



OFFICE OF THE AUDITOR GENERAL



Report to the House of Assembly on the Business Plan

**For the Year Ended
March 31, 2018**

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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**AUDITOR
GENERAL**
of Newfoundland and Labrador

September 28, 2018

The Honourable Perry Trimper, M.H.A.
Speaker
House of Assembly

Dear Sir:

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, 2018.

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, 2018, and is the first Report related to the Office's *Business Plan, 2017 - 2020*. That Plan was presented to the Speaker of the House of Assembly on June 30, 2017. This report is designed to provide Members of the House of Assembly with a full overview of the operations of the Office during 2017-18: 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 possible. I thank them for their dedication and continued commitment to high quality standards in their work.

Respectfully submitted,

A handwritten signature in cursive script that reads "Julia Mullaley".

JULIA MULLALEY, CPA, CA
Auditor General

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Overview of the Office

Who We Are and Who We Serve

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

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

The Office also conducts audits of Government programs and services including evaluating program results against established criteria; assessing compliance with legislation and other authorities; and evaluating management practices and control systems. Results of these audits are reported to the House of Assembly and include recommendations which are designed to improve processes and overall performance in the delivery of public services and management of public funds. The Office also monitors and reports on the extent to which Government implements our recommendations.

The Auditor General may also conduct a special assignment 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 and the audit results are reported to the party who made the request.

Our Vision and Values

The vision of the Office of the Auditor General is to serve as an integral component of Government accountability.

Our values are the fundamental principles that guide our 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 focuses 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. Additionally, the Office establishes its credibility by conducting relevant performance audits that evaluate value-for-money in consideration of efficiency, effectiveness and economy.

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.

