

REPORT OF THE AUDITOR GENERAL

To the House of Assembly



On the Operations of the Office of the Auditor General

For the Year Ended
31 March 2007

Auditor General of Newfoundland and Labrador

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Mission Statement

The Office of the Auditor General serves the House of Assembly by providing independent examinations of Government and its entities.

As legislative auditors, we audit financial statements and other accountability documents, evaluate management practices and control systems, and determine compliance with legislative and other authorities.

Our purpose is to promote accountability and encourage positive change in the stewardship, management and use of public resources.



Office of the Auditor General of Newfoundland and Labrador

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31 March 2008

The Honourable Roger Fitzgerald, M.H.A.
Speaker
House of Assembly

Dear Sir:

In compliance with the *Auditor General Act*, I have the honour to submit herewith, for transmission to the House of Assembly, my Report on the Operations of the Office of the Auditor General for the year ended 31 March 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John L. Noseworthy', written over a white background.

JOHN L. NOSEWORTHY, CA
Auditor General

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**CHAPTER
1
REFLECTIONS OF THE
AUDITOR GENERAL**

Reflections of the Auditor General



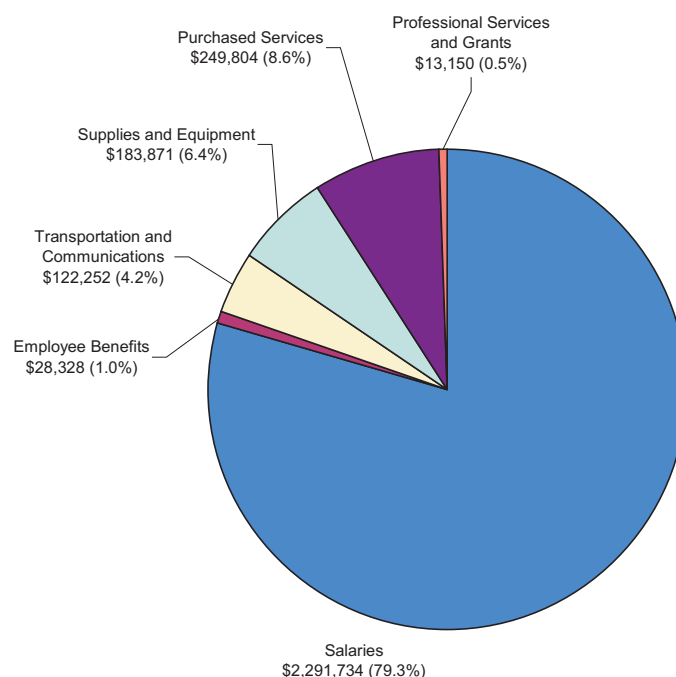
As an Officer of the House of Assembly, the Auditor General provides an independent, unbiased and informed opinion on matters that are considered to be significant to the Members of the House of Assembly. The Office is committed to promoting accountability and encouraging positive change in the stewardship, management and use of public resources. I would welcome feedback from any Member of the House of Assembly that would assist me with this goal.

This Report to the House of Assembly on the operations of the Office of the Auditor General is intended to provide a clear focus on the accountability of my Office. My goal is to provide all Members of the House of Assembly with a full accounting of what happened at the Office during the year - our plan, our budget and the results achieved.

Figure 1 provides details on the \$2.9 million in expenditures incurred by my Office for the year ended 31 March 2007.

Figure 1

Expenditures of the Office of the Auditor General Year Ended 31 March 2007

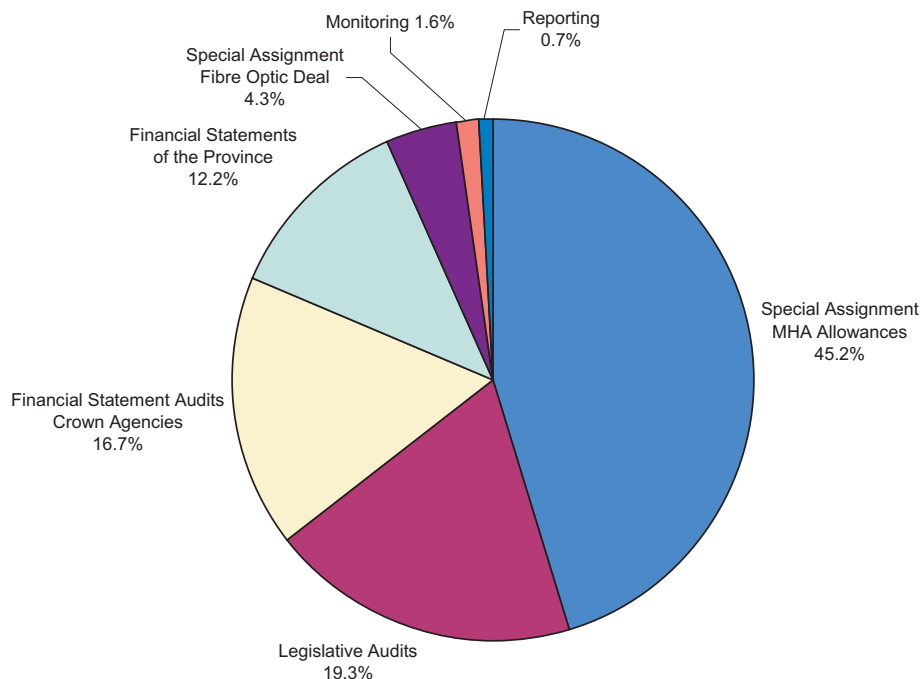


Reflections of the Auditor General

As Figure 1 shows, salaries accounted for almost 80% of total expenditures. Figure 2 provides details on the type of work staff performed during the year on a calendar basis (to coincide with our audit cycle).

Figure 2

Staff Time by Type of Work Year Ended 31 December 2007



In addition to my Reflections as Chapter 1, the Report information is provided in five other Chapters (2 through 6) and Appendices as follows:

Chapter 2

Provides an overview of my Office, its vision, mission, accountability relationships, lines of business, our Office, our location, our key statistics and our involvement with the profession;

Chapter 3

Provides information on the highlights and accomplishments of my Office during the year, including our human resource initiatives and the special reports which we have issued;

Chapter 4

Provides information on the activities of the Office including progress on our strategic directions in the areas of financial statement audits, legislative audits, monitoring Crown agency reports, special assignments and report publishing. Chapter 4 also provides information on the Office's objectives, measures and indicators for the next fiscal year;

Chapter 5

Provides information on the opportunities and challenges ahead for the Office including recruitment and retention, succession planning, advancing technology, changes in how Government operates and in legislation, and amendments required to the *Auditor General Act*; and

Chapter 6

Provides information on the financial operations of the Office including our financial statements which were audited by a private sector auditing firm.

Appendices

The appendices of this report include: the *Auditor General Act*, listings of the departments and Crown agencies audited by the Office, a listing of Crown agencies audited by private sector auditors, and a listing of answers to frequently asked questions about the Office of the Auditor General.

The following are highlights of our work during the past year:

- In July 2006 the Lieutenant-Governor in Council requested that the Office review all constituency allowances paid to Members of the House of Assembly for the fiscal years 1989-90 through to 2005-06. The first part of this review relating to excess constituency allowance claims was completed and the results included in the report, *Reviews of Departments and Crown Agencies for the Year Ended 31 March 2006*, which was presented to the Speaker of the House of Assembly and released publicly on 31 January 2007. The second part of the review relating to the appropriateness of expenditures claimed and adequacy of supporting documentation was completed and the report, *Review of Constituency Allowance Claims from 1989-90 through to 2005-06* was presented to the Speaker and released publicly on 14 September 2007.
- On 22 November 2006 the House of Assembly, by resolution, requested that the Office “investigate all the details and circumstances of the fibre optic deal” announced by Government. That work was completed and the report, *Review of the “Fibre Optic Deal”* was presented to the Speaker and released publicly on 17 September 2007.
- My report to the House of Assembly on *Reviews of Departments and Crown Agencies for the Year Ended 31 March 2007* was submitted to the Speaker and released publicly on 31 January 2008. That report included 18 separate items on projects undertaken by my Office during the year as well as an update on the status of recommendations from prior years' report items.
- The Office performed the financial statement audit of 30 Crown agencies. Issues identified during these audits were reported to management for their consideration. The Office also reviewed available financial statements and management letters for 33 Crown agencies which were audited by private sector auditors during the year. Information relating to these reviews was included in the report, *Reviews of Departments and Crown Agencies for the Year Ended 31 March 2007*, which was submitted to the Speaker and released publicly on 31 January 2008.

Reflections of the Auditor General

- The Office completed the audit of the Public Accounts of the Province for the year ended 31 March 2007. My report on the *Audit of the Financial Statements of the Province of Newfoundland and Labrador* was submitted to the Speaker and released publicly on 24 March 2008. That Report provided information on key indicators of the state of Government's finances and highlighted a number of specific areas including: the financial condition of the Province; addressing current and future surpluses; retirement benefits; reporting under the *Transparency and Accountability Act*; environmental liabilities; periodic financial statements; and accounting for Federal revenues.
- In April 2005 I wrote to the then Speaker of the House of Assembly outlining proposed amendments to the *Auditor General Act* (the *Act*). Although this request has not yet been acted upon, the *Act* may require further changes due to the new *House of Assembly Accountability, Integrity and Administration Act* which outlines a set of procedures on how reports of potential improper retention or misappropriation of public money by a Member, the Clerk, the Clerk Assistant or staff of the House of Assembly Service or the statutory offices, can be communicated. These procedures differ from those required by the *Auditor General Act*.

Highly skilled staff make the work of this Office possible. I thank them for their continued hard work and dedication. I would particularly like to acknowledge the professional work conducted by the teams that worked on the special projects related to constituency allowance claims and the fibre optic deal.



JOHN L. NOSEWORTHY, CA
Auditor General

CHAPTER
2
OVERVIEW OF THE
OFFICE OF THE AUDITOR GENERAL

2.1 Vision

Our vision is to contribute to the public accountability process.

