

REPORT TO THE HOUSE OF ASSEMBLY

On the Business Plan

For the Year Ended March 31, 2020



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

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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OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

December 2020

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, 2020.

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, 2020, and is the third and final 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 2019-20: 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,

SANDRA RUSSELL, CPA, CA
Auditor General (A)

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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

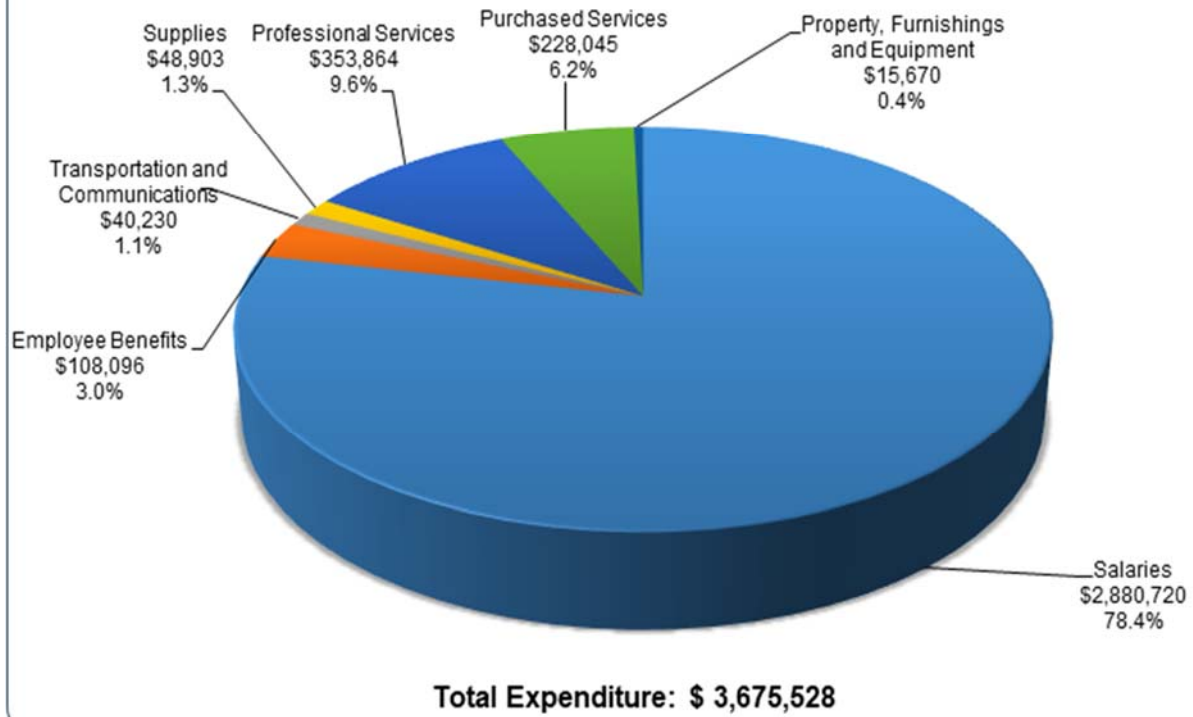
The Office of the Auditor General holds integrity as a priority value. This is demonstrated through an uncompromising and predictably consistent commitment to rigorous professional standards. Integrity is also demonstrated through consistency in action and application of moral and ethical principles. 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, 2020 the Office employed 37 staff (17 male, 20 female). The Office incurred gross expenditures of \$3,675,528 for the year ended March 31, 2020. Approximately 84 per cent of the gross expenditures relates to salaries and office accommodations (office accommodations is included in Purchased Services). 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, 2020



Highlights and Accomplishments

During 2019-20, the Office issued five reports:

- The Auditors General of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador released the results of their **Joint Follow-up of Recommendations to the Atlantic Lottery Corporation** which was submitted to the Speaker of the House of Assembly and released publicly on June 19, 2019 [<https://www.ag.gov.nl.ca/ag/2019.htm>]. The joint report included the status of the implementation of the 25 recommendations made in their 2016 joint report on the Atlantic Lottery Corporation.
- 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 27, 2019 [<https://www.ag.gov.nl.ca/ag/2019.htm>]. The report included three separate performance audits completed by the Office during the year.
- A report to the House of Assembly on our **Update on Recommendations from the November 2016 Report** was submitted to the Speaker of the House of Assembly and released publicly on December 19, 2019 [<https://www.ag.gov.nl.ca/ag/2019.htm>]. The report included an update on the status of the implementation of the 96 recommendations from the November 2016 Report that included 13 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, 2019. 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 19, 2019 [<https://www.ag.gov.nl.ca/ag/2019.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 budget targets to 2022-23 and included observations on other matters that came to our attention during our audit of the Public Accounts.