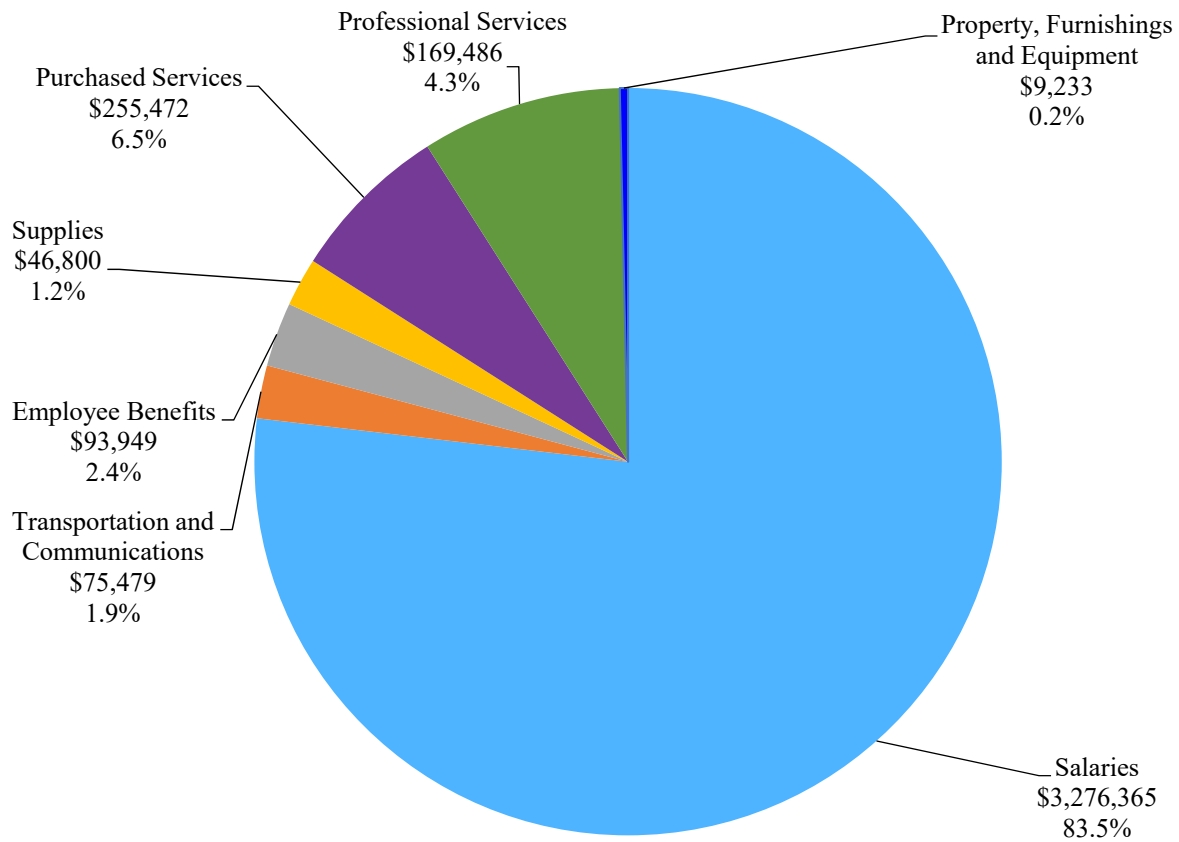
Financial and Staff Profile

As at March 31, 2018, the Office employed 40 staff (17 male, 23 female).

Figure 1 provides details on the \$3,926,784 in gross expenditures (including statutory salaries of \$474,622) incurred by the Office for the year ended March 31, 2018.

Figure 1

Gross Expenditures of the Office of the Auditor General
For the Fiscal Year Ended March 31, 2018



Total Expenditure: \$ 3,926,784

Approximately 89% of the Office's gross expenditures relates to spending on salaries and office accommodations. The balance of expenditure relates to the normal functioning of the Office and includes staff training and professional development and travel.

Highlights and Accomplishments

During 2017-18, the Office issued three reports to the House of Assembly:

- A report to the House of Assembly on **Performance Audits of Departments and Crown Agencies** was submitted to the Speaker of the House of Assembly and released publicly on June 23, 2017 [<https://www.ag.gov.nl.ca/ag/ReviewsOfDeptsCrownAgencies.htm>]. The report included five separate performance audits completed by the Office during the year.
- A report to the House of Assembly on our **Update on Recommendations from the January 2014 Report** was submitted to the Speaker of the House of Assembly and released publicly on October 23, 2017 [<https://www.ag.gov.nl.ca/ag/2017.htm>]. The report included an update on the status of the implementation of the 79 recommendations from the January 2014 Report.
- The Office completed the audit of the Public Accounts of the Province for the year ended March 31, 2017. 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 October 24, 2017 [<https://www.ag.gov.nl.ca/ag/2017.htm>]. The Report provided information on key indicators of the state of Government's finances and highlighted a number of specific areas including the financial condition of the Province and its fiscal outlook.

In addition, the Office participated in a Collaborative Report from Auditors General - **Perspectives on Climate Change Action in Canada** - which was released on March 27, 2018 [<https://www.ag.gov.nl.ca/ag/2018.htm>]. This first of its kind collaborative report built on audit work released over a period of eighteen months by the auditors general of most provinces, as well as the three northern territories and the Federal government. The report provided an overall and independent assessment of the state of climate change action in Canada.

In December 2017, Julia Mullaley, CPA, CA, was appointed as the Auditor General of Newfoundland and Labrador. She succeeded Terry Paddon, CPA, CA, who retired in October 2017.

Report on Performance

Strategic 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 want to engage and obtain information is changing and it is necessary for the Office to consider whether its communication methods are effectively meeting these needs.

2017-20 Goal:

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

2017-18 Objective:

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.

2017-18 Indicators	2017-18 Accomplishments
Reviewed best practices within other jurisdictions	During 2017-18, the Office participated in and reviewed the results of a survey of all legislative audit offices in Canada to identify experience in using alternative methods to communicate audit results such as social media.
Developed options for aligning the Office’s current communication methods with alternative methods	The Office assessed various social media alternatives such as Facebook, Instagram, Twitter and LinkedIn. During the year, the Office initiated the use of a Twitter account to increase the diversity of our communication methods. The Office also focused efforts on enhancing the effectiveness of our performance audit reporting. During 2017-18, we implemented a new performance audit reporting template. The new template was developed based on a report-writing course completed in the prior fiscal year and input we received from the instructor, who is a media trainer and journalist. This new report style aims to enhance readability and allow for effective communication of our audit results and recommendations.