2.2 Mission

Our Mission statement reflects the following:

The Office of the Auditor General serves the House of Assembly by providing independent examinations of government and its entities.

As legislative auditors, we audit financial statements and other accountability documents, evaluate management practices and control systems, and determine compliance with legislative and other authorities.

Our purpose is to promote accountability and encourage positive change in the stewardship, management and use of public resources.

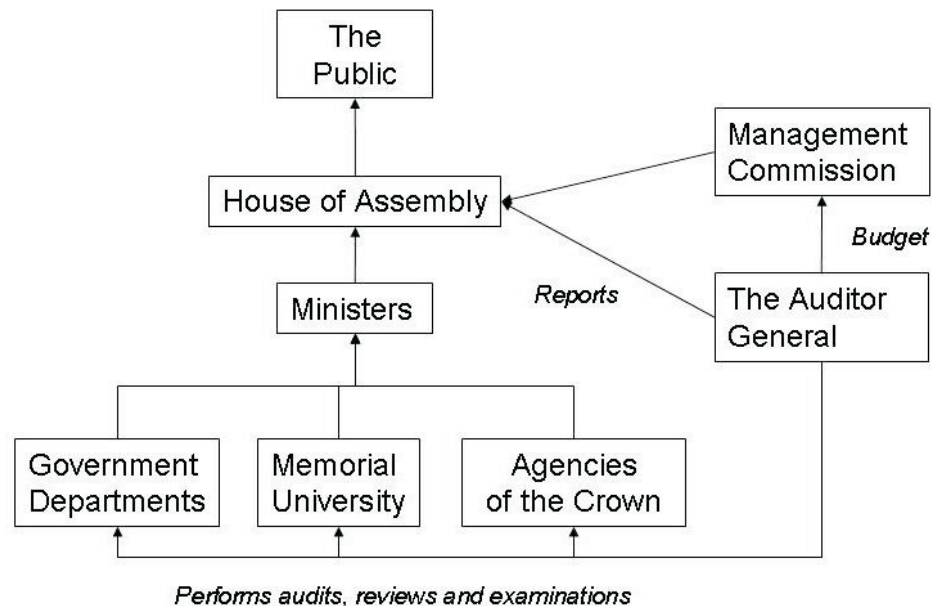
2.3 Accountability Relationship

The Auditor General's fundamental role is to bring an independent audit and reporting process to bear upon the manner in which Government and its various entities discharge their responsibilities, report on their planned programs and their use of public resources.

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.

The role of the Auditor General complements the accountability relationship which exists between Government, its departments, agencies of the Crown, Memorial University of Newfoundland, and the House of Assembly, as illustrated in Figure 1.

Figure 1
Accountability Relationship



2.4 Lines of Business

The Office's lines of business are as follows:

Financial Statement Audits

A financial statement audit enables the Auditor General to express an opinion as to the fair presentation of the Public Accounts of the Province and the financial statements of Crown agencies. The opinion is based on an independent assessment and therefore adds credibility to the information to which it is attached.

Legislative Audits

Legislative audits provide the House of Assembly with an independent professional assessment of public sector accountability, thereby facilitating informed judgments on the manner in which the public sector discharges its responsibilities. Legislative audits may include:

- evaluation of accountability relationships, management practices and control systems;

Overview of the Office of the Auditor General

- assessment of compliance with legislation and other authorities; and
- performance audits of program results compared to established criteria.

Monitoring Crown Agency Reports

The Auditor General's role is to assess all Crown agencies over an appropriate number of years and to report on their accountability, management practices and control systems, their compliance with legislation, their performance related to established criteria, and any weaknesses or other issues which we feel should be brought to the attention of the House of Assembly.

Special Assignments

Under Section 16 of the *Auditor General Act*, the Auditor General may accept assignments from the House of Assembly, the Public Accounts Committee and the Lieutenant-Governor in Council. The results of these assignments are reported to the body making the request and also referenced in our Report to the House of Assembly on Reviews of Departments and Crown Agencies.

Report Publishing

The *Auditor General Act* requires that we report, at least annually, to the House of Assembly on the results of our examination of the Province's financial statements and on the results of any audits, examinations or inquiries which we have performed. In addition, when we have completed a financial statement audit, we attach our auditor's report to the financial statements and issue a management letter to the entity examined. When we perform a legislative audit, we issue a management report which includes the entity's response to any comments made.

2.5 Our Office

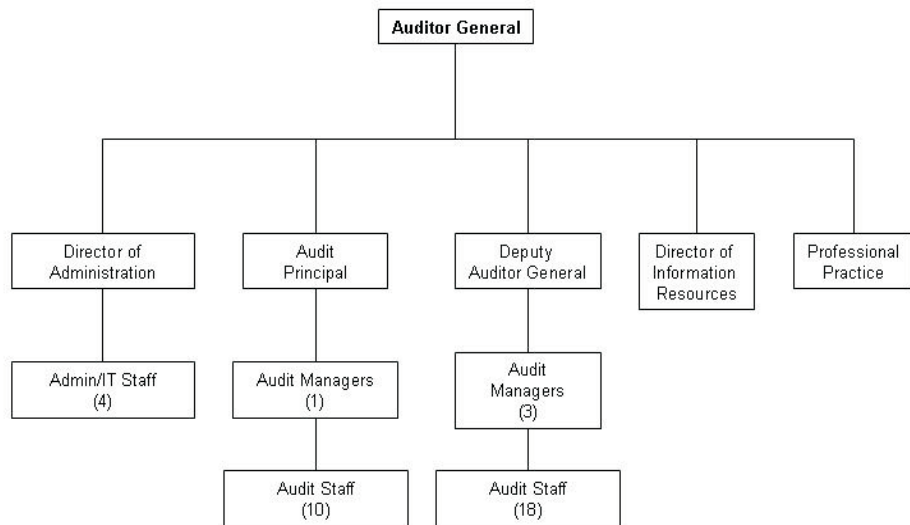
As of 31 December 2007, our Office had 35 staff, 30 in head office and 5 in the regional office in Corner Brook. (The Office presently has 6 vacancies in its audit group - refer to Section 5.1 of this report) Five staff work in administrative and IT support, while the remaining 30 work directly in audit. Of these 30 audit staff, 22 have professional accounting designations and 6 are in the process of completing their professional accounting program. Our Network Administrator has a Certified Network Administrator designation. In addition, one staff member at Head Office is

Overview of the Office of the Auditor General

funded through the Employment Equity and Strategic Initiatives Division of the Public Service Secretariat and works in IT support. Figure 2 shows the organization structure of the Office.

Figure 2

Office of the Auditor General Organization Structure



2.6 Physical Location

The headquarters for the Office of the Auditor General is located in Mount Pearl. There is also a regional office located in Corner Brook.



Mount Pearl Office



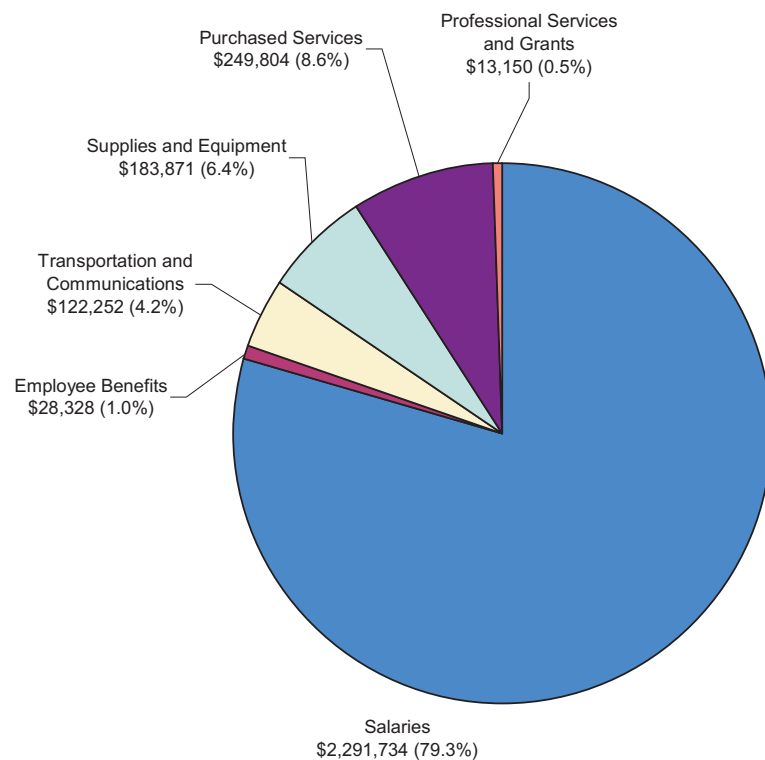
Corner Brook Office

2.7 Description of Revenues and Expenditures

The expenditures of the Office totalled \$2.9 million for the year ended 31 March 2007. The Office operated within the budget provided by the then House of Assembly Commission on Internal Economy (IEC) and approved by the Legislature. Information on the total expenditures of the Office for the year ended 31 March 2007 is presented in Figure 3.

Figure 3

Expenditures of the Office of the Auditor General Year ended 31 March 2007



Approximately 85% of the Office's total expenditures relates to non-discretionary spending for such items as salaries, rent, equipment rental and telephone. As a result, the Office has a very small amount of discretionary spending.

Overview of the Office of the Auditor General

In accordance with Section 33 of the *Auditor General Act*, estimates for the Office of the Auditor General are approved by the House of Assembly Management Commission for inclusion in the Estimates of the Province. Section 32 of the *Act* requires that the accounts of the Office be audited annually by an independent public accountant appointed by the Commission. Grant Thornton audited the financial information of our Office. Their report is included in Chapter 6 of this report for the year ended 31 March 2007.

