



OFFICE OF THE AUDITOR GENERAL



Report to the House of Assembly on the Business Plan

**For the Year Ended
March 31, 2019**

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 2019

Speaker
House of Assembly

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, 2019.

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, 2019, and is the second 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 2018-19: 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 and 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.

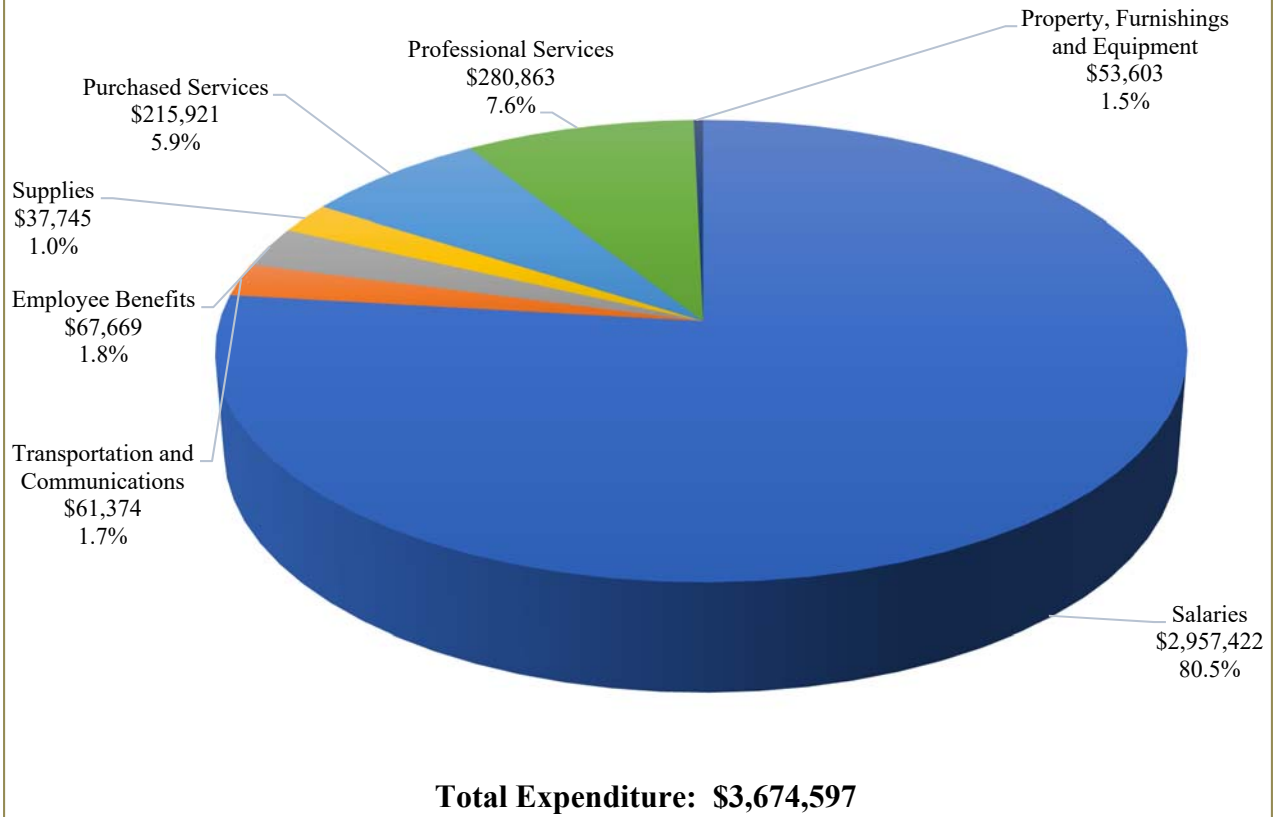
Integrity

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, 2019, the Office employed 38 staff (17 male, 21 female). The Office incurred gross expenditures of \$3,674,597 for the year ended March 31, 2019. Approximately 86 per cent of the gross expenditures relates to salaries and office accommodations. The balance of expenditure relates to the regular functioning of the Office and includes staff training and professional development and travel.