- A report to the House of Assembly on the **Newfoundland and Labrador Liquor Corporation** was submitted to the Speaker of the House of Assembly and released publicly on February 13, 2020 [<https://www.ag.gov.nl.ca/ag/2020.htm>]. The report highlighted concerns around the lack of transparency in the acquisition of specialty wines for the Corporation's Bordeaux Futures program during the fiscal years 2007 to 2018.

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.

Update on Overall Progress for the 2017-20 Business Plan Period

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.

2017-20 Indicators	2017-20 Accomplishments
Prepared audit reports and management letters that are clear, concise and informative	<p>The Office completed a branding initiative and launched a new brand with modern colours, a new logo and new templates that present the results of our work in a clear and concise manner, making it more informative for our stakeholders. All Office templates for reports, letters, and presentations were updated to incorporate our new brand.</p> <p>All communication documents were also updated to follow the Government's Guidelines for Accessible Communication.</p>
Staff trained, as required, in report writing skills	<p>All senior staff who required a Report Writing course received one from an external consultant in December 2018.</p> <p>The Report template used by the Office reflects the elements of this Report Writing course. This fundamental training has reduced the number of edits required to our draft reports and increased the readability and conciseness of our final reports.</p>
Increased use of alternative communication methods, such as social media, for communicating our audit results	The Office conducted a 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.

Update on Progress for the year ended March 31, 2020

2019-20 Objective:

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

2019-20 Indicators	2019-20 Accomplishments
<p>Launch a modernized brand of our Office to increase awareness of who we are and the results of our work</p>	<p>The Office completed our work with a marketing and communications firm to develop brand concepts and identity. During 2019-20, we launched our new brand with modern colours, a new logo and new templates to use in communicating the results of our work.</p>
<p>Incorporate our new brand concepts into our communication materials, including reports, presentations, and website</p>	<p>All communication materials including reports, presentations, and letterhead were revised to incorporate our new logo and colours.</p> <p>A redesign was completed of our website launch page which will improve usability and access to our reports by our stakeholders including members of the House of Assembly, Government departments, and entities and members of the public. Due to scheduling issues involving the required technical support, the website has not yet been updated to reflect these changes. Technical support is also required to implement a communication tool that would allow the public to share information/concerns with the Office electronically.</p>
<p>Modernize and redesign our website</p>	<p>The launch page for the Office website has been redesigned to reflect a more modern and user friendly design which should also allow for the site to be more accessible to people with disabilities.</p> <p>Implementation will occur when the required technical support becomes available.</p>
<p>Develop and implement a template for a one-page summary for performance audits to highlight key audit findings and recommendations</p>	<p>A template for a one-page summary for performance audits was designed and implemented. This summary highlights key audit findings and recommendations and provides a more concise way to communicate our audit results with our stakeholders.</p>

Discussion of Overall Results

During 2019-20, the Office completed several essential projects to improve the communication of our audit results and contribute to achieving our 2017-20 goal of implementing various methods for improving the communication of audit results to our primary clients. The marketing and communication firm engaged by the Office completed the development of a new brand identity. Templates used in communicating audit results (e.g. reports, letters and presentations) were updated to reflect our new Office logo and identity. These templates were also adapted to include the recommendations in Governments Guidelines for Accessible Communication.

Our website was reviewed and the launch page was redesigned to reflect a more modern design that is more accessible and appealing to our stakeholders. Implementation will occur when the technical support becomes available.

Senior staff have received training to strengthen their report writing skills including an emphasis on conciseness and readability. The report templates were modified to support this writing style. In addition, the Office introduced a one-page summary template to highlight key audit findings and recommendations. These changes are intended to make our audit results more accessible and appealing to our stakeholders.