2.8 Key Statistics

Following are key statistics relating to the Office of the Auditor General as at 31 December 2007:

Total number of staff	35
Number of audit staff	30
Number of administrative and IT support staff	5
Number of staff located in head office	30
Number of staff located in regional office	5
Number of male staff	24
Number of female staff	11
Total average age of all staff	42
Average age of male staff	43
Average age of female staff	38
Total legislative auditing experience audit staff	375 years
Total number of staff with professional accounting designations	22
Total number of Chartered Accountants	10
Total number of Certified Management Accountants	6
Total number of Certified General Accountants	6
Average number of professional development days, 2007	8

2.9 Office Staff

Staff of the Office of the Auditor General, Head Office



Seated (L-R): Nina Goudie; John Noseworthy, CA - Auditor General; Wayne Loveys, CMA; Gregg Griffin. **Standing (L-R):** David White, FCGA; Pramod Jain, MBA, CFA; Fred Evans, CGA; Blair Bradbury; Mark Didham; Keith Butt, CA; Nancy King; Trudy Critch; John Casey, CMA; Jim Mallard, CGA; Sandra Russell, CA; Paul Burggraaf, CNA; Jeremy Hynes; Glenn Hiscock, CGA; Jackie Smith, CMA; Trevor McCormick, CGA; Tony Wiseman; Marion Penney, CGA; Lindy Stanley; Blair Saunders, CMA; Jennifer Stamp, CA; Brenda Kavanagh; Dave Ralph, CA; Jim Winsor, CMA; Adam Martin, CA; Leif Martin. (Missing from photograph: Juliah Chislett, CGA; Bill Drover, FCA).

Staff of the Office of the Corner Brook Office, Corner Brook



Seated (L-R): Lisa Duffy; Tracy Pelley, CMA. **Standing (L-R):** Tony Dingwell, CA; Scott Walters, CA; Claude Janes, CA.

2.10 Involvement with the Profession

All legislative audit offices in Canada are members of the Canadian Council of Legislative Auditors (CCOLA) which serves to promote professional legislative auditing in Canada. The Office, through its membership in the CCOLA, has staff participating on various CCOLA committees established to address specific issues of common concern.

The Office is actively involved in assisting in the development of public sector accounting and auditing standards in Canada and provides comments on various accounting and auditing issues being researched by the CICA. In addition, the Auditor General is a member of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA). This is the Board which issues recommendations and guidance with respect to matters of accounting in all areas of the public sector in Canada. He is also a member of the Accountability and Audit Program Advisory Group of the Canadian Comprehensive Auditing Foundation (CCAF).

We are pleased to note that many of our staff are actively involved in support of the various professional accounting bodies in which they hold membership. David White and Trevor McCormick are members of the Board of Governors of the Certified General Accountants Association (CGA) of Newfoundland and Labrador. Trevor serves on the executive of CGA as Secretary to the Board and is a member of the CGA Canada National Professional Standards Committee.

**CHAPTER
3
HIGHLIGHTS AND
ACCOMPLISHMENTS**

3.1 Human Resource Initiatives

Training and Development

Our Office has developed a competency model which identifies the core competencies that our audit staff require. This model is used to identify gaps between required and actual skill sets and provides the focus for our ongoing training and development program. For 2007, the following training was delivered:

- on average, each audit staff member was provided with 8 days of training and development;
- all audit staff were provided with annual updates on the work of the Canadian Institute of Chartered Accountants and its Public Sector Accounting Board on auditing and accounting matters which impact on the work of the Office;
- a report writing workshop for legislative audits was delivered to all audit staff; and
- a computer auditing course was provided to all audit staff.

Support in Accounting Programs

Professional Accounting Designation: Our Office encourages all audit staff to complete their professional accounting designation. We demonstrate our commitment and support of this initiative through financial assistance, study support and mentoring. During the past year we were pleased to report the following accomplishments by our staff:

- Leif Martin passed the CICA Uniform Final Examination and will receive his Chartered Accountant (CA) designation in 2008; and
- Mark Didham passed the CICA Uniform Final Examination and will receive his Chartered Accountant (CA) designation in 2008.

We congratulate them on their achievements.

Work-term Placements

During 2007, the Office provided work-term placements for 4 students from the College of the North Atlantic. We also partnered with the Employment Equity and Strategic Initiatives Division of the Public Service Secretariat.

Flexible Work Arrangements

The Office offers a compressed work schedule option and has a flex hours and casual dress policy.

Employee Satisfaction

In 2007, the Office conducted a comprehensive employee satisfaction survey. The results have been used to support our strategic planning process, resulting in several strategic initiatives for the coming year.

3.2 Special Reports

The Office completed the review of constituency allowances claimed by Members of the House of Assembly from 1989-90 through to 2005-06. The Report for Phase I relating to excess constituency allowance claims was included in the Report, *Reviews of Departments and Crown Agencies for the year ended 31 March 2006* which was released publicly on 31 January 2007. The Phase II report, *Review of Constituency Allowance Claims from 1989-90 through to 2005-06*, relating to appropriateness of expenditures claimed and adequacy of supporting documentation was released publicly on 14 September 2007.

The Office completed its review of the fibre optic deal. The report, *Review of the "Fibre Optic Deal"* was released publicly on 17 September 2007.

**CHAPTER
4
ACTIVITIES**

4.1 Progress on Strategic Directions

The Office issued a four year strategic plan in 2004. The plan will guide the Office to the end of fiscal year 2007-08. In the coming year the plan will be revised and updated to reflect changes in our work environment. The strategic plan provides guidance to our comprehensive Operational Audit Plan which is issued each calendar year.

Our Office is accountable to the House of Assembly for its performance. This section of the Report provides a comparison of our performance against the goals established for the five lines of business outlined in the Office Strategic Plan.

- Financial Statement Audits
- Legislative Audits
- Monitoring Crown Agency Reports
- Special Assignments
- Report Publishing

Financial Statement Audits

Financial Statement Audits: Performance Measures	Status - 2007
<p>1.1 Complete our audit of the financial statements of the Province by 30 September of each year and complete all other financial statement audits within three months of their fiscal year end.</p>	<p>Due to delays in the preparation and audit of the financial statements of the Province (Public Accounts), my Auditor's Report for the year ended 31 March 2007 was dated 19 November 2007. The Public Accounts were released on 25 January 2008.</p> <p>Of the 30 Crown agency financial statement audits that we perform, 17 were issued within three months of the fiscal year. The remaining 13 either did not provide draft financial statements or did not provide supporting information for the audit in sufficient time for completion within three months.</p>
<p>1.2 Provide the House of Assembly with our report on the audit of the financial statements of the Province by 30 November of each year.</p>	<p>Given the delays in the preparation and audit of the Public Accounts, our report, <i>Audit of the Financial Statements of the Province of Newfoundland and Labrador for the year ended 31 March 2007</i> was submitted to the Speaker of the House of Assembly and released on 24 March 2008.</p>

Financial Statement Audits: Performance Measures	Status - 2007
<p>1.3 On an annual basis, determine during the audit planning cycle which audit procedures can be eliminated or changed in order to reduce time and costs while meeting professional standards. As a result, each time budget will be established to meet audit requirements.</p>	<p>At the beginning of each year and prior to the commencement of each audit, as part of the planning phase, the time budget was reviewed to determine whether there were areas where the audit time could be reduced. At the conclusion of each financial statement audit, the time spent on the audit was reviewed in detail and compared with the original time budget. All audit procedures have been rationalized and are necessary in order to meet professional standards.</p>
<p>1.4 Complete all audits (Crown agencies and financial statements of the Province) within budget for time and cost, and monitor actual time and cost relative to budget. Our target for success is to be within a 10% variance of budget for time and cost.</p>	<p>Of the 30 Crown agency financial statement audits that we perform, 13 exceeded the time and cost budgets by more than 10%. In some instances, this was planned and necessary in order to provide training for junior staff. In other instances, variances were caused by particular circumstances associated with the agency being audited. In all cases additional time was also required to address changes in Canadian Generally Accepted Auditing Standards which necessitated a revision to the approach used by the Office for its financial statement audits.</p>
<p>1.5 Conduct all audits in accordance with professional standards and comply with internal Office policy. All financial statements and management letters will be subjected to a professional practice and challenge review process. Our target for success is 100% compliance.</p>	<p>All of our financial statement audits are performed in accordance with Canadian generally accepted auditing standards. All financial statements and the majority of management letters were also subjected to Professional Practice Review and Executive challenge.</p>
<p>1.6 Communicate with all auditees on an annual basis to ensure that good quality information required to be audited is available on a timely basis.</p>	<p>Prior to the commencement of all financial statement audits correspondence was sent to all auditees requesting the information necessary to complete the audit on a timely basis.</p>
<p>1.7 Provide senior officials with an opportunity to meet and discuss the audit and findings.</p>	<p>Audit staff met with senior officials of all auditees. Furthermore, all auditees were either written or contacted directly by the Auditor General and provided with an opportunity to meet and discuss the audit and/or findings.</p>

Legislative Audits

Legislative Audits: Performance Measures	Status - 2007
<p>2.1 Continue to use risk-based audit management. The Executive Committee will meet with Audit Managers on an annual basis to obtain an overview of the departments and agencies for which they have been assigned responsibility. We will also have an annual meeting with all audit staff to identify possible legislative audit projects.</p>	<p>Although there is no substitute for professional judgment in determining what work we perform, we have developed a computerized risk based audit management system known as The Audit Universe Monitoring System (TAUMS) to assist us with the selection of legislative audit projects. The system was developed in 1996 and is located on the network server in our Corner Brook Regional Office. This system contains financial and other relevant information from all Crown agencies and departments as well as issues raised in management letters. The information storage and retrieval features of TAUMS permit us to prioritize projects during our planning process and ensure that staff are assigned to issues requiring attention.</p> <p>The Executive Committee also met with each of the Audit Managers and their staff to obtain an overview of potential projects for our 2007 audit cycle.</p>
<p>2.2 The Executive Committee will meet with Audit Managers on at least a monthly basis to discuss the status of each legislative audit.</p>	<p>The Executive Committee met regularly with each Audit Manager to discuss the status of each legislative audit.</p>
<p>2.3 Provide senior auditee officials with an opportunity to meet and discuss the audit and findings.</p>	<p>At the commencement of all legislative audits, senior officials were contacted and provided an opportunity to meet and discuss the audit. At the conclusion of the audit, senior officials were provided with an opportunity to meet and discuss the findings.</p>
<p>2.4 Ensure a high level of quality in the legislative audit process by subjecting all reports to quality control criteria and a professional practice and challenge review process.</p>	<p>All legislative audit work is carefully planned, conducted, monitored, and reviewed in accordance with Canadian generally accepted auditing standards. The report containing the results of this work are provided to Members of the House of Assembly. To ensure that the documents are factual, relevant and understandable, we have undertaken a number of initiatives as follows:</p>