**Gross Expenditures of the Office of the Auditor General
For the Fiscal Year Ended March 31, 2019**



Highlights and Accomplishments

During 2018-19, the Office issued four reports:

- A report on the **Management of Firearms and Ammunition at the Department of Fisheries and Land Resources – Wildlife Division** was submitted to the Lieutenant-Governor in Council under Section 16.(1) of the Auditor General Act and released publicly on April 5, 2018 [<https://www.ag.gov.nl.ca/ag/2018.htm>]. The report included six recommendations to the Department to improve internal controls to safeguard firearms and ammunition at the Wildlife Division.
- A report on the **Management of the Procurement of Goods and Services at the Newfoundland and Labrador English School District** was submitted to the Lieutenant-Governor in Council under Section 16.(1) of the Auditor General Act and released publicly on September 12, 2018 [<https://www.ag.gov.nl.ca/ag/2018.htm>]. The report included two comprehensive recommendations to the District's Board of Trustees and senior management regarding ethical organizational behaviour and effective oversight on the development and performance of internal controls.
- A report to the House of Assembly on our **Update on Recommendations from the December 2014 and June 2015 Reports** was submitted to the Speaker of the House of Assembly and released publicly on December 14, 2018 [<https://www.ag.gov.nl.ca/ag/2018.htm>]. The report included an update on the status of the implementation of the 131 recommendations from the December 2014 and June 2015 Reports that included 17 organizations.
- The Office completed the audit of the Consolidated Summary Financial Statements of the Province (commonly referred to as the Public Accounts) for the year ended March 31, 2018. The Public Accounts provide the most complete information about the financial position and operating results of the Province. They are an important document, which serve as the principal means by which Government reports to the House of Assembly and to all Newfoundlanders and Labradorians on its accountability and stewardship of public funds. In addition to the Public Accounts, the Office completed the financial statement audit of 29 Government entities.

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 December 14, 2018 [<https://www.ag.gov.nl.ca/ag/2018.htm>]. The Report expanded on information contained in the Public Accounts and provided information on key indicators regarding the state of Government's finances, highlighted a number of key risks to Government's fiscal outlook and commitment to return to surplus in 2022-23 and included observations on other matters that came to our attention during our audit of the Public Accounts.

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.

2018-19 Objective:

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

2018-19 Indicators	2018-19 Accomplishments
Completed assessment and recommendation of social media communication methods to be implemented	The Office conducted an updated survey of all legislative audit offices in Canada to identify what social media platforms were in use. The results were reviewed and it was decided to focus efforts on increasing our presence on twitter.
Reviewed existing communication materials such as reports, presentations and website to identify areas to improve communication of audit results	<p>A review of the Office’s reports, report templates, presentations and website was completed. The Office also reviewed similar communication products of other legislative audit offices. As a result of this review, the following opportunities were identified:</p> <ul style="list-style-type: none"> • Increase awareness of who we are and the results of our work through completion of a brand audit and development of brand concepts and identity as the first step in this process. • Modernize the Office’s website to improve usability and access to our reports for all of our stakeholders, including Members of the House of Assembly, Government departments and entities and the public. It also includes exploring feasibility of developing the ability for the public to contact the Office on-line regarding audit requests or sharing of information.

Report on the Business Plan

2018-19 Indicators	2018-19 Accomplishments
	<ul style="list-style-type: none"> • Implement, as part of our report template for performance audits, a one-page summary of the audit to improve communication of the key audit findings and recommendations. • Incorporate Government’s Guidelines for Accessible Communications in reports and website development to advance the inclusion of persons with disabilities.
Developed plan and commenced implementation of initiatives to improve communication of audit results	<p>The Office developed a plan and commenced implementation of the initiatives related to the opportunities identified above, with the objective of full implementation in 2019/20.</p> <p>A marketing and communications agency was engaged to complete a brand audit and to develop brand concepts and identity for the Office. This also included development of a modernized website design.</p> <p>Obtained Government’s Guidelines for Accessible Communications to increase awareness in our Office of these Guidelines and commenced incorporation of this guidance into reports and report templates.</p>

Discussion of Overall Results

During 2018-19, the Office continued to advance work on implementing measures to improve the communication of audit results. While continuing to focus on opportunities to increase our twitter presence, we also reviewed the Office’s reports, report templates, presentations and website. This review highlighted a number of opportunities to enhance communication of the results of our work including refreshing our brand and communication materials and modernizing our website. As a result, the Office engaged a marketing and communications firm to complete a brand audit and development of brand concepts and identity. We look forward to launching our new brand and website in the upcoming year.

