

### Recommendation

*Government should:*

- *proclaim the Transparency and Accountability Act;*
- *address the lack of plans being tabled in the House of Assembly;*
- *address the lack of true accountability information contained in annual reports tabled in the House of Assembly; and*
- *consider the guidance provided in PSAB's Statement of Recommended Practice.*

### 5.3 Internal Audit

The International Institute of Internal Auditors defines internal auditing as follows: “*Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*”

In recent years, in Canada and throughout the world, there has been a heightened need for accountability and transparency. This has resulted in increased duties and responsibilities for the internal audit function in such areas as accountability, governance, risk management and assurance.

The internal audit function in Government is not sufficiently resourced to adequately perform the duties expected of a modern and effective internal audit function. Internal audit is currently comprised of 3 positions, a decrease of 18 from the 21 positions in 1991.

An internal audit function is an integral part of an effective internal control system. Without such a system, including the presence of an internal audit function, instances of the following may go undetected:

- public money not being appropriately collected and disbursed;
- non-compliance with legislation and/or Government policies;
- lack of safeguarding and accounting for the Province's assets; and
- accounting and management control weaknesses.

The lack of internal control and management safeguards at the House of Assembly establishment which led to excess claims and questionable payments to companies highlights the importance of independent scrutiny. An effective internal audit function can help ensure that preventative and detective controls are implemented and functioning.

### **Recommendation**

*Government should ensure its internal audit function is sufficiently resourced.*

## **5.4 Government Reporting Entity**

Under the standards established for governments by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, the Province's consolidated summary financial statements are required to include all organizations that are controlled by Government. A detailed listing of organizations and enterprises included as part of the government reporting entity is presented in a schedule to the statements.

I am pleased to report that Government included Memorial University of Newfoundland in the government reporting entity commencing with the year ended 31 March 2006. With the inclusion of the University, the consolidated summary financial statements now meet PSAB's standards for organizations and enterprises to be included in the government reporting entity.

Government considers the Workplace Health, Safety and Compensation Commission to be a form of trust and has disclosed information on the Commission's surplus (\$20.9 million) and unfunded liability (\$139.2 million) for the year ended 31 December 2005 in a note to the Schedule of Trust Accounts in the consolidated summary financial statements. Accounting for entities similar to the Workplace Health, Safety and Compensation Commission continues to evolve, with variations among jurisdictions in Canada.

### **Recommendation**

*Government should continue to monitor how other jurisdictions in Canada account for entities similar to the Workplace Health, Safety and Compensation Commission.*

## **5.5 Environmental Liabilities**

There are many sites in the Province which have environmental contamination resulting from such things as PCBs, old fuel storage tanks and solid waste landfills. These sites include, for example, the old Harmon airforce base, Octagon Pond, Buckmaster's Circle, Marystown Shipyard and abandoned mining properties.