Legislative Audits: Performance Measures	Status - 2007
<p>2.5 Monitor the degree to which positive change has occurred resulting from implementation of our recommendations or evidence that major issues will be addressed. Our target for success is that 80% of all recommendations be implemented within two years of our report date.</p>	<ul style="list-style-type: none"> ● The Office conducts a rigorous challenge review process for each review which includes participation of Executive and Professional Practice. ● Draft reports are provided to senior Government and Crown agency officials for validation and comment. ● A style guide has been developed for legislative audit reports and all audit staff have received training in report writing. <p>In 1996, we established a process to measure the extent to which Government implements our recommendations. It is our intention to monitor and update the recommendations in each report two years after it has been issued. Monitoring will continue until we are reasonably satisfied that the issues are being adequately addressed or are no longer valid.</p> <p>In Chapter 3 of our 2007 Report to the House of Assembly on <i>Reviews of Departments and Crown Agencies</i> we provided an update on prior years' report items.</p> <p>For the 12 years from 1994 to 2005 this Office made 1,315 individual recommendations through our various reports which were tabled in the House of Assembly. We are pleased to note that, for 1,142 or 86.8% of these recommendations, satisfactory progress has been made or the recommendations are no longer applicable.</p>
<p>2.6 Provide the House of Assembly with at least two reports each year on reviews of departments and Crown agencies.</p>	<p>Our 2007 Report to the House of Assembly on <i>Reviews of Departments and Crown Agencies</i> was provided to the Speaker for tabling in the House of Assembly on 31 January 2008 and met the statutory deadline.</p> <p>In addition, during the past year many members of our staff were involved in performing support work relating to two special reports which were tabled in the House of Assembly. These related to our <i>Review of Constituency Allowance Claims from 1989-90 through to 2005-06</i> and our <i>Review of the Fibre Optic Deal</i>.</p>

Activities

Legislative Audits: Performance Measures	Status - 2007
2.7 Provide the House of Assembly with an accountability report on our Office by 31 January of each year.	This is our Report on the operations of our Office. We could not complete this Report until our 2007 Report on the Reviews of Departments and Crown Agencies and our 2007 Report on the Audit of the Financial Statements of the Province had been completed.

Monitoring Crown Agency Reports

Monitoring Crown Agency Reports: Performance Measures	Status - 2007
3.1 Review the auditors report, audited financial statements, recommendations to management, annual report, and any other relevant reports of each of the Crown agencies.	We have developed and are using a database system known as The Audit Universe Monitoring System. This system contains financial and other relevant information on all Crown agencies and departments as well as issues raised in management letters. We also review annual reports of Crown agencies which we audit.
3.2 Maintain The Audit Universe Monitoring System to record relevant reports of each of the Crown agencies.	The Audit Universe Monitoring System is updated as financial statements and reports are received from the auditors of Crown agencies.
3.3 Contact private sector auditors to arrange for receipt of financial statements and management letters on a timely basis and monitor receipt of this information.	Although the Office is proactive in requesting financial statements and related management letters, in most cases we do not receive the information on a timely basis. Usually, we have to issue a follow-up letter before the information is received.
3.4 The annual report to the House of Assembly shall include a report on monitoring of Crown agencies.	Our 2007 Report to the House of Assembly on <i>Reviews of Departments and Crown Agencies</i> contains the results of this monitoring work for the 2007 fiscal year.

Special Assignments

Special Assignments: Performance Measures	Status - 2007
<p>4.1 Strive to perform special assignments whenever requested.</p>	<p>In July 2006, the Lieutenant-Governor in Council requested that the Office review all constituency allowances paid to Members of the House of Assembly for the period covering fiscal years 1989-90 to 2005-06. This work was completed as follows:</p> <ul style="list-style-type: none"> ● Phase I of this work, a review of constituency allowance claims by Members of the House of Assembly, was completed and included in the report, <i>Reviews of Departments and Crown Agencies</i> released publicly on 31 January 2007. ● Phase II of this work, a review of the appropriateness of expenditures claimed by Members of the House of Assembly and the adequacy of supporting documentation was completed and a report, <i>Review of Constituency Allowance Claims, 1989-90 through to 2005-06</i>, released publicly on 14 September 2008. <p>In November 2006 the House of Assembly, by resolution, requested that we review all details and circumstances of the fibre optic deal announced by Government. This work was completed and a report <i>Review of the Fibre Optic Deal</i> was issued on 17 September 2007.</p>
<p>4.2 Report on all special assignments conducted within six months of beginning our work.</p>	<p>The two special assignments which were completed during the past year were unique and complex. In addition, there was a high volume of material which had to be reviewed in order to complete each of these assignments. As a result, these assignments involved more of our staff resources and took considerably longer than six months to complete. The team established to conduct the review of the appropriateness of expenditures claimed by Members of the House of Assembly and the adequacy of supporting documentation, consisted of seconded employees throughout Government in addition to staff resources from our Office.</p>

Activities

Special Assignments: Performance Measures	Status - 2007
4.3 Subject all special assignments to quality control criteria and a challenge review process.	<p>In accordance with our quality control policies, all of our work is carefully planned, conducted, monitored, and reviewed in accordance with Canadian generally accepted auditing standards. The reports from this work are the final published product provided to Members of the House of Assembly. Therefore, it is imperative that the documents be factual, relevant and understandable.</p> <p>Our quality control system includes a rigorous challenge review process at various levels in the Office</p>

Report Publishing

Report Publishing: Performance Measures	Status - 2007
5.1 Provide staff with direction relating to the Office's existing auditing policy on drafting reports and emphasize the need for consistency in report drafting.	During 2007, the report writing process for legislative audits was reviewed and a standard report format was developed and incorporated into a manual titled Report Writing Basics. The manual was distributed to all audit staff during in-house training sessions that focused on how to write legislative audit reports.

4.2 Objectives, Measures and Indicators for Next Fiscal Year

Electronic Audit Initiative

An initiative was launched in November 2007 aimed at reducing our use of paper by increasing the use of computer software. In May 2008 the Office will implement software to enhance our ability to organize and track audit files electronically and, in the process, reduce the practice of paper-based audits.

Employee Enhancement Program

The Office's performance appraisal program will be replaced with an employee enhancement initiative which will focus on employee career aspirations and training needs. The new program will provide employees with an opportunity to receive feedback and develop a work plan for the coming year that is aligned with the Office's strategic goals. The Office is currently reviewing Government's employee enhancement program called "Planning for Results," which was piloted in 2005 and is being adopted throughout Government.

Training in Performance Auditing

The Office launched a major professional development initiative in cooperation with the Canadian Comprehensive Auditing Foundation (CCAF). Early in 2008, CCAF provided our Office with a Fundamentals Course on Performance Auditing and during the year they will also pilot a 3-day Intermediate Course on Performance Auditing. In addition, during 2008 the CCAF will deliver a 1.5 day course to all audit staff on Performance Reporting.

**CHAPTER
5
OPPORTUNITIES AND
CHALLENGES AHEAD**

5.1 Recruitment and Retention

Recruitment and retention of experienced auditors has been a challenge in recent years. This is due in part to new opportunities within Government for audit professionals that have resulted from new control processes and a focus on the internal audit function. Accompanying these new career opportunities are higher pay scales for positions with equivalent responsibilities as mid-level auditors at this Office. The Office is currently reviewing these issues with the Public Service Commission and the Public Service Secretariat and is collaborating with the Office's Human Resources Committee in analyzing the remuneration and classification levels of staff at our Office.

5.2 Succession Planning

The demographics at this Office indicate that a significant number of staff will be entitled to retire within the next five years. For example, the average age of the management team is 50.4 years which means that within the next decade, many members of this team will be eligible to retire. The Office is positioning itself to prepare for this situation through providing ongoing experience and professional development of less senior staff.

5.3 Advancing Technology

Protecting the integrity of our electronic audit files and ensuring the security and confidentiality of our data is paramount to this Office and the work we carry out. Therefore, the Office has been proactive in taking steps to provide encryption and other forms of enhanced security for its data and hardware. Keeping ahead of advancing technology is an ongoing challenge and one that consumes a significant amount of resources.

5.4 Changes in How Government Operates and in Legislation

To effectively perform an audit, there is a professional responsibility to be knowledgeable of the organization being audited. As the auditor of Government, therefore, my Office requires a sound knowledge of the business of Government. There are challenges because of many changes which continue to take place relating to how Government and its agencies operate. In addition, there are changes to legislation which impact on operations and which have to be monitored. For example, the requirements under the *Transparency and Accountability Act* as they apply to Government and all of its entities have to be considered by my Office in performing audits.

5.5 Amendments Required to the *Auditor General Act*

In April 2005 we wrote to the then Speaker of the House of Assembly outlining proposed amendments to the *Auditor General Act* (the *Act*). Although this request has not yet been acted upon, the *Act* may require further changes due to the new *House of Assembly Accountability, Integrity and Administration Act*.

The *House of Assembly Accountability, Integrity and Administration Act* resulted from the report, *Rebuilding Confidence: Report of the Review Commission on Constituency Allowances and Related Matters* which was released by the Honourable J. Derek Green in May 2007. Chief Justice Green had been appointed in 2006 to conduct an independent review and evaluation of the policies and procedures regarding compensation and constituency allowances for Members of the House of Assembly. The resulting report included new draft legislation for the House of Assembly that reflected many of the recommendations in his report. On 19 June 2007, the *House of Assembly Accountability, Integrity and Administration Act* came into force, replacing the *Clerk of the House of Assembly Act* and the *Internal Economy Commission Act*.

