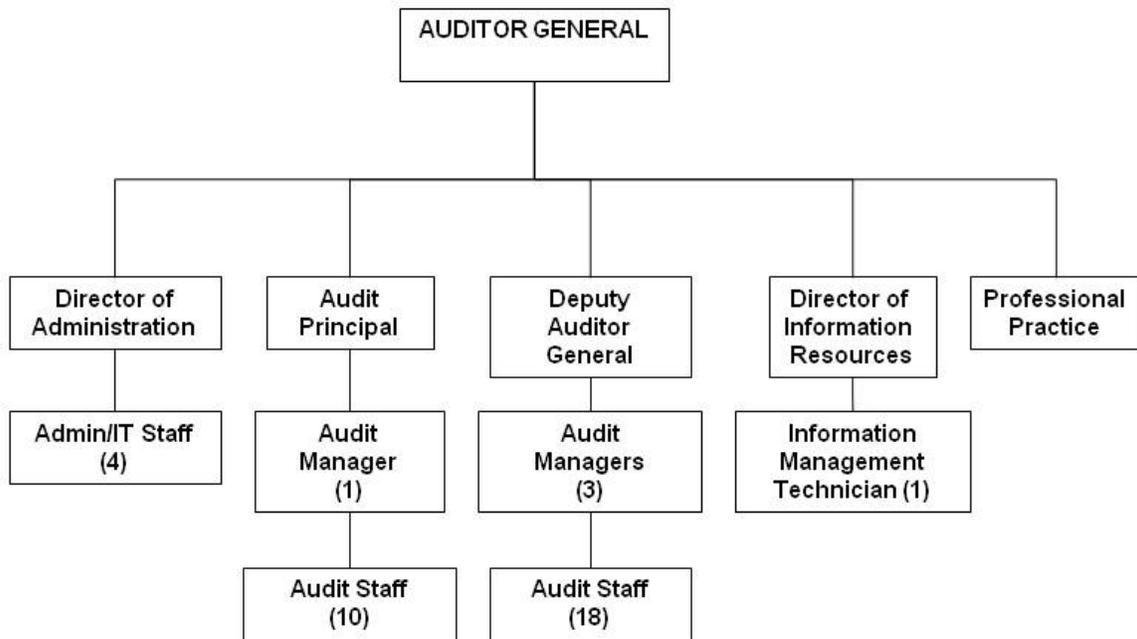
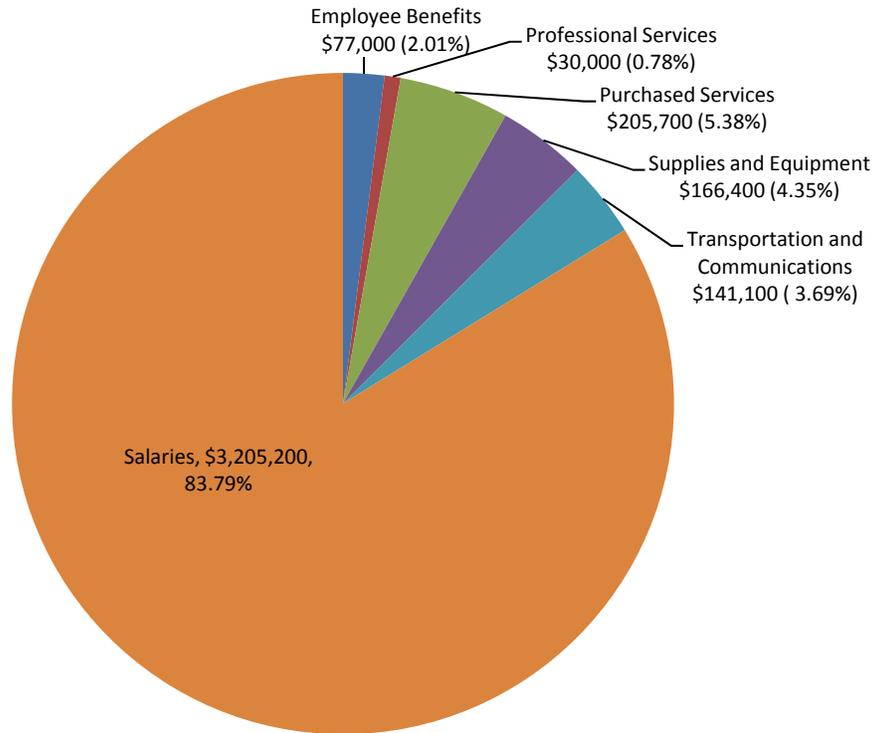