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 over time as the information becomes less relevant making timely accountability regarding the financial performance of the government entity more difficult to achieve.

Update on Overall Progress for the 2017-20 Business Plan Period

2017-20 Goal:

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

2017-20 Indicators	2017-20 Accomplishments
Improved timelines for completing audits in accordance with established priorities and statutory deadlines	The Office engaged an external consultant to complete an independent review of our attest audit approach for select audits to identify opportunities to improve the efficiency of our audits. This review identified several opportunities to improve efficiencies. Details of these opportunities and an action plan to implement changes were presented to all audit

2017-20 Indicators	2017-20 Accomplishments
	<p>staff. These changes were introduced during the next audit cycle.</p> <p>After each audit cycle, the Office now assesses actual time against planned time for each audit to identify reasons for audits not completed within budget. What is learned from this process is incorporated into the next year's audit process.</p> <p>These assessments have found that following the efficiency recommendations has reduced time for several of our attest audits. Statutory deadlines are always met and timelines for some audits have improved.</p>
<p>Staff trained in new/revised audit methodologies</p>	<p>Staff received training in Accounting and Assurance Standards and Data Analytics during the past three years. Staff also received individualized training in specific accounting and audit areas through attendance at symposia and specific courses. This training strengthened staff knowledge and better enabled them to perform assigned audits using our established audit methodology.</p>
<p>Effectiveness of new/revised audit processes evaluated</p>	<p>New processes, including more efficient audit procedures and completing interim work where appropriate, have improved some audit timelines and budgets. After each annual audit cycle, an evaluation was completed and all variances were investigated to determine the root cause as to why the audit was not completed as planned. Lessons learned were incorporated into the planning for the next audit cycle and shared with staff.</p>

Update on Progress for the year ended March 31, 2020

2019-20 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.



2019-20 Indicators	2019-20 Accomplishments
Implement changes to the Office's audit approach and methodology identified through the reviews to improve our efficiency in conducting audits	During the year, the Office implemented changes to our overall audit approach and methodology to improve our efficiency in conducting audits. The Office identified these changes through reviews that were completed of select audits during 2018-19.
Implement interim work on audits where feasible to improve the timeliness of completion of the year-end audits	During the year, the Office completed interim audit procedures on select audits. As a result of the interim work completed, audits were finalized earlier than the previous year.
Assess whether the changes to audit approach and methodology have had the intended impact of improving the efficiency and timeliness of our audits	<p>The Office completed an assessment of impact of the changes in audit approach and methodology on efficiency and timeliness of our audits.</p> <p>We found an improvement in efficiency and timeliness for about half of our audits. Efficiency challenges were connected to change management and/or entity related issues. Timeliness challenges also existed and were related to staffing issues within the Office and/or entity related issues.</p> <p>In future periods, the Office will continue to review our audit approach on each financial statement attest audit to identify opportunities to improve efficiency and timeliness. The Office will also continue to work with entities to address issues that negatively affect efficiency and timeliness in our audits.</p>

Discussion of Overall Results

During 2019-20, the Office implemented changes to its audit approach and methodology and performed interim work on financial statement attest audits where feasible. The Office assessed the impact of these changes and found that, for many audits, it achieved its 2017-2020 goal of having improved timeliness in completing its audits.

During 2019-20, we found that the timeliness improved on about half of our audits through changes in audit approach and methodology.



During 2019-20, all audits were completed within client required timeframes and statutory requirements. However, we believe there are still opportunities to improve timelines on some of our audits through additional planning to manage internal staffing issues and taking a more proactive approach in addressing entity related issues.

After each audit cycle, the Office assesses actual time and completion date against planned time and completion date for each audit to identify reasons for any variances. We incorporate any opportunities identified for improvement into the audit process for future years.

For Crown entities, the Office established a desired goal of issuing an opinion on the financial statements three months after the entities' year-ends. The Office continues to review our audit approach and methodology to identify opportunities to improve efficiency and timeliness. In particular, we continue to investigate opportunities for training and the use of technology to improve audit efficiency and timeliness. In addition, the Office will continue to work with entities to address issues that negatively affect efficiency and timeliness in our audits.

During 2019-20, 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, 2019, the audit report date for the Consolidated Summary Financial Statements was October 18, 2019, which was in accordance with the requirements of the Office of the Comptroller General and within the statutory requirement of October 31, 2019.

