



OFFICE OF THE AUDITOR GENERAL



BUSINESS PLAN

2017 - 2020

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

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

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1. Message from the Auditor General

I am pleased to present a three year business plan for the Office of the Auditor General covering the period from April 1, 2017 to March 31, 2020. Section 48(1) of the *House of Assembly Accountability, Integrity and Administration Act* prescribes the application of the *Transparency and Accountability Act* (the *Act*) to the statutory offices. Pursuant to a directive from the House of Assembly Management Commission, the Office has developed this plan in accordance with the requirements contained in the *Act* for a category 2 entity.

The *Act* requires that a plan be tabled in the House of Assembly every three years. The Office has undertaken a planning exercise to identify priority issues and key goals that we wish to achieve by March 31, 2020.

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

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



TERRY PADDON, CPA, CA
Auditor General

2. Overview

Responsibility

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

The Auditor General is the independent auditor of the Province's financial statements and the financial statements of many agencies of the Crown and, as such, expresses an opinion as to the fair presentation of these financial statements.

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

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

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

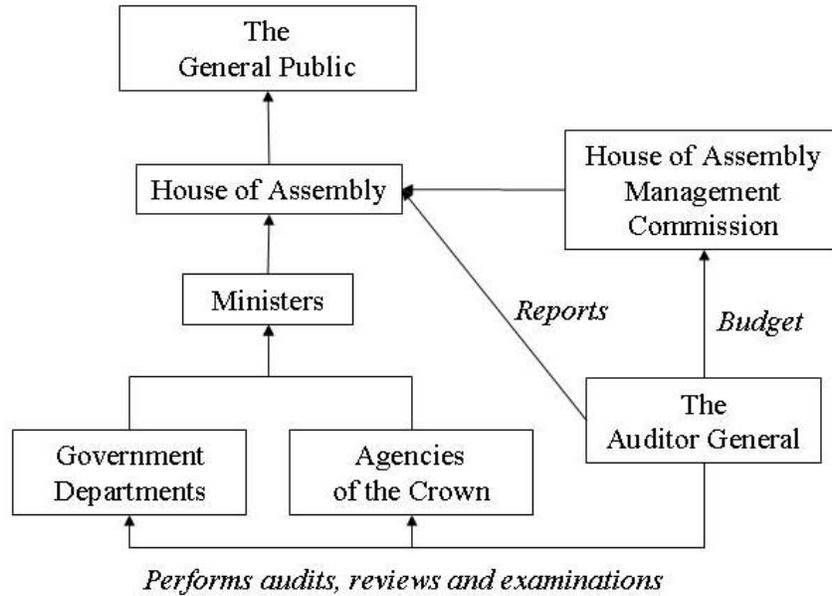
Accountability

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

The accountability relationship is depicted in Figure 1.

Figure 1

**Office of the Auditor General
Accountability Relationship**



Staff and Budget

As at April 1, 2017, the Office had 41 approved permanent positions and 2 approved temporary positions. For the 2017-18 fiscal year, the Office has a budget of approximately \$3.9 million, as outlined in Table 1.

Table 1

**Office of the Auditor General
Budgeted expenditures
Year Ended March 31, 2018**

Object	Budget
Salaries	\$ 3,234,800
Employee Benefits	94,800
Transportation and Communications	112,200
Supplies	64,400
Professional Services	99,000
Purchased Services	266,800
Property, Furnishings and Equipment	21,100
Total	\$ 3,893,100

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

3. Mandate

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

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

4. Lines of Business

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

1.0 Audit of the Financial Statements of the Province and Crown Agencies

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

2.0 Performance Audit

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

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

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

Performance audits also result in recommendations, which are designed to improve processes and overall performance in the delivery of public services, and in the management of public money and other resources. It is important that Government carefully consider these recommendations and take appropriate action. Therefore, we monitor the extent to which Government implements our recommendations. We monitor the status of implementation of recommendations from each Report approximately three years after the recommendation has been made. We report the status of the implementation of recommendations annually in the Update on Prior Years' Recommendations.

3.0 Special Assignments

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

5. Values

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

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

Independence

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

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

Credibility

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

The Office of the Auditor General strives to achieve credibility by producing results that are based on evidence and compliance with rigorous professional and office standards. Internal quality control measures, coupled with adherence to high-quality work ethics, produce results that reinforce our credibility.

