

Report Overview



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR



Why We Did This Annual Report

We prepared this annual report in accordance with the Auditor General Act, 2021, to:

- Expand on our audit opinion and observations related to the province's financial statements for the year ended March 31, 2022;
- Provide updates on the status of recommendations from four 2019-20 performance audits;
- Update the unaudited report on government's financial response to the pandemic; and,
- Share information on the Office's work and the audits that are currently underway.



Observations on the Audit of the Public Accounts

- In 2022, the Auditor General provided a clean audit opinion on the Public Accounts.
- The Consolidated Summary Financial Statements have received an unqualified audit opinion for the past 28 consecutive years.
- The Provincial Government has yet to finalize its rate mitigation plan; the implementation of this plan may have a significant financial impact on the province in future years.
- Numerous incidents of potentially fraudulent actions by recipients of government funding or government employees were reported as part of the annual Public Accounts.
- The stability of the Province's fiscal situation remains a significant concern; in 2022 the deficit was \$271.91 million, the Net Debt \$16.37 billion, and the Net Debt to GDP was 42.5%.
- The timing of the release of the Consolidated Summary Financial Statements remains out of sync compared with other jurisdictions, and the relationship between the Estimates process and government accounting remains outdated. The Province should consider amendments to the Act to reflect modern accounting practices or pursue alternatives to ensure a timelier release.



Government's Financial Response to the Pandemic

- Our report summarized 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.
- Based on our analysis, 79.9% of the total commitment has been spent to date; over \$141 million (20.1%) of the committed COVID-19 funding has not yet been utilized.



Annual Report on Operations

- In 2022, a modernized Auditor General Act, 2021 was proclaimed into law. The new legislation enhanced the Office's independence, expanded access to information, and increased transparency.
- Budget 2022 provided the Office with a significant increase in its operating budget; the budget increase supported the hiring of the necessary staff required to support the implementation of the new legislation.
- In 2022, the Office released two performance audits into Nalcor Energy, as well as an audit of Adult and Community Corrections. There were 26 financial audits, all of which met the statutory deadline.
- Significant progress was made in 2022 on a variety of performance audits, including audits of Memorial University, the Office of the High Sheriff, the Innovation and Business Investment Corporation, and the Food Premises Licensing and Inspection Program. All four audits are expected to be released in 2023.
- In 2022, five new financial audits were brought in-house, including the Eastern Regional Health Authority.

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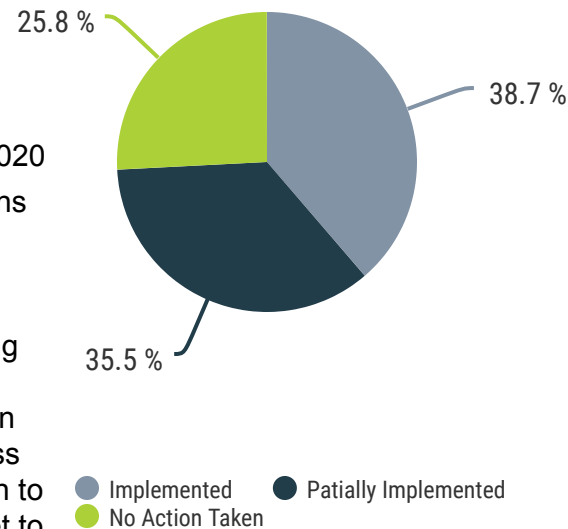


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Update on 2019 Performance Audits

- There were four performance audit reports released during the 2019-20 fiscal year:
 - Healthy Eating in Schools - June 2019
 - Oversight of Provincial Wellness Priorities – June 2019
 - Student Transportation – June 2019
 - Newfoundland and Labrador Liquor Corporation – February 2020
- After three years, less than 39% (12 out of 31) of recommendations were fully implemented, and over 25% (8 out of 31) had no meaningful action taken at all.
- The Newfoundland and Labrador English School District only partially implemented four recommendations on the Healthy Eating in Schools Program.
- The Department of Health and Community Services took no action on three recommendations on Oversight of the Provincial Wellness Priorities, and has only partially implemented the recommendation to continue developing an action plan to support government's target to bring health indicators in-line with the Canadian average by 2025.
- The Department of Tourism, Culture, Arts and Recreation has taken no action on the four recommendations on the Oversight of Provincial Wellness Priorities, and only partially implemented the recommendation to continue to develop an action plan to support government's health target indicators.
- The Newfoundland and Labrador English School District only partially implemented five recommendations for Student Transportation, and the Department of Education took no action on the recommendation to require the English School District to establish and report on key performance indicators and targets for student transportation safety and efficiency.
- The Department of Justice and Public Safety has taken no action on the recommendation to adequately address conflicts of interest within the public service and Crown entities, including consideration of any legislative amendments required to improve accountability and transparency.

Status of Recommendations After 3 Years



After reading this report, you may want to ask the following questions of government:

1. When will government conclude and release its rate mitigation plan?
2. Why are there ten issues previously recommended for action by the Auditor General from financial statement audits unresolved for three years or more?
3. What action is being taken to address the concerns raised in audit management letters?
4. How are government's actions impacting the sustainability, flexibility, and vulnerability of the financial health of the province?
5. What strategies is the government pursuing to manage its various forms of risk, such as those stemming from post-pandemic economic conditions, population demographics, global inflation, and the uncertainty of rate mitigation?
6. Are legislative or operational changes being made to help improve the timeliness of the release of the Public Accounts?
7. What processes does government have to ensure the Auditor General's recommendations are being pursued in a timely manner?
8. Will the unspent commitment relating to the pandemic be utilized?
9. Is government on track to implement the new accounting and assurance standards?