Strategic Issue 3: Employee Performance Management

In order to deliver upon its mandate, the Office of the Auditor General relies upon the performance of a team of professionals. An employee performance management program is crucial in the development and preservation of individual and team competencies. 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 the Office's values.

The Office 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.

Update on Overall Progress for the 2017-20 Business Plan Period

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.

2017-20 Indicators	2017-20 Accomplishments
Improved communication of employee performance expectations and key messages needed for employees to meet those expectations	<p>Performance engagement has been an Office priority during the past three years. A performance management process was introduced for all audit staff which focused on constructive individual discussions regarding performance expectations that informed required competency development. Information discussed was summarized in employee assessments and finalized at the end of each audit. This was supplemented by weekly status meetings to set goals, consider opportunities and identify the challenges to be addressed so that all employees achieve success.</p> <p>Prior to implementing performance management processes, Human Resources met with staff to share information about the benefits of employee engagement, how it is achieved, as well as how it facilitates constructive communication to improve individual and team performance. Employees were provided an opportunity to engage in further discussion regarding these topics and provide feedback. Employee surveys were conducted during the implementation phase and this feedback was considered, and where applicable, incorporated into the performance engagement processes.</p>
Alignment of training needs with skill capacity gaps	Competencies for assessment are reviewed with all audit staff to identify capacity gaps and training needs. This information and process will be beneficial to the development of a formal employee training plan.

Update on Progress for the year ended March 31, 2020

2019-20 Objective:

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



2019-20 Indicators	2019-20 Accomplishments
Implementation of a performance management process for all staff	Performance management processes, which include weekly status updates and periodic written performance evaluations, were implemented for audit staff. These processes connect established competencies, staff performance and opportunities for staff development.
Education and support provided to build competency in performance management and employee engagement	<p>Human Resources worked closely with management and staff to provide continuous guidance and advice to build competence in performance management and employee engagement.</p> <p>Prior to the implementation of performance management processes, presentations were delivered about employee engagement and how it supports constructive communications to improve individual and team performance.</p> <p>During the implementation of the performance management processes, employee surveys were conducted to obtain feedback from staff so that any arising issues could be addressed.</p> <p>Weekly meetings were also scheduled between Human Resources and Audit Managers to address any issues/concerns.</p>
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	In addition to the initial staff consultations noted above, feedback opportunities were provided throughout the implementation of the performance evaluation process through employee surveys and Audit Manager meetings.

Discussion of Overall Results

During 2019-20, the Office completed and introduced templates for performance evaluations for audit staff. At the beginning of each year, employees and their managers meet to identify competencies for development during the year. Staff are then continually assessed and consulted regarding their progress in meeting these competencies. Written performance evaluations are completed at the end of each audit and the final assessment outcomes are then considered to determine if further



competency development is required and if so, brought forward to the next audit. This process includes the identification of training needs to address assessed gaps.

This formal evaluation process relies on previously completed work in identifying competencies for each staff classification. The Office has also continued informal status meetings to allow regular exchange between managers and staff. This process is designed to provide timely feedback to staff and identify any challenges or opportunities such that they can be addressed quickly. Our goal is to support staff in achieving success in the workplace.

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.

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 2020-21, 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. During 2019-20, our Office was not scheduled to have a peer review completed by another legislative audit office. These reviews by our peers provide the Office the opportunity to continually review and improve our audit processes.

External Practice Inspection

During 2019-20, the Office received our scheduled practice inspection from the Association of Chartered Professional Accountants of Newfoundland and Labrador (CPANL). The objective of their practice inspection program is to determine if a member firm has policies, practices and procedures in place that would enable it to provide public accounting services in accordance with the standards of the profession. As part of this process, a Practice Inspector from CPANL visited the Office to review a selection of attest audit files to examine the Office's Quality Control processes and meet with members of senior management of the Office. The results of the practice inspection were reviewed by the Practice Inspection Committee of CPANL who advised that no further action was required with respect to the inspection and recommended that our next inspection be scheduled in the normal three-year inspection cycle. While no further action was required, the Practice Inspector did make some recommendations for improvements to our audit and quality assurance processes. We are in the process of implementing the recommendations of the practice inspection.