Report on the Business Plan

2017-18 Indicators	2017-18 Accomplishments
	The Office also participated in the Canadian Council of Legislative Auditors Communications Group. This Group is comprised of Communications specialists from the various legislative audit offices. Their experience and expertise is a great resource for a small legislative audit office without communications staff.
Identified and prioritized training requirements of staff and the resources needed to deliver that training	The Audit Principals participated in an Introduction to Digital and Social Media for Directors session provided by the Centre for Learning and Development. No additional training requirements were identified for initial initiatives underway.

Discussion of Overall Results

During 2017-18, the Office advanced work on implementing measures to improve the communications of audit results. In particular, we identified social media alternatives and participated in a survey of our colleagues to gather their experiences in the use of these alternatives. Based on initial analysis, the Office activated and commenced use of a Twitter account as a first step in improving our use of social media. In 2018-19, we will further examine opportunities to diversify our social media alternatives. We will also review our existing methods of communication including our audit reports and our website to identify opportunities to improve the effectiveness in this area. The work undertaken during 2017-18 has greatly informed the work that needs to be completed to reach our goal of improving communication of our audit results by 2019-20.

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

Indicators: Completed assessment and recommendation of social media communication methods to be implemented

Reviewed existing communication materials such as reports, presentations and website to identify areas to improve communication of audit results

Developed plan and commenced implementation of initiatives to improve communication of audit results

Strategic Issue 2: Timeliness of Audits

In order for the results of our audits to be beneficial to the House of Assembly and the public in general, the results and any related recommendations for improvement must be provided in a timely manner. Usefulness of information diminishes as time elapses as the information is less relevant and proper accountability regarding the financial performance of the government entity is more difficult to achieve.

Report on the Business Plan

2017-20 Goal:

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

2017-18 Objective:

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

2017-18 Indicators	2017-18 Accomplishments
<p>Reviewed current audit processes and experiences in completing previous audits to identify reasons for unacceptable timelines</p>	<p>During 2017-18, the Office completed audits and provided independent audit opinions on 26 financial audits of Government entities as well as the audit of the Consolidated Summary Financial Statements of the Province for the year ended March 31, 2017.</p> <p>As part of the planning phase of our financial audits, we reviewed our audit approach for each audit. We also worked with our clients to determine required audit completion dates to meet their needs and to ensure that the audits were scheduled to be completed within statutory requirements.</p> <p>During 2017-18, while all 26 financial audits of Government entities were issued within the client required timeframe and statutory requirements, there is still room to improve timelines on some of the audits. Reason for delays included client readiness for audit and the impact that the issuance of a June 2017 performance audit report had on the availability of staff resources to allocate for financial statement audits.</p> <p>During 2017-18, there was an improvement in the timeliness of the audit report date for the Province's Consolidated Summary Financial Statements. For the year ended March 31, 2017, the audit report date was September 29, 2017, the earliest ever and within the statutory requirement of October 31, 2017.</p>
<p>Consulted with auditees to identify viable options for improving upon timelines</p>	<p>During 2017-18, the Office consulted with all auditees in developing timelines to complete the financial audits with the objective of improving upon timelines from the previous year.</p>