Figure 3

Office of the Auditor General  
Budget 2011-12



**Total Budget: \$3,825,400**

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## 4. Mandate

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

- The Auditor General is the auditor of the financial statements and accounts of the Province and shall make those examinations and inquiries that the Auditor General considers necessary to enable him or her to report as required by the *Act* (s.10).
  - The Auditor General reports to the House of Assembly at least annually on any significant results of audits, examinations and inquiries, including instances concerning the disbursement of public money such as when such disbursements have not been made in accordance with relevant legislation, regulations, directives or orders, have not been properly reflected in the accounts, or have not been made for the purposes for which they were appropriated (s.12).
  - Where an auditor has not been appointed to audit an agency of the Crown or a Crown controlled corporation, the Auditor General shall be the auditor (s.14).
  - Where during the course of an audit, the Auditor General becomes aware of an improper retention or misappropriation of public money or another activity that may constitute an offence under the *Criminal Code* or another Act, the Auditor General shall immediately report the improper retention or misappropriation of public money or other activity to the Lieutenant-Governor in Council (s.15).
  - The Auditor General will carry out special assignments whenever the Lieutenant-Governor in Council so requests or the House of Assembly or the Public Accounts Committee by resolution so requires (s.16).
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In carrying out our mandate, we monitor our work to assess how we have performed against established criteria. In addition to reporting on our strategic objectives, annually we will report on how we performed with regard to completing all financial statement and legislative audits, monitoring of Crown agencies, special assignments and related work as follows:

- complete our audit of the financial statements of the Province within the time schedule agreed upon with the Office of the Comptroller General and complete all other financial statement audits within three months of their fiscal year-end;
  - complete all audits within budget for time and cost. Our target for success is to be within a 10% variance of actual versus budget for time and cost;
  - meet with Audit Managers on an annual basis to obtain an overview of their work. We will also have an annual meeting with all audit staff to identify possible projects;
  - monitor the degree to which our recommendations have been implemented or major issues have been addressed. Our target for success is that 80% of these recommendations will be implemented within two years of our report date;
  - provide the House of Assembly with our report on reviews of departments and Crown agencies and monitoring of Crown agencies by 31 January of the year following the previous fiscal year-end;
  - report on all special assignments within the time period requested; and
  - provide the House of Assembly with an accountability report about our Office by 30 September of each year.
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## 5. Lines of Business

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

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### **Financial Statements of the Province and Crown Agencies**

A financial statement audit results in the expression of an opinion as to the fair presentation of the Public Accounts of the Province and the financial statements of Crown agencies. We conduct these audits in accordance with generally accepted auditing standards established by the Canadian Institute of Chartered Accountants. In addition, issues identified during a financial statement audit may lead to recommendations that are addressed in a letter to the auditee and/or included in the Auditor General's Annual Report to the House of Assembly.

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### **Legislative Audit**

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

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

The findings of the legislative audits are reported in the Auditor General's Annual Report to the House of Assembly (entitled "Reviews of Departments and Crown Agencies") which is issued on or before the end of January of each year.

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## Special Assignments

A special assignment is completed in response to a request from the Lieutenant-Governor in Council, or resolution by the House of Assembly or the Public Accounts Committee. The nature and scope of these assignments vary, depending on the nature of the request. They result in a report of findings to whomever makes the request and may include comments on such things as:

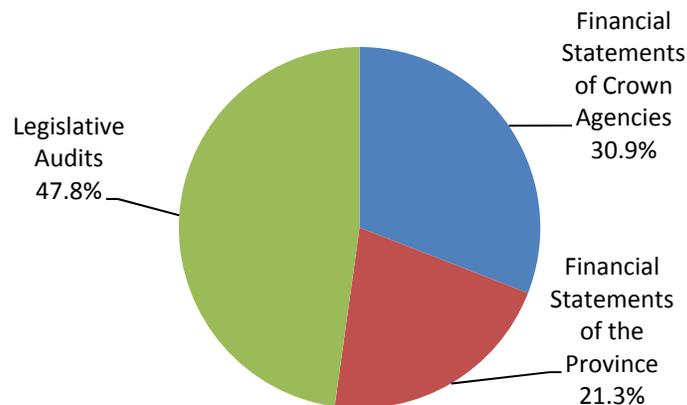
- accountability relationships, management practices and control systems;
- compliance with legislation and other authorities; and
- program results compared to established criteria.