COVID-19 Pandemic

The COVID-19 pandemic, declared March 11, 2020, resulted in the Office of the Auditor General closing to the public on March 17, 2020 and most of the staff working from home. While the Office was well positioned to work from home with laptops and VPNs available to all staff, there were still challenges encountered. In particular, the staff could not visit client offices to perform certain audit procedures. As a result, audit evidence was collected through alternative procedures so that the audit could be completed.

Since client staff were also working from home, additional challenges existed in obtaining access to client staff and some audit evidence. In some instances, client staff were assigned other priorities due to the pandemic. This resulted in delays in completing certain audits.

Some of these challenges will continue into 2020-21 and will possibly impact the timing of certain audits.

Audited Financial Statements

This section includes the audited financial statements of the Office for the year ended March 31, 2020.



Financial Information

Office of the Auditor General

Province of Newfoundland and Labrador

March 31, 2020

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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, 2020, which comprises the schedule of expenditures and schedule of gross expenditures and unexpended balances for the year then ended, and notes to the financial information, 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, 2020, 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.



**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
October 8, 2020

Grant Thornton LLP

Chartered Professional Accountants

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

Year Ended March 31	2020	2019
Assets		
Current		
Accounts receivable	\$ 2,175	\$ 661
Prepays	<u>24,731</u>	<u>16,044</u>
	\$ 26,906	\$ 16,705
Liabilities		
Current		
Vouchers payable	\$ -	\$ 1,187
Accrued paid/annual leave	681,379	786,331
Accrued payroll	103,561	80,356
Accrued overtime	5,009	12,016
Accrued sick leave	32,488	33,501
Accrued severance pay	<u>51,040</u>	<u>156,157</u>
	\$ 873,477	\$ 1,069,548

Basis of accounting (Note 2)

Sonja Russell Auditor General (A)

See accompanying notes to the financial information.



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

Year Ended March 31	2020	2020	2019
	<u>Actual</u>	<u>Original Budget</u>	<u>Actual</u>
Total Expenditures			
Salaries	\$ 2,880,720	\$ 3,234,800	\$ 2,957,422
Employee benefits	108,096	94,800	67,669
Transportation and communications	40,230	80,000	61,374
Supplies	48,903	55,000	37,745
Professional services	353,864	99,000	280,863
Purchased services	228,045	225,000	215,921
Property, furnishings and equipment	15,670	21,100	53,603
Net expenditures	<u>\$ 3,675,528</u>	<u>\$ 3,809,700</u>	<u>\$ 3,674,597</u>

Basis of accounting (Note 2)

See accompanying notes to the financial information.



Office of the Auditor General Province of Newfoundland and Labrador Schedule of Gross Expenditures and Unexpended Balances		
Year Ended March 31	2020	2019
Original budget estimates (net)	\$ 3,809,700	\$ 3,834,700
Less: estimated statutory payments	<u>(183,200)</u>	<u>(183,200)</u>
Total appropriation	<u>3,626,500</u>	<u>3,651,500</u>
Total net expenditure	3,675,528	3,674,597
Less: statutory payments	<u>(183,209)</u>	<u>(183,209)</u>
Total gross expenditure (budgetary, non-statutory)	<u>3,492,319</u>	<u>3,491,388</u>
Unexpended balance of appropriation	<u>\$ 134,181</u>	<u>\$ 160,112</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, 2020

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, 2020

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

Severance pay

Up to and including the 2018 fiscal year, 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 was no further accumulation of severance for unionized employees. Unionized employees with one or more years of continuous service, to a maximum of 20 years, were entitled to severance pay and could decide the manner and timing in which it is paid out. Severance for all unionized employees was paid out during the 2019 fiscal year.

Effective June 1, 2019, there was 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, were entitled to severance pay and could decide the manner and timing in which it is paid out. Severance for non-unionized employees and management is calculated based upon years of service and current salary levels as at May 31, 2018. The remaining balance relates to employees who had not elected to have severance paid out up to March 31, 2020.

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 two years as follows: 2021 - \$3,714 and 2022 - \$1,548.

Office of the Auditor General
Province of Newfoundland and Labrador
Notes to the Financial Information
March 31, 2020

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, 2019, 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.

APPENDICES

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



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