The new *House of Assembly Accountability, Integrity and Administration Act* has a significant impact on this Office through section 45. Section 45 provides direction on how reports of potential improper retention or misappropriation of public money by a Member, the Clerk, the Clerk Assistant or staff of the House of Assembly Service or the statutory offices, can be communicated. All other persons associated with potential improper retention or misappropriation of public money are subject to section 15 of the *Auditor General Act*.

**CHAPTER
6
FINANCIAL
STATEMENTS**

**Office of the Auditor General
Province of Newfoundland and Labrador
Financial Information
March 31, 2007**

Grant Thornton 

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Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

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

At the request of the Clerk of the House of Assembly, and in accordance with Section 32 of The Auditor General Act, we have audited the supplementary financial information of the Office of the Auditor General, Province of Newfoundland and Labrador as at March 31, 2007, the schedule of expenditures and related revenue and the schedule of gross expenditures and unexpended balances, for the year then ended. This financial information is the responsibility of the Office's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In our opinion, this financial information presents fairly, in all material respects, the selected assets and liabilities of the Office as at March 31, 2007 and the results of its operations for the year then ended in accordance with the accounting policies disclosed in Note 2.



St. John's, Newfoundland and Labrador
July 17, 2007

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

Year Ended March 31 2007 2006

Assets

Current

Audit fees work in progress	\$ 90,462	\$ 76,015
Travel imprests	1,200	1,200
Accountable advance	500	200
Prepays	<u>36,789</u>	<u>-</u>
	<u>\$ 128,951</u>	<u>\$ 77,415</u>

Liabilities

Current

Accrued paid/annual leave	\$ 941,249	\$ 650,550
Accrued payroll	105,307	57,454
Accrued overtime	19,327	5,337
Accrued severance pay	<u>659,769</u>	<u>466,318</u>
	<u>\$ 1,725,652</u>	<u>\$ 1,179,659</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 Expenditures and Related Revenue

Year Ended March 31

2007

2006

	Actual	Estimates		Actual
		Amended	Original	
Executive Support				
Salaries	\$ 164,090	\$ 164,700	\$ 141,700	\$ 137,467
Salaries (statutory)	144,566	128,500	128,500	124,195
Employee benefits	3,461	5,000	5,000	2,155
Transportation and communications	10,189	17,000	17,000	13,739
Professional services	4,200	9,000	14,000	1,230
Purchased services	850	1,200	700	282
	\$ 327,356	\$ 325,400	\$ 306,900	\$ 279,068
Administrative Support				
Salaries	\$ 188,214	\$ 188,800	\$ 191,800	\$ 188,385
Employee benefits	3,665	4,200	3,000	2,700
Transportation and communications	29,956	38,800	38,200	28,980
Supplies	88,925	104,400	93,900	54,392
Professional services	-	1,400	3,600	924
Purchased services	248,954	253,400	170,000	164,383
Property, furnishings and equipment	94,946	95,000	20,500	41,594
Grants and subsidies	8,950	9,300	9,300	9,100
	\$ 663,610	\$ 695,300	\$ 530,300	\$ 490,458
Audit Operations				
Salaries	\$ 1,794,864	\$ 1,850,700	\$ 1,810,200	\$ 1,615,478
Employee benefits	21,202	31,900	9,900	10,999
Transportation and communications	82,107	103,500	84,500	36,738
Professional services	-	50,000	15,000	11,190
	1,898,173	2,036,100	1,919,600	1,674,405
Revenue – Provincial	(182,150)	(171,200)	(171,200)	(147,500)
	\$ 1,716,023	\$ 1,864,900	\$ 1,748,400	\$ 1,526,905
Net expenditures	\$ 2,706,989	\$ 2,885,600	\$ 2,585,600	\$ 2,296,431

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	2007	2006
Original estimates (net)	\$ 2,585,600	\$ 2,512,000
Add: supplementary supply	300,000	-
Less: estimates transferred to the House of Assembly	-	(100,000)
Amended estimates	2,885,600	2,412,000
Add: revenue estimates net of statutory payments	42,700	46,900
Total appropriation	2,928,300	2,458,900
Total net expenditure	2,706,989	2,296,431
Add: revenue in excess of statutory payment	37,584	23,305
Total gross expenditure (budgetary, non-statutory)	2,744,573	2,319,736
Unexpended balance of appropriation	\$ 183,727	\$ 139,164

See accompanying notes to the financial information.

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

March 31, 2007

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 section 32 of the *Auditor General Act* and 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 Related Revenue and the Schedule of Gross Expenditures and Unexpended Balances are based on the cash basis.

Assets

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 and Related Revenue. 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

Audit fee revenue is recorded on the cash basis as payment is received on the Schedule of Expenditures and Related Revenue. Audit fees billed in progress on the Supplementary Financial Information are on the accrual basis of accounting.

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

March 31, 2007

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

Operating expenses

Expenses are recorded on the cash basis as payments are made on the Schedule of Expenditures and Related Revenue. Accrued leave and payroll are recorded on the Supplementary Financial Information on the accrual basis of accounting.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees upon nine years or more of service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Province.

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 payments for the next two years as follows: 2008 - \$143,550; and 2009 - \$71,775.

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.

APPENDICES

APPENDIX
I
AUDITOR GENERAL ACT

SNL1991 CHAPTER 22
AUDITOR GENERAL ACT

Amended:

2001 cN-3.1 s2; 2002 cA-1.1 s75; 2007 cH-10.1 s70

CHAPTER 22

AN ACT RESPECTING THE OFFICE OF THE AUDITOR GENERAL AND THE AUDITING
OF THE PUBLIC ACCOUNTS OF THE PROVINCE

(Assented to October 31, 1991)

Analysis

1. Short title
2. Definitions
3. Office of the auditor general
4. Appointment of auditor general
5. Tenure of office
6. Vacancy in office
7. Salary of auditor general
8. Restraint on holding other offices
9. Oath of office
10. Auditor of provincial accounts
11. Report on financial statements
12. Reports of the auditor general
13. Tabling of reports
14. Audit of agencies of the Crown, etc.
15. Improper retention of public money
16. Special assignments
17. Access to information
18. Examination and subpoena
19. Prohibition
20. Representatives in a department, etc.
21. Confidentiality
22. Audit working papers
23. Staff
24. Oath of office generally
25. Pension plan
26. Delegation of authority
27. Acting auditor general
28. Agents
29. Limitation of liability
30. Goods and services
31. Minister of Finance
32. Audit of the office
33. Financing of operations

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34. Auditor general may charge fees
35. Consequential
36. 1973 No.86 Amdt.

Be it enacted by the Lieutenant-Governor and House of Assembly in Legislative Session convened, as follows:

Short title

1. This Act may be cited as the *Auditor General Act*.

Definitions

2. (1) In this Act
 - (a) "agency of the Crown" means an authority, board, commission, foundation, agency, corporation, association, institute or other body of persons, whether incorporated or unincorporated, 50% or more of the members of which or 50% or more of the members of the board of management or board of directors of which,
 - (i) are appointed by an Act of the Legislature or by the Lieutenant-Governor in Council, or
 - (ii) where not so appointed, in the discharge of their duties are public officers or servants of the Crown or are responsible to the Crown for the proper discharge of their duties;
 - (b) "audit" means an audit or examination of accounts of public money that may be made by the auditor general under this Act;
 - (c) "auditor general" means the Auditor General of Newfoundland and Labrador appointed under section 4;
 - (d) "commission" means the House of Assembly Management Commission continued under section 18 of the *House of Assembly Accountability, Integrity and Administration Act*;
 - (e) "Crown controlled corporation" means a corporation that is not an agency of the Crown and having
 - (i) 50% or more of its issued and outstanding shares vested in the Crown or in the name of a minister of the Crown, or
 - (ii) the appointment of a majority of its board of directors made or approved by the Lieutenant-Governor in Council;
 - (f) "office" means the Office of the Auditor General established under section 3; and

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(g) "public money" means all money received, held or collected for or on behalf of the province by a minister of the Crown or other public officer in his or her official capacity or by a person authorized to receive, hold or collect that money, and includes

- (i) all revenues of the province,
- (ii) money borrowed by the province or received through the issue and sale of securities,
and
- (iii) money paid to the province for a special purpose.

(2) Words and expressions used in this Act and not defined in subsection (1) have the same meaning as in the *Financial Administration Act*.

Office of the auditor general

3. There is established a department of the public service of the province called the Office of the Auditor General, over which the auditor general shall preside.

Appointment of auditor general

4. (1) The Lieutenant-Governor in Council shall, by commission under the Great Seal of the province, appoint a qualified auditor to be the officer called the Auditor General of Newfoundland and Labrador.

(2) The person appointed to the position of auditor general under this section must be confirmed in office as auditor general by the introduction in the House of Assembly of a resolution within 10 days after his or her appointment and if the House of Assembly is not sitting within 10 days after the commencement of the next ensuing Session of the House of Assembly or within 10 days after the House of Assembly resumes sitting following an adjournment of the House of Assembly.

(3) The auditor general is by virtue of his or her position an officer of the House of Assembly.

Tenure of office

5. (1) The auditor general holds office for a term of 10 years but may be removed for cause by the Lieutenant-Governor in Council following the passing by the House of Assembly of a resolution requesting the Lieutenant-Governor in Council to do so.

(2) Once having served as auditor general, a person is not eligible for re-appointment to that office.

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Vacancy in office

6. In the event of the absence or incapacity of the auditor general or where the Office of Auditor General is vacant, the Lieutenant-Governor in Council may appoint a person temporarily to perform the duties of the auditor general.

Salary of auditor general

7. The auditor general shall be paid a salary out of the Consolidated Revenue Fund at a rate set by the Lieutenant-Governor in Council and is entitled to the privileges of office of a deputy minister.

