

- inconsistent compensation practices among Government entities;
- financial and administrative practices at the Central West Health Corporation, the Royal Newfoundland Constabulary, Memorial University of Newfoundland, and the Municipal Assessment Agency;
- management practices over the Newfoundland and Labrador Prescription Drug Program;
- the use of secondments in filling positions at the Department of Education;
- licensing, monitoring and inspecting personal care homes;
- the lack of Province-wide coverage for land based 911 emergency response services;
- registering and inspecting petroleum storage systems and enforcing compliance with environmental legislation;
- measures used to monitor the Income Support Program;
- depletion of the Labrador Transportation Initiative Fund;
- Government's investment in Icewater Seafoods Inc. and in a manufacturing company; and
- management of Government's vacant/surplus properties.

Chapter 2

Comments on Audits and Additional Examinations

2.1 Inconsistent Compensation Practices

The Public Service Secretariat indicates that the public sector has approximately 41,000 employees located throughout direct Government, the health authorities, the school districts and various Government entities such as Memorial University of Newfoundland and Newfoundland and Labrador Hydro.

There are many examples of inconsistent compensation practices among these Government entities. These inconsistent compensation practices relate to such items as salaries and termination benefits, leave, overtime, travel allowances and employee computer purchase plans.

Of particular concern is that many of the inconsistencies relate to the more senior officials at the entities. Furthermore, in these instances the senior officials are often aware of the inconsistencies and in many instances (such as the school boards and hospital boards) even though they were told to stop such practices, they continue to take the higher benefits. From my discussions with many senior officials at Government entities I get the sense that these officials feel justified in their actions and have an attitude that -if the other board can do it then so can they.

My Office has been reporting inconsistencies in compensation practices among Government entities since the early 1990s and yet nothing seems to change. It is my opinion that the inconsistent compensation practices continue because there is no consequence of doing so.

On 2 June 1994, Cabinet directed that Treasury Board advise all Government entities including boards, agencies and commissions that they should comply with compensation practices established for Government departments.

However, adequate steps were not taken at the time to ensure that Government entities comply with Government compensation practices. Discussions with officials of Executive Council indicated that, with certain exceptions, there has been no clear policy direction on the extent of conformity required by boards, agencies and commissions with Government compensation practices.

Consequently, we continue to find numerous incidents of compensation practices in Government entities that are not consistent with the compensation practices established for Government departments.

Memorial University of Newfoundland and Newfoundland and Labrador Hydro have salary levels which are not consistent with those established for Government departments. Although Government and each of these entities use a job classification system, instances of higher pay for similar work (i.e. a compensation inconsistency) occur as a result of different compensation standards.

All departments, boards, agencies and commissions are using public money to compensate employees. Government is the ultimate employer of all public employees whether they work for Government departments or a Government entity. However, we continue to see that Government employees are not all compensated on a consistent basis. Furthermore, these inequities usually result in increased costs for Government.

2.2 Monitoring Agencies of the Crown

A major role of the Office of the Auditor General is to monitor Crown agencies and provide information to the House of Assembly. Section 14 of the *Auditor General Act* requires the auditor of an agency of the Crown or a Crown controlled corporation to deliver to the Auditor General, after completion of the audit, a copy of the auditors' report, audited financial statements and recommendations to management. These financial statements and management letters along with our Office's audits of Crown agencies provide the basis for our monitoring of all Crown agencies.

Of the 77 (2004 -84) entities required to prepare annual financial statements, 30 (2004 -31) were audited by our Office while 45 (2004 -51) were audited by private sector auditors. Contrary to their governing legislation, the remaining 2 entities, the Memorial University Foundation and the Newfoundland and Labrador Occupational Therapy Board have never submitted audited financial statements.

As of 15 December 2005, we had not received the audited financial statements and management letter for 1 of the 45 entities audited by private sector auditors, the Literacy Development Council of Newfoundland and Labrador. For the majority of the remaining 44 entities, we did not receive the audited financial statements and management letters from the private sector auditors on a timely basis. On average, audits are completed and the auditors' reports signed within 3 months after the year-end. However, in most cases, our Office does not receive the financial statements and related management letters until another 4 months after the audit report date, and often only after follow-up by our Office.