A review of reports and discussion with some other legislative offices across Canada also identified a further opportunity to improve communication of audit results - development of a one-page summary template for performance audits that highlights the key findings and recommendations of the audit. We also obtained Government’s Guidelines for Accessible Communications to increase awareness of these Guidelines in our Office and commenced incorporation of this guidance into reports and report templates.

Report on the Business Plan

Objective: By March 31, 2020, the Office of the Auditor General will have implemented selected methods for improving the communication of audit results.

Indicators: Launch a modernized brand of our Office to increase awareness of who we are and the results of our work

Incorporate our new brand concepts into our communication materials, including reports, presentations, and website

Modernize and redesign our website

Develop and implement a template for a one-page summary for performance audits to highlight key audit findings and recommendations

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 timely accountability regarding the financial performance of the government entity is more difficult to achieve.

2017-20 Goal:

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

2018-19 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.

2018-19 Indicators	2018-19 Accomplishments
Reviewed actual results against planned audit timelines to identify reasons for variances	<p>Audit plans were completed and reviewed with each audit entity, which included planned audit timelines. While all financial audits of Government entities were completed within client required timeframes and statutory requirements, in several cases, the audit was not completed within the timelines outlined in the audit plan.</p> <p>Actual audit timelines to complete each audit were compared against planned timelines and reasons for any variances were assessed.</p>

Report on the Business Plan

2018-19 Indicators	2018-19 Accomplishments
	<p>The audit report date of the Consolidated Summary Financial Statements of the Province was October 4, 2018, which was in accordance with the requirements of the Office of the Comptroller General and within the statutory requirement of October 31, 2018.</p>
<p>Implemented options for the next audit cycle to mitigate above identified variances</p>	<p>In addition to assessing variances of actual time against planned time to complete each audit, during the year, the Office completed a review of select key aspects of our audit approach and methodology. This was supplemented by engaging an external consultant to complete an independent review of our audit approach for select audits to identify opportunities to improve the efficiency of our audits.</p> <p>These reviews identified a number of opportunities to improve efficiencies. Details of these opportunities and an action plan to implement changes for the next audit cycle were presented to all audit staff.</p>
<p>Identified opportunities to improve the use of technology, including data analytics in financial audits</p>	<p>During the year, we reviewed our audit approach for each of our financial statement audits to determine whether there were opportunities to improve the use of technology, in particular the use of data analytics.</p> <p>Initial opportunities to improve the use of technology were identified, specifically data analytics, in certain financial statement audits. The Office intends to investigate these opportunities further in future audit cycles.</p> <p>The Office also monitors ongoing developments regarding the use of technology in audits through our participation in various activities of the Canadian Council of Legislative Auditors.</p> <p>In addition, to increase awareness of opportunities in the use of data analytics, the Office arranged a presentation for a number of senior audit staff from a company knowledgeable about data analytics software.</p>

Discussion of Overall Results

The Office remains committed to improving the timeliness of our financial audits to enhance the relevance of the information for users. During 2018-19, the Office completed audits and provided audit opinions on 29 audits of Government entities as well as the audit of the Consolidated Summary Financial Statements of the Province for the year ended March 31, 2018. While these audits were completed within client required timeframes and statutory requirements, there is still room to improve timelines on some of the audits.

Reasons for variances of actual time against planned time to complete each audit were assessed. Variances were attributed to a number of factors including availability of staff resources and allowance for training of new staff on our audit processes. In addition, during the current year, there were changes to our audit methodology and new accounting standards that required additional time to implement. Client readiness for audit also continues to impact the completion of certain audits within the timelines outlined in audit plans.

The Office also initiated reviews to proactively identify opportunities to improve audit efficiency through both an internal review and an external independent review of our audit approach and methodology. Results of these reviews and an action plan to implement changes for the next audit cycle were presented to all audit staff. In addition, the Office further explored opportunities to improve audit efficiency by using data analytics.