Restraint on holding other offices

8. The auditor general shall not hold an office of profit or shall not act as trustee for profit for another person, other than his or her office as auditor general or engage in an occupation for reward outside the duties of his or her office.

Oath of office

9. (1) Before entering upon his or her duties, the auditor general shall
- (a) take or make and sign the Oath or Affirmation of Allegiance under the *Oaths of Office Act*; and
 - (b) take or make and sign the following oath or affirmation of office:

"I,....., do solemnly swear (or solemnly, sincerely and truly declare and affirm) that I will faithfully, truly, impartially, honestly, justly and to the best of my judgement, skill and ability, execute and perform the powers, duties and functions reposed in or required of me as auditor general under the *Auditor General Act* or another Act and that I will observe and comply with the laws of Canada and Newfoundland and Labrador." (Where an oath is taken add "So help me God").

(2) The oaths or affirmations referred to in subsection (1) shall be administered by the Speaker or by the Clerk of the House of Assembly.

Auditor of provincial accounts

10. The auditor general is the auditor of the financial statements and accounts of the province and shall make those examinations and inquiries that the auditor general considers necessary to enable him or her to report as required by this Act.

Report on financial statements

11. The auditor general shall examine the several financial statements required by the *Financial Administration Act* to be included in the public accounts of the province, and any other statement that is required to be audited by the auditor general under that Act or another statement that the Minister of Finance may present for audit and shall express his or her opinion as to whether the financial statements present fairly the financial position, results of operations and changes in the financial position of the province in accordance with the disclosed accounting policies of the provincial government and on a basis consistent with that of the preceding year, together with reservations the auditor general may have.

Reports of the auditor general

12. (1) The auditor general shall as he or she considers necessary but at least annually report to the House of Assembly on

- (a) the work of the office;
- (b) whether, in carrying out the work of the office, the auditor general received all the information including reports and explanations the auditor general required;
- (c) the results of the auditor general's examination of the financial statements referred to in section 11; and
- (d) audits, examinations and inquiries performed under this Act.

(2) A report of the auditor general under subsection (1) shall include the results of the auditor general's examination of the accounts of the province, and shall call attention to anything the auditor general considers significant, including instances where

- (a) collections of public money
 - (i) have not been effected as required under various Acts and regulations, directives or orders under those Acts,
 - (ii) have not been fully accounted for, or
 - (iii) have not been properly reflected in the accounts;
- (b) disbursements of public money
 - (i) have not been made in accordance with the authority of a supply vote, or relevant Act,
 - (ii) have not complied with regulations, directives or orders applicable to those disbursements,

Appendix I

- (iii) have not been properly reflected in the accounts, or
 - (iv) have not been made for the purposes for which it was appropriated;
 - (c) accounts have not been faithfully and properly kept;
 - (d) assets acquired, administered or otherwise held are not adequately safeguarded or accounted for;
 - (e) accounting systems and management control systems that relate to revenue, disbursements, the safeguarding or use of assets or the determination of liabilities were not in existence, were inadequate or had not been complied with; or
 - (f) factors or circumstances relating to an expenditure of public money which in the opinion of the auditor general should be brought to the attention of the House of Assembly.
- (3) Paragraph (2)(f) shall not be construed as entitling the auditor general to question the merits of policy objectives of the government.

Tabling of reports

13. (1) Each report of the auditor general referred to in section 12 shall be submitted to the Speaker of the House of Assembly and the Speaker shall table each report before the House of Assembly immediately after receipt of the report by him or her or, where the House of Assembly is not then in Session, on the 1st day of the commencement of the next ensuing Session of the House of Assembly or on the 1st day after the House of Assembly resumes sitting following an adjournment of the House of Assembly.

(2) The annual report of the auditor general shall be submitted on or before January 31 following the close of the fiscal year to which the report relates.

Audit of agencies of the Crown, etc.

14. (1) Where an auditor has not been appointed to audit an agency of the Crown or a Crown controlled corporation, the auditor general shall be the auditor.

(2) Where the auditor of an agency of the Crown or of a Crown controlled corporation is other than the auditor general, the auditor shall

(a) deliver to the auditor general after completion of the audit a copy of the auditor's report, his or her recommendations to management and a copy of the audited financial statements of the corporation or agency;

(b) make available immediately to the auditor general, when so requested by the auditor general, all working papers, reports, schedules and other documents in respect of the audit; and

Appendix I

(c) provide immediately to the auditor general, when so requested by the auditor general, a full explanation of work performed, tests and examinations made and the results obtained, and other information relating to the audit within the knowledge of that auditor in respect of the agency or corporation.

(3) Where the auditor general is of the opinion that the information, explanation or document that is provided, made available or delivered to the auditor general by the auditor referred to in subsection (2) is insufficient to permit the auditor general to exercise his or her powers or duties under this Act, the auditor general may conduct or cause to be conducted an additional examination and investigation of the records and operations of the agency of the Crown or the Crown controlled corporation that the auditor general considers necessary.

Improper retention of public money

15. (1) Where during the course of an audit, the auditor general becomes aware of an improper retention or misappropriation of public money or another activity that may constitute an offence under the *Criminal Code* or another Act, the auditor general shall immediately report the improper retention or misappropriation of public money or other activity to the Lieutenant-Governor in Council.

(2) In addition to reporting to the Lieutenant-Governor in Council under subsection (1), the auditor general shall attach to his or her annual report to the House of Assembly a list containing a general description of the incidents referred to in subsection (1) and the dates on which those incidents were reported to the Lieutenant-Governor in Council.

Special assignments

16. (1) The auditor general may, where in his or her opinion such an assignment does not interfere with the auditor general's primary responsibilities under this Act, whenever the Lieutenant-Governor in Council so requests or the House of Assembly or the Public Accounts Committee by resolution so requires, inquire into and report on a matter relating to the financial affairs of the province or to public property or inquire into and report on a person or organization that has received financial aid from the government of the province or in respect of which financial aid from the government of the province is sought.

(2) Where the auditor general makes a report in accordance with subsection (1), the auditor general shall report back to either the Lieutenant-Governor in Council, the House of Assembly or the Public Accounts Committee.

Access to information

17. Except as provided by another Act that expressly refers to this section, every department of government, every agency of the Crown and every Crown controlled corporation shall furnish the auditor general with information regarding its power, duties, activities, organization, financial transactions and methods of business as the auditor general requires, and the auditor general shall be given access to all books, accounts, financial records, reports, electronic data

Appendix I

processing records, explanations, files and all other papers, things or property belonging to or in use by the department, agency of the Crown or Crown controlled corporation and necessary to the performance of the duties of the auditor general under this Act.

Examination and subpoena

18. (1) The auditor general may examine a person on oath or affirmation on a matter pertinent to an account submitted to the auditor general for audit and the oath or affirmation may be administered by the auditor general to a person whom the auditor general desires to examine.

(2) In order to compel the attendance of a person under subsection (1), the auditor general may apply to a judge of the Trial Division for an order that a subpoena be issued from the court commanding the person named in the subpoena to appear before the auditor general at the time and place mentioned in the subpoena, and then and there to testify to all matters within that person's knowledge relative to an account submitted to the auditor general.

(3) Where so required, the person named in the subpoena shall produce a document, paper or thing which he or she has possession of relative to the account.

(4) A person named in a subpoena issued under this section is entitled to reasonable expenses at the time of the service.

Prohibition

19. Notwithstanding sections 17 and 18, the auditor general shall not be permitted access to information the disclosure of which may be refused under section 22 of the *Access to Information and Protection of Privacy Act* or the disclosure of which shall be refused under section 18 of that Act.

Representatives in a department, etc.

20. The auditor general may station in the offices of a department, agency of the Crown or Crown controlled corporation, an employee of the office for the purpose of enabling the auditor general to more effectively exercise or perform his or her powers and duties under this or another Act, and the department, agency of the Crown or Crown controlled corporation shall provide the necessary office accommodation and facilities for employees so stationed.

Confidentiality

21. The auditor general and each person employed in the office or appointed or engaged to assist the auditor general for a limited period of time or in respect of a particular matter under section 28 shall keep confidential all matters that come to his or her knowledge in the course of his or her employment or duties under this Act and shall not communicate those matters to another person, except as may be required in connection with the discharge of his or her responsibilities under this Act or under the *Criminal Code*.

Audit working papers

22. Audit working papers of the office shall not be laid before the House of Assembly or a committee of the House of Assembly.

Staff

23. (1) Those auditors and employees that are necessary to enable the auditor general to perform his or her duties under this or another Act shall be appointed or employed in the manner authorized by law and are members of the public service of the province.

(2) The personnel management policies of the Treasury Board as they relate to the public service of the province apply to the office.

(3) The *Conflict of Interest Act* applies to the auditor general and every person employed in the office.

Oath of office generally

24. (1) Every person employed in the office, shall, before performing a duty as an employee in the office

(a) take or make and sign the Oath or Affirmation of Allegiance under the *Oaths of Office Act*; and

(b) take or make and sign the following oath or affirmation of office:

"I....., do swear (or solemnly, sincerely and truly, declare and affirm) that I will faithfully, honestly and impartially to the best of my knowledge, skill and ability perform my duties as an employee in the Office of the Auditor General and that I will observe and comply with the laws of Canada and Newfoundland and Labrador and except as I may be legally required, I will not disclose or give to a person information or a document that comes to my knowledge or possession by reason of my being an employee in the Office of the Auditor General." (In the case where an oath is taken add "So help me God").

(2) The oaths or affirmations referred to in subsection (1) shall be administered by the auditor general or his or her designate.

(3) The auditor general may require a person or class of persons appointed to assist the auditor general for a temporary period of time or in respect of a particular matter under section 28 to take or make and subscribe the oaths or affirmations referred to in subsection (1).

(4) A copy of each oath or affirmation administered to an employee of the office under subsection (1) shall be kept in the files of the office.

Appendix I

(5) The refusal of an employee of the office to take or make and subscribe to the oaths or affirmations or the failure to adhere to the oaths or affirmations required by subsection (1) may be considered as cause for dismissal.