Report on the Business Plan

2017-18 Indicators	2017-18 Accomplishments
Defined acceptable turnaround times for completing audits	The Office has established a desired goal of issuing an opinion on the financial statements three months after the Crown entities' year-ends. However, this goal is dependent on not only our Office's audit approach and assigned audit resources; it is also dependent on the readiness of the Crown entity who is responsible for the preparation of the financial statements for audit by our Office.
Developed criteria to measure the effectiveness of options identified for improving upon timelines	Key criteria developed included measuring the change in time required to complete each audit year over year with our key goal of issuing an opinion on the financial statements three months after the Crown entities' year-ends. Measuring this criteria and year over year change for each audit will allow us to determine whether various initiatives implemented are improving our internal audit processes. It will also allow us to determine whether there are external factors impacting the timelines such as client audit readiness and quality of information presented for audit. Working with clients on the latter issues can improve not only their internal processes and quality of information but can also contribute to more efficient and timely audits.
Identified and prioritized staff training requirements and the resources needed	During 2017-18, all staff received training in data analytics software that assists in the effectiveness of completing required audit procedures. Staff also received individualized training in specific audit courses for priority areas identified.

Discussion of Overall Results

Our Office remains committed to improving the timeliness of our financial audits to enhance the relevance of the information for users. During 2017-18, as part of the planning phase of our financial audits, we reviewed our audit approach for each audit. We also worked with our clients to determine required audit completion dates to meet their needs and to ensure that the audits were scheduled to be completed within statutory requirements. Further, we continued to work with Comptroller General's Office to improve the audit report date for the Province's Consolidated Summary Financial Statements. For the consolidated financial statements for the year ended March 31, 2017, we successfully achieved an audit report date of September 29, 2017, the earliest ever and within the statutory requirement of October 31, 2017.

We established a desired goal of issuing an opinion on the financial statements of Crown entities three months after the entities' year-ends. Our focus moving forward will be to continue efforts, in consultation with clients, to further identify possible efficiencies including procedures, processes and the use of technology to improve the timeliness of our audits.

Objective: By March 31, 2019, the Office of the Auditor General will have implemented new/revised audit processes for improving the timelines for completing audits.

Indicators: Reviewed actual results against planned audit timelines to identify reasons for variances

Implemented options for the next audit cycle to mitigate above identified variances

Identified opportunities to improve the use of technology, including data analytics in financial audits

Strategic 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 that are integrated with an ongoing professional development program, support and encourage staff to succeed and reinforce the importance of quality work and compliance with professional standards and our Office's values.

The Office has identified the need to develop 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.

2017-20 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.

2017-18 Objective:

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.

Report on the Business Plan

2017-18 Indicators	2017-18 Accomplishments
Implementation of an employee performance management program for Audit Managers and Auditors in charge	During 2017-18, the Office consulted with other legislative audit offices on performance management processes. In the Fall of 2017, the Office finalized forms to be used in completing performance evaluations for both Audit Managers and Auditors in Charge for financial audits. However, since most of the statement audits were already completed by that time, implementation of the form was delayed until the new audit cycle commenced in May 2018.
Reviewed best practices to determine typical components and processes of employee performance management programs for assistant auditors	During 2017-18, the Office consulted with other legislative audit offices on performance management processes which would include assistant auditors. Based on this consultation, in the Winter of 2018, we developed a draft performance evaluation form for financial audits for assistant auditors.
Consulted with assistant auditors to identify current challenges and options for overcoming these challenges	The initial plan was to use feedback from implementation of performance evaluation forms for the Audit Managers and Auditors in Charge in the development of draft forms for consultation with assistant auditors. Due the delayed implementation of evaluation forms for the Audit Managers and Auditors in Charge, it was decided to proceed with draft performance evaluation forms for assistant auditors at the same time. It was felt that this would allow for a more productive consultation with assistant auditors in finalizing the Office's performance management processes.
Identified management and assistant auditors' expectations of a performance management program	Due to the delayed implementation of performance evaluation forms, work in this area did not commence as planned in 2017-18.

Discussion of Overall Results

During 2017-18, while some progress was made on this objective, the Office had less resources available to devote to addressing this strategic initiative than originally planned. This was mainly due to priority focus on several special performance audit assignments. In addition, during 2017-18, through collaborative efforts of legislative offices in Canada, the Canadian Council of Legislative Auditors finalized a competency framework in the areas of financial statement audits, performance audits, foundational skills and information technology. This now presents the opportunity to continue our work in this area while integrating key components of our performance management processes with this new competency framework.