We continued to work with the Comptroller General's Office to identify opportunities to improve the audit report date for the Province's Consolidated Summary Financial Statements. While some such opportunities continue to be identified and implemented, the key opportunity to improve completion of more timely financial statements requires legislative amendments to the Financial Administration Act. Currently, the books of the Province are kept open for an additional month which delays the ability of the Comptroller General's Office to commence preparation of the financial statements. For the year ended March 31, 2018, the audit report date for these statements was October 4, 2018, which was in accordance with the requirements of the Office of the Comptroller General and within the statutory requirement of October 31, 2018.

For Crown entities, our Office established a desired goal of issuing an opinion on the financial statements three months after the entities' year-ends. Our focus moving forward will be to continue efforts, in consultation with clients, to implement the opportunities that have been identified to improve audit efficiency and to further identify possible efficiencies to improve the timeliness of our audits.

Objective: By March 31, 2020, the Office of the Auditor General will have implemented new/revised audit processes to improve the timeliness in completing its audits.

Indicators: Implement changes to the Office's audit approach and methodology identified through the reviews to improve our efficiency in conducting audits

Implement interim work on audits where feasible to improve the timeliness of completion of the year-end audits

Assess whether the changes to audit approach and methodology have had the intended impact of improving the efficiency and timeliness of our 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.

2018-19 Objective:

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

Report on the Business Plan

2018-19 Indicators	2018-19 Accomplishments
<p>Consulted with employees on initial implementation of performance evaluation forms for legislative audits</p>	<p>Consultations with employees on pilot performance evaluation forms were completed. These employee consultations, in conjunction with additional research in this area, identified performance evaluation best practices that can be implemented to engage and support employees to meet high standards of quality work, comply with professional standards and uphold office values.</p>
<p>Reviewed performance evaluation forms in consideration of the recently developed competency framework for legislative auditors by the Canadian Council of Legislative Auditors</p>	<p>Performance evaluation forms were assessed in consideration of the recently developed competency framework for legislative auditors by the Canadian Council of Legislative Auditors. Opportunities to improve overall alignment between the Office's evaluation forms and this competency framework were identified. Further work in this area is planned for 2019/20 and will be expanded to include all employees and work related to the delivery of the Office's mandate.</p>
<p>Developed revised performance evaluation forms, including for assistant auditors, based on consultation with employees and the recently developed competency framework for legislative auditors</p>	<p>As a result of the consultation process, competency framework and best practice reviews, a broader employee performance engagement framework was developed that strengthens human resource practices to maximize employee contributions and engagement. This framework includes employee performance evaluation processes/forms supported by formal and informal communication practices that effectively identify ongoing professional development opportunities to build employee strengths, develop areas for improvement and recognize their achievements. Implementation of the framework will be a focus for 2019/20.</p>

Discussion of Overall Results

During 2018-19, the Office completed a review of best practices in performance management, consulted with employees on performance evaluation forms being piloted and assessed these forms in consideration of the recently developed competency framework for legislative auditors by the Canadian Council of Legislative Auditors. The results of this work emphasized the need for a broader performance management process to support the learning and development of all employees. Consultation with employees also identified the importance of effective internal communication throughout this process.

Building on existing employee performance management achievements, a broader employee performance engagement framework was introduced to employees. This comprehensive framework will take a number of years to implement and addresses all aspects of employee engagement, from orientation and onboarding of new employees, on-going performance management and learning and development for all employees and feedback from employees leaving the organization for other opportunities.

Objective: By March 31, 2020, the Office of the Auditor General will have implemented an employee performance management program for all employees.

Indicators: Implementation of a performance management process for all staff

Education and support provided to build competency in performance management and employee engagement

Employee feedback processes integrated throughout the implementation/pilot phase of the performance evaluation process to determine its overall effectiveness and to inform continuous improvement processes

Opportunities and Challenges

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

Amendments Required to the Auditor General Act

A key priority for the 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, including providing our Office with access to Cabinet records. These amendments will ensure that our governing legislation allows the Office to serve the members of the House of Assembly, and in turn the public, 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, the Office remains committed to working with Government to advance these required amendments in the next legislative session.