Integrity

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

6. Primary Clients

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

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

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

7. Vision

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

8. Goals and Objectives

Issue 1: Effective Communication of Audit Results

Effective communication of audit results is essential to the delivery of the Office's mandate. The way that people obtain information is changing and it is necessary for the Office to consider whether its communication methods also need to change to remain effective. When we communicate the results of our audits, in a way that gets our primary clients more engaged, the effectiveness of our audits increases.

Goal: By March 31, 2020, the Office of the Auditor General will have implemented various methods for improving the communication of our audit results to our primary clients.

Indicators:

- Prepared audit reports and management letters that are clear, concise and informative
- Staff trained, as required, in report writing skills
- Increased use of alternative communication methods, such as social media, for communicating our audit results

Objectives:

1.0 By March 31, 2018, the Office of the Auditor General will have explored how to improve the communication of its audit results to our primary clients.

Indicators:

- Reviewed best practices within other jurisdictions
- Developed options for aligning the Office's current communication methods with alternative methods
- Identified and prioritized training requirements of staff and the resources needed to deliver that training

2.0 By March 31, 2019, the Office of the Auditor General will have initiated the implementation of its new communication methods.

3.0 By March 31, 2020, the Office of the Auditor General will have implemented its new communication methods.

Issue 2: Timeliness of Audits

In order for the results of our audits to be beneficial to the users, they must be relevant. One way relevance is achieved is by ensuring that users and decision makers receive the information in a timely manner as the usefulness of information for decision-making declines as time elapses. The Office of the Auditor General has two main audit cycles:

- attest audits of the financial statements of the Province and several Crown agencies; and
- performance audits of Government departments and Crown agencies.

We intend to improve the timeliness of these audits to ensure that they are completed in accordance with established priorities and statutory deadlines. We will consult with Government and its Crown agencies and review our audit approach to identify priorities and opportunities to improve the timeliness of these audits. Improving the timeliness of the completion of our audits will provide Government and its Crown agencies with more relevant information and, if warranted, timely recommendations.

Goal: By March 31, 2020, the Office of the Auditor General will have improved the timeliness in completing its audits.

Indicators:

- Improved timelines for completing audits in accordance with established priorities and statutory deadlines
- Staff trained in the new/revised audit methodologies
- Effectiveness of new/revised audit processes evaluated

Objectives:

1.0 By March 31, 2018, the Office of the Auditor General will have identified viable options to improve the timelines for completing audits.

Indicators:

- Reviewed current audit processes and experiences in completing previous audits to identify reasons for unacceptable timelines
- Consulted with auditees to identify viable options for improving upon timelines
- Defined acceptable turnaround times for completing audits

- Developed criteria to measure the effectiveness of options identified for improving upon timelines
 - Identified and prioritized staff training requirements and the resources needed
- 2.0 By March 31, 2019, the Office of the Auditor General will have implemented new/revised audit processes for improving the timelines for completing audits.
- 3.0 By March 31, 2020, the Office of the Auditor General will have evaluated the effectiveness of its new/revised audit processes to determine if they are improving the timelines for completing audits.

Issue 3: Employee Performance Management

In order to deliver upon its mandate, the Office of the Auditor General relies upon a team of professionals. An employee performance management program is crucial in the development and maintenance of a team of competent professionals. Regular performance appraisals, a key part of ongoing professional development, encourage staff to succeed and reinforce the importance of quality work and compliance with professional standards and our Office's policies.

We have developed a new employee performance management program that clearly communicates employee performance expectations, evaluates employees' performance against these expectations, and provides support to employees in their ongoing professional development. We will implement this new employee performance management program for Audit Managers and Auditors in charge. Later we will expand the employee performance management program to include assistant auditors.

Goal: By March 31, 2020, the Office of the Auditor General will have implemented, for all employees, an employee performance management program that includes employee feedback and identification of professional development needs.

Indicators:

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

Objectives:

- 1.0 By March 31, 2018, the Office of the Auditor General will have implemented an employee performance management program for Audit Managers and Auditors in charge and initiated the development of an employee performance management program for assistant auditors.

Indicators:

- Implementation of an employee performance management program for Audit Managers and Auditors in charge
 - Reviewed best practices to determine typical components and processes of employee performance management programs for assistant auditors
 - Consulted with assistant auditors to identify current challenges and options for overcoming these challenges
 - Identified management and assistant auditors expectations of a performance management program
- 2.0 By March 31, 2019, the Office of the Auditor General will have developed an employee performance management program for assistant auditors.
- 3.0 By March 31, 2020, the Office of the Auditor General will have implemented an employee performance management program for all employees.