Pension plan

25. (1) All persons employed in the office are employees for the purposes of the *Public Service Pensions Act, 1991* and are entitled to all the benefits under that Act.

(2) Notwithstanding subsection (1), the Lieutenant-Governor in Council may by order permit the auditor general to participate in the *Public Service Pensions Act, 1991* or may by order stipulate other pension arrangements for the auditor general upon his or her appointment under this Act.

Delegation of authority

26. The auditor general may delegate in writing to an employee of the office authority to exercise a power or perform a duty of the auditor general other than reporting to the House of Assembly.

Acting auditor general

27. The auditor general may appoint an employee of the office as acting auditor general while the auditor general is absent from the province.

Agents

28. The auditor general may engage, on a fee basis, a person to act as his or her agent for the purpose of conducting an audit or examination that the auditor general is empowered to conduct or to perform a service that the auditor general considers necessary for a purpose related to the exercise or performance of the auditor general's powers and duties under this or another Act.

Limitation of liability

29. The auditor general, persons employed in the office and those persons employed or engaged by the auditor general under the authority of section 28 are not liable in a proceeding for an act done or not done or for a statement or report made by them in good faith in connection with a matter they are authorized or required to do under this Act.

Goods and services

30. Subject to the *Public Tender Act* the auditor general may engage within the limits of the appropriation approved by the Legislature for his or her office and without the approval of the Treasury Board the professional services, including counsel, consultants, accountants and other experts and acquire goods that the auditor general considers necessary for a purpose related to the exercise or performance of his or her powers and duties under this or another Act.

Minister of Finance

- 31.** Where the auditor general
- (a) considers it necessary to report for the information of the Lieutenant-Governor in Council; or
 - (b) is required to report to the Lieutenant-Governor in Council for the purposes of this Act, especially in respect of a matter relating to the office, the report is made through the Minister of Finance.

Audit of the office

- 32.** (1) The commission shall appoint a qualified auditor to audit annually the office.
- (2) The auditor appointed under subsection (1), has the same powers and shall perform the same duties in relation to an audit of the office that the auditor general has or performs in relation to an audit performed under this Act.
- (3) The auditor appointed under subsection (1) shall submit his or her report to the commission and send a copy to the auditor general.
- (4) The Speaker of the House of Assembly shall table the report of the auditor under this section before the House of Assembly immediately after receiving the report by him or her or where the House of Assembly is not then in Session, on the 1st day of the commencement of the next ensuing Session of the House of Assembly or the 1st day after the House of Assembly resumes sitting following an adjournment of the House of Assembly.

Financing of operations

- 33.** (1) The auditor general shall submit annually to the commission for its approval estimates of the sums that will be required to be provided by the Legislature for the payment of the salaries, allowances and expenses of the office under this Act during the next ensuing fiscal year.
- (2) The commission shall review and may alter as it considers proper the estimates submitted under subsection (1) and, upon completion of the review, the Speaker of the House of Assembly shall submit the estimates as approved by the commission to the House of Assembly for the purpose of inclusion in the estimates of the province for approval by the Legislature.

Auditor general may charge fees

- 34.** (1) Where the auditor general conducts examinations or audits an agency of the Crown or Crown controlled corporation, the auditor general may charge fees for professional services rendered by his or her office.

Appendix I

(2) The fees referred to in subsection (1) shall be established on a basis that may be approved by the Lieutenant-Governor in Council.

(3) The fees charged and collected by the auditor general under this section shall be paid into the Consolidated Revenue Fund.

Consequential

35. (1) Persons in the employ of the Department of the Auditor General at the commencement of this Act are considered to have been appointed in accordance with this Act.

(2) Upon the commencement of this Act, the Department of the Auditor General is considered to be and is continued in the name of the Office of the Auditor General under this Act.

(3) A reference in another Act to the auditor general appointed under the *Financial Administration Act* or a reference in another Act to the auditor general shall be considered to be a reference to the auditor general appointed under this Act.

1973 No.86 Amdt.

36. (1) Paragraph 2(a) of the *Financial Administration Act* is repealed and the following substituted:

"(a) "auditor general" means the Auditor General of Newfoundland and Labrador appointed under the *Auditor General Act* and includes all employees acting under the auditor general's direction;".

(2) Sections 58 to 71 of the Act are repealed.

(3) Subsection 83(1) of the Act is amended by striking out the words "and the Auditor General" and the words "or the Auditor General".

**APPENDIX
II
DEPARTMENTAL AUDITS
PERFORMED BY THE
OFFICE OF THE AUDITOR GENERAL**

Appendix II

(as they were presented in the Province's Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2007)

General Government Sector

- Consolidated Fund Services
- Executive Council
- Finance
- Government Services
- Labrador and Aboriginal Affairs
- Legislature
- Public Service Commission
- Transportation and Works

Resource Sector

- Business
- Environment and Conservation
- Fisheries and Aquaculture
- Innovation, Trade and Rural Development
- Natural Resources
- Tourism, Culture and Recreation

Social Sector

- Education
- Health and Community Services
- Human Resources, Labour and Employment
- Justice
- Municipal Affairs
- Newfoundland and Labrador Housing

Appendix II

**APPENDIX
III
AGENCIES OF THE CROWN
WHOSE FINANCIAL STATEMENT AUDITS
ARE PERFORMED BY THE
OFFICE OF THE AUDITOR GENERAL**

Appendix III

<u>Entity</u>	<u>Year End</u>	<u>Auditor's Report</u>
Department of Education		
Private Training Corporation	31 December 2006	28 June 2007
Provincial Information and Library Resources Board	31 March 2007	13 June 2007
Student Loan Corporation of Newfoundland and Labrador	31 March 2007	15 June 2007
Executive Council		
Labrador Transportation Initiative Fund	31 March 2007	11 June 2007
Provincial Advisory Council on the Status of Women Newfoundland and Labrador	31 March 2007	3 July 2007
Department of Finance		
C. A. Pippy Park Commission	31 March 2007	Not completed
C. A. Pippy Park Golf Course Limited	31 March 2007	Not completed
Newfoundland Government Fund Limited	31 December 2006	Not completed
Newfoundland and Labrador Government Sinking Fund	31 March 2007	20 June 2007
Newfoundland and Labrador Industrial Development Corporation	31 March 2007	31 May 2007
Newfoundland and Labrador Municipal Financing Corporation	31 March 2007	14 June 2007
Newvest Corporation	31 December 2006	2 May 2007
Province of Newfoundland and Labrador Pooled Pension Fund	31 December 2006	14 May 2007
Department of Government Services		
Consumer Protection Fund for Prepaid Funeral Services	31 March 2007	26 June 2007
Public Accountants Licensing Board	31 December 2006	5 April 2007
Department of Human Resources, Labour and Employment		
Newfoundland and Labrador Student Investment and Opportunity Corporation	31 March 2007	6 July 2007
Newfoundland and Labrador Housing Corporation	31 March 2007	22 June 2007

Appendix III

<u>Entity</u>	<u>Year End</u>	<u>Auditor's Report</u>
Department of Innovation, Trade and Rural Development		
Business Investment Corporation	31 March 2007	18 May 2007
Newfoundland and Labrador Immigrant Investor Fund Limited	31 March 2007	31 May 2007
Department of Justice		
Director of Support Enforcement	31 March 2007	20 July 2007
Newfoundland and Labrador Legal Aid Commission	31 March 2007	Not completed
Office of the High Sheriff of Newfoundland and Labrador	31 March 2007	15 June 2007
Registrar of the Supreme Court of Newfoundland and Labrador	31 March 2007	15 June 2007
Department of Natural Resources		
Bull Arm Site Corporation	31 March 2007	8 June 2007
Livestock Owners Compensation Board	31 March 2007	19 June 2007
Newfoundland and Labrador Crop Insurance Agency	31 March 2007	19 June 2007
Department of Tourism, Culture and Recreation		
Heritage Foundation of Newfoundland and Labrador	31 March 2007	Not completed
Newfoundland and Labrador Arts Council	31 March 2007	5 July 2007
Special Celebrations Corporation of Newfoundland and Labrador Inc.	31 March 2007	1 June 2007
The Rooms Corporation of Newfoundland and Labrador Inc.	31 March 2007	6 June 2007

**APPENDIX
IV
AGENCIES OF THE CROWN
WHOSE FINANCIAL STATEMENT AUDITS
ARE PERFORMED BY
PRIVATE SECTOR AUDITORS**

Appendix IV

<u>Entity</u>	<u>Year End</u>	<u>Auditor's Report</u>
Department of Education		
College of the North Atlantic	31 March 2007	15 June 2007
Memorial University of Newfoundland	31 March 2007	12 June 2007
Memorial University of Newfoundland - Pension Plan	31 March 2007	14 June 2007
School Boards		
Conseil Scolaire Francophone Provincial de Terre Neuve et du Labrador	30 June 2007	31 August 2007
District #1 Labrador	30 June 2007	27 July 2007
District #2 Western	30 June 2007	12 September 2007
District #3 Nova Central	30 June 2007	9 November 2007
District #4 Eastern	30 June 2007	31 August 2007
Department of Environment and Conservation		
Multi-Materials Stewardship Board	31 March 2007	28 May 2007
Multi-Materials Stewardship Board Residential Backyard Composting Program	31 March 2007	28 May 2007
Multi-Materials Stewardship Board Waste Management Trust fund	31 March 2007	28 May 2007
Department of Finance		
Newfoundland and Labrador Liquor Corporation	31 March 2007	15 May 2007
Department of Government Services		
Board of Commissioners of Public Utilities	31 March 2007	30 May 2007
Credit Union Deposit Guarantee Corporation	31 December 2006	3 March 2007
Department of Health and Community Services		
Embalmers and Funeral Directors Board	31 December 2006	11 May 2007
Newfoundland and Labrador Centre for Health Information	31 March 2007	25 May 2007
Public Health Laboratory	31 March 2007	5 June 2007