Office Resource Management

The Office, 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 2019-20, and beyond, to match available resources within desired timelines to complete audits. While our line of business of auditing financial statements requires more than 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 have 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 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 pursue opportunities to improve the efficiency of our audits, including increasing interim work for our financial statement audits, with an overall goal to improve the efficiency and timeliness of completion of 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 supporting all staff to ensure they are equipped with the proper skills and knowledge to meet high standards of quality work, comply with professional standards and uphold office values. The Office will continue to look for opportunities to provide the required training and development through collaborating with other legislative audit offices, Government and our professional accounting body. The Office looks forward to continued implementation of its performance engagement framework that will support on-going and relevant professional development.

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, 2019.



Financial Information

Office of the Auditor General

Province of Newfoundland and Labrador

March 31, 2019

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Independent auditors' report

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

Opinion

We have audited the supplementary financial information of the Office of the Auditor General, Province of Newfoundland and Labrador ("the Office") as at March 31, 2019, which comprises the schedule of expenditures and schedule of gross expenditures for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2019, and its results of operations for the year then ended in accordance with policies disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial information section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial information, which describes the basis of accounting. The financial information is prepared to assist the Office of the Auditor General and the House of Assembly Management Commission, Province of Newfoundland and Labrador to meet the requirements of Section 32 of the Auditor General Act. As a result, the financial information may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the House of Assembly Management Commission and the Office of the Auditor General, Province of Newfoundland and Labrador and should not be used by parties other than the members of the House of Assembly Management Commission and management of the Office of the Auditor General, Province of Newfoundland and Labrador.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial information, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. John's, Canada
July 4, 2019

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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	2019	2018
Assets		
Current		
Accountable advance	\$ 661	\$ 661
Prepays	<u>16,044</u>	<u>19,797</u>
	<u>\$ 16,705</u>	<u>\$ 20,458</u>
Liabilities		
Current		
Vouchers payable	\$ 1,187	\$ -
Accrued paid/annual leave	786,331	873,359
Accrued payroll	80,356	89,309
Accrued overtime	12,016	7,046
Accrued sick leave	33,501	32,369
Accrued severance pay	<u>156,157</u>	<u>568,882</u>
	<u>\$ 1,069,548</u>	<u>\$ 1,570,965</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

Year Ended March 31	2019	2019	2018
	<u>Actual</u>	<u>Original Budget</u>	<u>Actual</u>
Total Expenditures			
Salaries	\$ 2,957,422	\$ 3,234,800	\$ 3,276,365
Employee benefits	67,669	94,800	93,949
Transportation and communications	61,374	80,000	75,479
Supplies	37,745	55,000	46,800
Professional services	280,863	99,000	169,486
Purchased services	215,921	250,000	255,472
Property, furnishings and equipment	53,603	21,100	9,233
Net expenditures	<u>\$ 3,674,597</u>	<u>\$ 3,834,700</u>	<u>\$ 3,926,784</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	2019	2018
Original budget estimates (net)	\$ 3,834,700	\$ 3,893,100
Less: estimated statutory payments	<u>(183,200)</u>	<u>(178,300)</u>
Total appropriation	<u>3,651,500</u>	<u>3,714,800</u>
Total net expenditure	3,674,597	3,926,784
Less: statutory payments	<u>(183,209)</u>	<u>(474,622)</u>
Total gross expenditure (budgetary, non-statutory)	<u>3,491,388</u>	<u>3,452,162</u>
Unexpended balance of appropriation	<u>\$ 160,112</u>	<u>\$ 262,638</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, 2019

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.

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.

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Financial Information
March 31, 2019

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

Severance pay

Effective March 31, 2018 for unionized employees and May 31, 2018 for executives, managers, and other non-bargaining employees there would be a plan settlement of severance benefits. As part of this plan settlement, employees with at least one year of eligible service were to receive a lump sum payout of their accrued severance benefit based on pay and service as at March 31, 2018 for unionized employees and May 31, 2018 for executives, managers and other non-bargaining employees. Individuals have either taken payment by March 31, 2019 or have elected to defer payment for a short period, but no further changes in the amount payable will occur.

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 three years as follows: 2020 - \$196,074; 2021 - \$3,714; and 2022 - \$1,548.

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.

Report on the Business Plan

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
Innovation and Business Investment Corporation
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 Liquor Corporation
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

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

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