## Distribution of Audit Work

Figure 4 depicts the distribution of audit work by line of business to be performed for the calendar year ended 31 December 2011.

**Figure 4**

### Distribution of Audit Work For the Calendar Year Ended 31 December 2011 (Projected)



Note 1: Special assignments required under Section 16 of the *Auditor General Act* would be included in the legislative audit portion of audit work.

## 6. Values

We promote a progressive Office culture through our belief in core values identified and explained in Figure 5 (presented in alphabetical order).

**Figure 5**

### Office of the Auditor General Core Values

Core Values	Action Statements
<b>Accountability</b>	Each employee is responsible for the effective use of resources entrusted to them, takes ownership of and has pride in the work they produce, and ensures that his or her work is appropriately supported and completed within established timeframes.
<b>Adaptability</b>	Each employee is adaptable to the evolving nature of our work. Growth and development are available through learning and training opportunities.
<b>Fairness</b>	Each employee is fair in making decisions that affect other employees.
<b>Independence</b>	Each employee completes his or her work in an unbiased and objective manner, maintains independence in fact and appearance, and produces results based on evidence.
<b>Integrity</b>	Each employee is honest, unbiased and adheres to the confidentiality associated with the Office.
<b>Professionalism</b>	Each employee is responsible for adhering to professional and Office standards and portraying a professional manner when interacting with coworkers and auditees.
<b>Quality</b>	Each employee, while adhering to professional standards and leading by example, completes work that is relevant and credible.

Core Values	Action Statements
<b>Respect</b>	The Office values and recognizes the contribution of its employees and the importance of work-life balance. Each employee listens to and considers the opinions of co-workers and auditees.
<b>Team Work</b>	Each employee works with others cooperatively and in a coordinated manner to complete the work of the Office.

## 7. Our Stakeholders

Our primary client is the House of Assembly. The Office has a significant number of internal and external stakeholders which are identified in Figure 6.

**Figure 6**

### Office of the Auditor General Internal and External Stakeholders



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## 8. Vision and Mission

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### Vision

The vision of the Office is:

The Office of the Auditor General is a highly valued legislative audit office recognized for assisting Members of the House of Assembly in holding Government accountable for the prudent use and management of public resources.

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### Mission Statement for the period 2011 to 2017

Our mission statement identifies the priority focus of the Office of the Auditor General over the next two three-year planning cycles. It represents strategic long-term results that the Office will be working towards.

The mission that will guide us during the next two three-year planning cycles is:

By 2017, the Office of the Auditor General will have enhanced its provision of high quality audit services to the House of Assembly in order to, in compliance with its mandate, continue to provide information which will assist the House of Assembly in holding Government accountable for the stewardship, management, and use of public resources, while promoting accountability and encouraging positive change.

*Measure:* Enhanced its Provision of High Quality Audit Services to the House of Assembly

*Indicators:*

- implemented and tested an updated identification and selection process for legislative audits;
- improved succession planning; and
- strengthened controls related to the protection of the Office's audit working papers/data.



## 9. Strategic Issues

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In consideration of the Office's mandate, vision, mission and priorities in the coming years, we identified three strategic issues which will drive our goals for the next three years. The goals identified for each issue reflect the results expected in the three-year timeframe while the objectives provide an annual focus. Measures and indicators are provided for both the goal and the first year's objectives to assist the Office in monitoring, evaluating and reporting on its success.

The following strategic issues will drive our goals for the next three years:

Issue #1: Business processes (legislative audit projects)

Issue #2: Human resource management

Issue #3: Information Technology

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### Strategic Issue #1 - Business Processes (Legislative Audit Projects)

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Conducting relevant legislative audit projects is a critical part of how the Office meets our mandate of promoting accountability and creating positive change in Government. To be effective in creating that positive change, legislative audits must be timely and relevant to the public and the House of Assembly.

Twenty years ago, our Office developed a database called The Audit Universe Management System (TAUMS). TAUMS is a database of information relating to all departments and agencies of the Crown. It is used to support the assessment of risk levels of criteria related to a potential project. These risk levels are then evaluated when selecting legislative audit projects. The TAUMS system now needs to be reviewed and the software upgraded to ensure that it reflects today's needs.

