

estimated cost of the Hull 100 will exceed \$9 million and it will not be available for service until 2004.

As a result of an amendment to the *Public Tender Act* in December 2001, the Department paid \$500,000 for refit work considered as unknown without having to issue a public tender for the additional work. Furthermore, as a result of the amendment, members of the House of Assembly are no longer required to be notified of this type of additional work not tendered.

Labrador Transportation Initiative Fund

In 1997, the Province received approximately \$348 million from the Federal Government and assumed responsibility for the Labrador ferry service. The \$348 million was intended to fund this service in perpetuity. However, \$207 million of the Fund has been used to construct the Labrador Highway and \$96.1 million has been used to fund operating costs of the ferry service. At 31 March 2003, the balance of the Fund was \$107.4 million and officials of the Labrador Transportation Initiative Fund have indicated that, if Phase III of the Labrador Highway is funded through this Fund, it is expected to be fully depleted by the 2005-06 fiscal year.

Labrador Ferry Service

The Department contravened the *Public Tender Act* by awarding three contracts valued at \$12.2 million without a public tender call. Each of these contracts were extensions of existing contracts. Furthermore, these exceptions were not reported to the House of Assembly as required under the *Act*.

The Department made payments totalling \$98,520 to two contractors for costs that were not required under the contracts.

Chapter 3

Update on Prior Years' Report Items

This year we continued a process whereby our recommendations are monitored and the results reported within two years of the original report date. This chapter provides the results of this monitoring process relating to the recommendations contained in 2001 and prior

Chapter 4

Special Reports

Marine and Mountain Zone Corporation

Section 15 of the *Auditor General Act* requires that we report to the Lieutenant-Governor in Council any improper retention or misappropriation of public money or other activity that comes to our attention during our audits. This section also requires that we provide a general description in the Auditor General's annual report of any incidents referred to the Lieutenant-Governor in Council.

On 9 June 2003 we reported to the Lieutenant-Governor in Council that our review of expenditures of the Marine and Mountain Zone Corporation identified unauthorized payments which were made directly to or on behalf of an employee of the Corporation. For additional information, see item 2.26.