During 2017-18, the Office consulted with other legislative audit offices on performance management processes. In the Fall of 2017, we finalized forms to be used in completing performance evaluations for financial statement audits. However, since most of the financial statement audits were already completed by that time, implementation of the form was delayed until the new audit cycle commenced in May 2018.

Objective: By March 31, 2019, the Office of the Auditor General will have developed an employee performance management program for assistant auditors.

Indicators: Consulted with employees on initial implementation of performance evaluation forms for legislative audits

Reviewed performance evaluation forms in consideration of the recently developed competency framework for legislative auditors by the Canadian Council of Legislative Auditors

Developed revised performance evaluation forms, including for assistant auditors, based on consultation with employees and the recently developed competency framework for legislative auditors

Opportunities and Challenges

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

Amendments Required to the Auditor General Act

A key priority for our Office continues to be advancing required amendments to the **Auditor General Act** (the **Act**). The current **Act** was assented to in October 1991. Since that time, many changes have occurred in both the Office and the legislative auditing community generally. Several amendments to the **Act** are required to modernize and align our Act with best practices embodied in legislation of other Auditors General throughout Canada. These amendments will ensure that our governing legislation allows the Office to serve the members of the House of Assembly in the most effective manner possible. During 2017-18 significant effort was spent working with Government to advance these amendments as Bill 1 during the Legislative session. While the Bill did not proceed in 2017-18, our Office remains committed to working with Government to advance these required amendments in the next legislative session.

Office Resource Management

Our Office and the Government and its Crown agencies have a desire to improve accountability by publicly releasing audited financial statements as soon as possible after the fiscal year end. However, the Office will continue to be challenged in 2018-19, and beyond, to match available resources within desired timelines to complete audits. While

our line of business of auditing financial statements requires approximately 50 per cent of our overall resources, the performance of this work is concentrated during the period May to August due to the fact that the Province and most Crown agencies having a March 31 year end.

Further, amendments to the **Financial Administration Act** in March 2017 require the Province's financial statements (the Public Accounts) to be submitted to the House of Assembly earlier, resulting in a shorter time period to complete the audit of the Public Accounts. Previously, the Public Accounts were required to be submitted by January 31 in the following fiscal year. The recent 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 the general election.

The Office will continue to explore alternatives to improve the timeliness of completion of these audits.

Selection of Performance Audits

Conducting relevant performance audits 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, 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 continue to be a priority and 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 ensuring that all staff are equipped with the proper skills and knowledge to complete assigned work. The Office will continue to look for opportunities to provide the required training through collaborating with other legislative audit offices, Government and our professional accounting body. The Office is presently collaborating with other legislative audit offices to develop a methodology to identify the appropriate training needs related to financial audits, performance audits, foundational skills, and information technology.

Peer Review

To ensure the Office's work is of the highest quality and 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. These reviews by our peers provide the Office the opportunity to continually review and improve our audit processes.

Audited Financial Statements

This section includes the audited financial statements of the Office for the year ended March 31, 2018.



Financial Information

Office of the Auditor General

Province of Newfoundland and Labrador

March 31, 2018

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Independent auditors' report

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

At the request of the Clerk of the House of Assembly, and in accordance with Section 32 of *The Auditor General Act*, we have audited the supplementary financial information of the Office of the Auditor General, Province of Newfoundland and Labrador as at March 31, 2018, the schedule of expenditures and the schedule of gross expenditures and unexpended balances, for the year then ended.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on this financial information based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information 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 entity's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2018, and the results of its operations for the year then ended in accordance with policies disclosed in Note 2.

Other matters

This financial information, which has not been, and was not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of the House of Assembly Management Commission to comply with the Act. This information is not intended to be used for any other purpose.