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**Goal** By 31 March 31 2014, the Office of the Auditor General will have implemented and tested an updated identification and selection process for legislative audits.

*Measure:* Implemented and Tested an Updated Identification and Selection Process for Legislative Audits

*Indicators:*

- Updated the project identification and selection process; and
- Updated the comprehensive database of departments and Crown agencies, related sectors and program areas.

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**Objectives** By 31 March 2012, the Office of the Auditor General will have identified areas of improvement in its process for the identification and selection of legislative audits.

*Measure:* Identified Areas of Improvement in its Process for the Identification and Selection of Legislative Audits

*Indicators:*

- Reviewed and documented the current project identification and selection process; and
- Identified gaps or areas for improvement.

By 31 March 2013, the Office of the Auditor General will have updated and tested its process for the identification and selection of legislative audits.

By 31 March 2014, the Office of the Auditor General will have documented and implemented an updated system for the identification and selection of legislative audits.

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## Strategic Issue #2: Human Resource Management

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Succession is a strategic issue for the Office as 7 of 10 members of the senior management group – including Audit Managers, Principals, Director and the Deputy Auditor General – are eligible for retirement within this planning cycle. In addition, the Auditor General’s current term expires in April 2012 and a new Auditor General will likely be appointed within this planning cycle. It is critical that the corporate memory of remaining staff in the Office be at a level that enables a smooth transition through this demographic shift.

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### Goal

By 31 March 2014, the Office of the Auditor General will have improved succession planning by enhancing our professional development strategy which is designed to ensure that staff are adequately trained to fill key positions and maintain our ability to conduct audits.

*Measure:* Improved Succession Planning

*Indicators:*

- Enhanced our professional development strategy;
  - Staff attended relevant professional development; and
  - Audit staff rotated through the various types of audit included in our annual Operational Plan.
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### Objectives

By 31 March 2012, relevant professional development will have been made available to staff of the Office of the Auditor General.

*Measure:* Professional Development Opportunities Made Available to Staff

*Indicators:*

- Enhanced mentoring and supervision skills through attendance of senior audit staff at human resource management training;
- Rotated audit staff through various types of audit;
- Assigned audit staff to the same file for a duration of five years or less; and
- Established networks with legislative audit offices in other jurisdictions through staff attendance at meetings of the Canadian Council of Legislative Auditors (CCOLA).

By 31 March 2013, the Office of the Auditor General will have reviewed the Employee Development Program to incorporate additional succession planning considerations.

By 31 March 2014, the Office of the Auditor General will have updated the Employee Development Program to address additional succession planning considerations.

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### Strategic Issue #3: Information Technology

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Confidentiality of the Office's audit working papers/data is required by the *Auditor General Act*. Therefore, by law, only authorized access to our audit working papers/data is permitted. Today's fast paced and ever-changing IT environment means that we must be continuously vigilant in ensuring the security and integrity of our audit working papers/data.

With regards to electronic records/data, the Office manages a dedicated domain server which includes multi-layered authentication protocols for staff to follow when accessing our system. Because the server is separate from Government and the House of Assembly, protection of our information is the sole responsibility of the Office of the Auditor General.

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**Goal:** By 31 March 2014, the Office of the Auditor General will strengthen controls related to the protection of the Office's audit working papers/data.

*Measure:* Strengthened Controls Related to the Protection of the Office's Audit Working Papers/data

*Indicators:*

- Ensured continuous backup computer systems through mirrored servers between the St. John's and Corner Brook Offices;
  - Updated the IT Audit Toolkit for Auditors; and
  - Updated the Office's Business Continuity Plan.
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**Objectives** By 31 March 2012, the Office of the Auditor General will have enhanced the security measures in place and available for the protection of the Office's Audit Working Papers/data.

*Measure:* Enhanced the Security Measures in Place and Available to Protect the Office's Audit Working Papers/data

*Indicators:*

- Reviewed the Business Continuity Plan;
- Reviewed the IT Audit Toolkit;

- Evaluated the real-time auditing capability of our working paper software; and
- Identified components required to enable data replication of the central IT system at the St. John's Office on the server at the Corner Brook Office.

By 31 March 2013, the Office of the Auditor General will have documented the measures in place to enhance the protection of the Office's Audit Working Papers/Data.

By 31 March 2014, the Office of the Auditor General will have updated the measures in place to enhance the protection of the Office's Audit Working Papers/Data.

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