Appendix IV

<u>Entity</u>	<u>Year End</u>	<u>Auditor's Report</u>
Department of Health and Community Services (cont.)		
Regional Integrated Health Authorities		
Central	31 March 2007	15 August 2007
Eastern	31 March 2007	8 June 2007
Labrador Grenfell	31 March 2007	22 June 2007
Western	31 March 2007	18 June 2007
Department of Human Resources, Labour and Employment		
Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador	31 December 2006	2 March 2007
Department of Innovation, Trade and Rural Development		
Newfoundland Hardwoods Limited	31 March 2007	13 June 2007
Newfoundland Ocean Enterprises Limited	31 March 2007	17 May 2007
Department of Municipal Affairs		
Municipal Assessment Agency Inc.	31 March 2007	29 May 2007
Department of Natural Resources		
Churchill Falls Labrador Corporation Limited	31 December 2006	Not Available
Gull Island Power Company Limited	31 December 2006	Not Available
Lower Churchill Development Corporation Limited	31 December 2006	Not Available
Newfoundland and Labrador Hydro Electric Corporation	31 December 2006	9 February 2007
Twin Falls Power Corporation Limited	31 December 2006	Not Available
Department of Tourism, Culture and Recreation		
Marble Mountain Development Corporation	30 April 2007	5 July 2007
Marble Mountain Management Corporation	30 April 2007	5 July 2007
Newfoundland and Labrador Film Development Corporation	31 March 2007	25 May 2007

**APPENDIX
V
ANSWERS TO FREQUENTLY
ASKED QUESTIONS ABOUT THE
OFFICE OF THE AUDITOR GENERAL**

What is the Auditor General's Role in Public Sector Accountability?

Public sector accountability is based on the premise that governing bodies are best served by knowing whether the responsibilities conferred on government departments and agencies are satisfactorily performed and intended results are achieved. The Auditor General brings an independent audit process to the manner in which these conferred responsibilities are discharged in the public sector and reports directly to the House of Assembly on the results of these audits. The role of the Auditor General complements the accountability relationship which exists between Government, its departments, agencies of the Crown, Memorial University of Newfoundland and the House of Assembly.

How is Government Accountable to the House of Assembly?

The way Government spends public money is very important to Newfoundlanders and Labradorians.

Control of the public purse is carried out on behalf of the people by their elected representatives, the Members of the House of Assembly. While it is up to Government to draft budgets and spending estimates, Government cannot collect or spend taxpayers' money without the approval of the House of Assembly. After Government spends the money entrusted to it, there is an obligation to report back to the House of Assembly on how the money was used. This, the obligation to answer for actions taken, is the basis of the accountability relationship that exists between Government and the House of Assembly. As the governing body in this accountability relationship, the House of Assembly is responsible for:

- overseeing the activities of Government; and
- holding Government accountable for its handling of public money.

To assist this process, the Government provides information about how it used the public funds entrusted to it.

But what assurance do Members of the House of Assembly have that this information is appropriate, credible and complete? How can Members know that the information they receive accurately reflects the results of the activities of Government?

What is the role of Legislative Auditors?

The House of Assembly in this Province, as in Legislative Assemblies in other jurisdictions in Canada, uses the services of an Auditor General to assist it in carrying out its oversight responsibilities. Historically, the Assemblies have understood well the need for an independent Legislative Auditor and recognized the position's unique contributions to the public accountability process.

Appendix V

From the view of legislators, the value of Legislative Auditors has not simply been in their technical expertise, it has also been in their ability to conduct audits that may not please those being examined, and to report their findings publicly. This has made their roles indispensable. They have subjected the operations of the public sector as a whole to regular, independent examinations, acting first and foremost in the public interest, as acknowledged champions of open and transparent government.

Defining the unique and vital role of Legislative Auditors in the public accountability process revolves around four key points:

- their independence;
- their mandate;
- their reporting obligations; and
- their expertise in public sector matters.

As a result of working exclusively in the public sector, Legislative Auditors have acquired extensive corporate and operational knowledge of Government. They are specialists in the field of public sector auditing and their credibility with legislators (for example, on topics such as emerging public sector trends and accountability issues) is thus well established. Given their extensive interaction with legislators, Legislative Auditors are in the notable position of being aware of, and understanding legislators' concerns.

Furthermore, having a whole-of-Government mandate has allowed Legislative Auditors to speak to legislators about broad Government matters and to better identify those accountability and performance issues that have the greatest impact on Government. As a consequence, Legislative Auditors are better able to promote consistency of accounting across government organizations, and to make informed decisions about the selection, conduct and reporting of audits.

Why is Independence the Cornerstone of Legislative Auditing?

Independence, the state of being impartial and free from bias and conflicts of interest, is the cornerstone of legislative auditing. Anything that impedes an honest, straightforward and sincere approach to the performance of an audit will reduce public confidence.

In Canada, Legislative Auditors enjoy the confidence of legislators and the public, and their independence is unquestioned. The fact that this independence is largely backed by legislation instils public confidence in the process. For instance, were a legislative audit to reveal significant matters critical to government, those matters would, by law, have to be made known to legislators and the public.

The legislation under which the Office of the Auditor General in Newfoundland and Labrador operates is the *Auditor General Act*. This legislation was assented to on 31 October 1991.

What is Professional Independence?

To be independent in appearance as well as in fact, Legislative Auditors have been granted the freedom to act without undue direction or interference from government.

In practice, and subject to legislation and professional standards, this means that Legislative Auditors are able to determine when and how audits will be conducted and who will conduct them. It is they, for the most part, who have the license to set the audit program for their jurisdictions, choosing the bodies to be audited and determining the nature and scope of audits to be conducted.

From a public accountability perspective, this degree of independence is crucial. Only in this way can there be assurance that all matters of importance are subject to thorough examination, no matter how the results might reflect on those being audited.

What is Personal Independence?

Bolstering the independence of Legislative Auditors even further, legislators, not Government, generally make decisions pertaining to the auditors' appointment, tenure, reappointment, remuneration and resources. Such decisions are overseen and approved by each Legislative Assembly as a whole.

In this Province, the House of Assembly has assured this independence by appointing the Auditor General for a 10 year non-renewable term as an Officer of the House of Assembly, with removal permitted only for cause or incapacity. As well, the *Auditor General Act* provides the Auditor General with immunity from legal action.

How do Legislative Auditors differ from Other Audit Professionals?

Being an Officer of the House of Assembly means being, above all, responsive to the Assembly's interests and wishes. This position as the Assemblies' Officer, combined with the responsibility to audit the whole of Government, is what sets Legislative Auditors apart from other audit professionals working in the public sector.

What is meant by “whole-of government” mandate?

The Auditor General is the only official channel through which the House of Assembly is regularly and consistently kept informed of Government's stewardship of public funds.

The House of Assembly has granted the Auditor General a “whole-of government” mandate, covering organizations as diverse as Government departments, agencies, commissions, boards and Crown corporations. In this way, the House of Assembly is assured of receiving the Auditor General's conclusions and recommendations for the entire Government entity, regardless of whether or not the executive branch of Government has hired a private sector auditor to audit a specific organization or program of Government.

What is the Breadth of Audit Coverage

Legislative Auditors in Canada meet their auditing objectives by examining a very broad range of issues. These issues are not necessarily the same ones encountered in the private sector, mainly because of the basic differences between organizations in the private sector and those in government. For example, because government organizations have public policy objectives, the results of their operations cannot be assessed based solely on their financial statements.

Recognizing this distinction, Legislative Assemblies have broadened the scope of the work that Legislative Auditors may do to obtain the information they need to hold government accountable. This information focuses on the financial, operational and compliance with authorities performance of government organizations.

To whom does the Auditor General Report?

As an independent Officer, the Auditor General reports directly to the House of Assembly, at least annually, on anything the Auditor General feels should be brought to the Members' attention. The reports become a matter of public record and cover a wide range of issues of interest to legislators and the public, including compliance, evaluation of accountability relationships, management practices and control systems, and review of program results compared to established criteria. Having one auditor reporting to the House of Assembly is an efficient and effective means of ensuring that Members receive the information they need to hold Government accountable. The Auditor General also has direct access to the Public Accounts Committee. This provides a formal means of discussing reported audit findings with Members.

To whom are the Legislative Auditors Accountable?

Questions are raised from time to time about what the appropriate involvement and role of a Legislative Auditor should be and to whom Legislative Auditors are accountable?

The fact is, Legislative Auditors fulfil a distinctive position in the accountability regime of governments. They have been able to serve the accountability relationship between government and the Legislative Assembly because they have sufficient independence from government to be credible, they have mandates that are set out in legislation, and they have the forums to report directly to their Assembly. Moreover, they have acquired the necessary expertise to carry out their role effectively.

Such independence as that bestowed on Legislative Auditors requires that they themselves be accountable to their respective Legislative Assemblies. This means that Legislative Auditors are obligated to report directly to the Assembly on how they carry out their responsibilities and how the services they are providing add value to the accountability process.

Appendix V

The resources available to the Auditor General are determined through discussion with the House of Assembly Management Commission. This Commission is a Committee of the House of Assembly, over which the Speaker of the House presides, and is responsible for all matters of financial and administrative policy affecting the House of Assembly, its offices (including the Office of the Auditor General) and its staff. The *Auditor General Act* requires that estimates of the sums required to be provided by the Legislature for the payment of salaries and other expenses of the Office of the Auditor General be submitted to the Commission for its approval. As well, each year, the financial statements for the Office are to be audited by an auditor appointed by the Commission, with the audited statements being tabled in the House of Assembly.

Who Audits the Auditor General?

Each year, the financial statements for the Office are to be audited by an auditor appointed by the House of Assembly Management Commission, with the audited statements being tabled in the House of Assembly.

As well, the Public Service Commission, the Government Purchasing Agency and the Office of the Comptroller General have the authority to and regularly review related aspects of the Office's operations.

Furthermore, a sample of our audit files are periodically reviewed by a representative of another Canadian Legislative audit office to ensure that our files comply with Canadian generally accepted auditing standards.