Grant Thornton LLP

St. John's, Canada

July 25, 2018

Chartered Professional Accountants

Report on the Business Plan

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

Year Ended March 31	2018	2017
Assets		
Current		
Accountable advance	\$ 661	\$ 700
Prepays	<u>19,797</u>	<u>16,584</u>
	<u>\$ 20,458</u>	<u>\$ 17,284</u>
Liabilities		
Current		
Accrued paid/annual leave	\$ 873,359	\$ 896,613
Accrued payroll	89,309	86,859
Accrued overtime	7,046	-
Accrued sick leave	32,369	-
Accrued severance pay	<u>568,882</u>	<u>427,659</u>
	<u>\$ 1,570,965</u>	<u>\$ 1,411,131</u>

Basis of accounting (Note 2)

 Auditor General

See accompanying notes to the financial information.

Report on the Business Plan

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

(Note 5)

Year Ended March 31	2018	2018	2017
	<u>Actual</u>	<u>Original Budget</u>	<u>Actual</u>
Total Expenditures			
Salaries	\$ 3,276,365	\$ 3,234,800	\$ 3,041,049
Employee benefits	93,949	94,800	77,162
Transportation and communications	75,479	112,200	60,735
Supplies	46,800	64,400	36,398
Professional services	169,486	99,000	322,684
Purchased services	255,472	266,800	247,861
Property, furnishings and equipment	9,233	21,100	2,702
Net expenditures	<u>\$ 3,926,784</u>	<u>\$ 3,893,100</u>	<u>\$ 3,788,591</u>

Basis of accounting (Note 2)

See accompanying notes to the financial information.

Report on the Business Plan

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

Year Ended March 31	2018	2017
Original budget estimates (net)	\$ 3,893,100	\$ 3,893,100
Less: estimated statutory payments	<u>(178,300)</u>	<u>(178,300)</u>
Total appropriation	<u>3,714,800</u>	<u>3,714,800</u>
Total net expenditure	3,926,784	3,788,591
Less: statutory payments	<u>(474,622)</u>	<u>(185,121)</u>
Total gross expenditure (budgetary, non-statutory)	<u>3,452,162</u>	<u>3,603,470</u>
Unexpended balance of appropriation	<u>\$ 262,638</u>	<u>\$ 111,330</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, 2018

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.

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Financial Information
March 31, 2018

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

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.

Severance pay

Up to and including the fiscal 2018 year end, 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 is no further accumulation of severance for unionized employees. Unionized employees with one or more years of continuous service, to a maximum of 20 years, are entitled to severance pay and may decide the manner and timing in which it is paid out. Severance for unionized employees is calculated based upon years of service and current salary levels as at March 31, 2018.

Effective June 1, 2018, there is 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, are entitled to severance pay and may decide the manner and timing in which it is paid out. The additional liability related to this policy change has been reflected in the March 31, 2018 financial statements. Severance for non-unionized employees and management is calculated based upon years of service and current salary levels as at March 31, 2018.

Sick leave

Sick leave is accounted for on an accrual basis and is estimated based on the average utilization rate from the past three years.

Income taxes

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

3. Commitments

The Office is committed to annual rental and equipment lease payments for the next four years as follows: 2019 - \$207,663; 2020 - \$173,672; 2021 - \$3,714; and 2022 - \$1,548.

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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, 1991*, 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.

5. Comparative figures

Certain of the comparatives have been reclassified to conform to the financial presentation adopted in the current year.

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

Business Investment Corporation
C.A. Pippy Park Commission
C.A. Pippy Park Golf Course Limited
Heritage Foundation of Newfoundland and Labrador
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 Municipal Financing Corporation
Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
Provincial Information and Library Resources Board
Research & Development Corporation of Newfoundland and Labrador
Student Loan Corporation of Newfoundland and Labrador
The Rooms Corporation of Newfoundland and Labrador

Other

Director of Support Enforcement
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

Report on the Business Plan

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 Liquor Corporation
Newfoundland and Labrador Sports Centre Inc.
Newfoundland Hardwoods Limited
Newfoundland Ocean Enterprises Limited
Western Regional Health Authority
Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador

Report on the Business Plan

