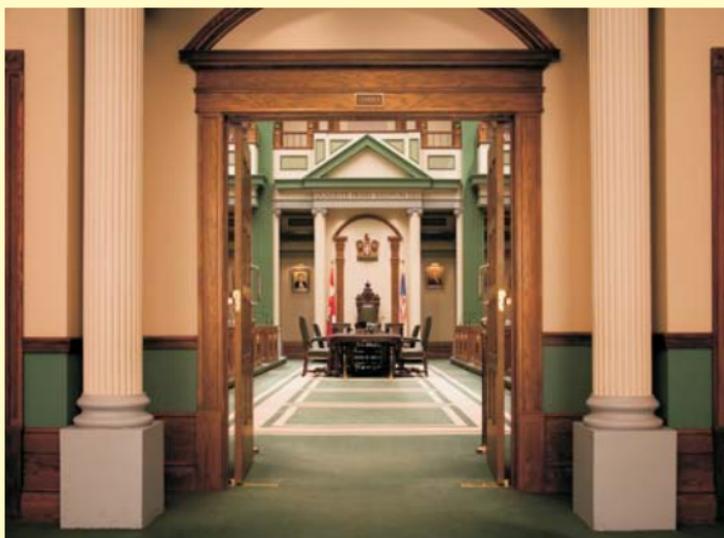




# REPORT OF THE AUDITOR GENERAL

To the House of Assembly



Summary

For the Year Ended  
31 March 2009



**Office of the Auditor General**  
*Newfoundland and Labrador*

**Newfoundland and Labrador**

**January 2010**

# Summary

Report of the Auditor General  
to the House of Assembly

*Reviews of Departments and Crown Agencies*

**for the Year Ended  
31 March 2009**

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### Preface

This document is presented as a summary of the *Report of the Auditor General to the House of Assembly on Reviews of Departments and Crown Agencies for the Year Ended 31 March 2009*. That Report contains approximately 600 pages of conclusions, commentary, recommendations and auditees' comments.

This document contains summary information on each chapter included in the Report. Information for Chapter 2 has been copied verbatim from the Executive Summary that is located at the beginning of each Part in that Chapter. When readers identify a topic of interest, we encourage them to read the relevant section in the Report.

### Introduction

The *Report of the Auditor General to the House of Assembly on Reviews of Departments and Crown Agencies for the Year Ended 31 March 2009* was prepared in compliance with Section 12 of the *Auditor General Act*. Section 12 requires that the Report outline significant matters noted during the course of examining the accounts of the Province, agencies of the Crown and other entities which, in our opinion, should be brought to the attention of the House of Assembly.

Comments on the audit of the Province's financial statements for the year ended 31 March 2009 are also contained in this Report in Chapter 3. A *Report on Updates on Prior Years' Report Items* was submitted to the Speaker of the House of Assembly on 28 October 2009. In addition, a *Report on the Business Plan for the Year Ended 31 March 2009* was submitted to the Speaker of the House of Assembly on 27 August 2009.

### Access to Reports

Reports issued by the Office of the Auditor General are available on the Office's web site at: <http://www.gov.nl.ca/ag/reports.htm>.

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## Chapter 1

### **Reflections of the Auditor General**

This Chapter provides an introduction to the Report as well as an overview of changes to the Report format this year.

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### Comments on Audits and Additional Examinations

#### Part 2.1

#### **EXECUTIVE COUNCIL**

#### Review of Overtime

Overtime represents the hours worked by an employee in the performance of a specific task or a designated project that requires the employee to work on designated paid holidays or in excess of their regularly scheduled or normal hours of work. Employees are compensated for their overtime work either by payment or by authorized time-off-in-lieu (TOIL). Overtime represents a significant cost for Government and for the year ended 31 March 2009, Government departments paid a total of \$20.9 million in overtime and, at 31 March 2009, there was a total of \$10.9 million owing to Government employees related to TOIL.

Given the significant cost associated with overtime, it is important for Government to have systems and procedures to budget, authorize, record, monitor and control these costs. Such systems and procedures include a requirement to consider alternate work arrangements in order to minimize overtime costs.

Subsequent to our initial review in 2001, Government established a committee which issued 42 recommendations to enhance monitoring of overtime expenditures with a view to reducing overtime costs. However, our review of overtime for Government departments from our initial review to 31 March 2009 indicated that overtime costs have significantly increased during this period. As a result, Government has not been successful in reducing overtime costs. Furthermore, our review indicated that Government is doing a poor job in budgeting overtime payments. In particular:

#### **Overtime Payments**

- Overtime payments have increased by \$7.4 million (55%) from \$13.5 million in 2001 to \$20.9 million in 2009. The increase is accounted for as follows:

- \$2.9 million - Justice (overtime payments of \$1.6 million in 2001 and \$4.5 million in 2009 representing an increase of \$2.9 million or 181%);
  - \$2.6 million - Transportation and Works (overtime payments of \$9.3 million in 2001 and \$11.9 million in 2009 representing an increase of \$2.6 million or 28%);
  - \$0.3 million - Natural Resources (overtime payments of \$1.3 million in 2001 and \$1.6 million in 2009 representing an increase of \$0.3 million or 23%); and
  - \$1.6 million - all other departments (overtime payments of \$1.3 million in 2001 and \$2.9 million in 2009 representing an increase of \$1.6 million or 123%).
- Three departments accounted for \$18.0 million (86%) of the total \$20.9 million paid in 2009:
    - \$11.9 million (57%) - Transportation and Works - \$7.5 million relates to Depots and \$3.6 million relates to the Marine Services Division;
    - \$4.5 million (21%) - Justice - \$2.3 million relates to the RNC and \$1.8 million relates to Corrections; and
    - \$1.6 million (8%) - Natural Resources - \$1.1 million relates to Forest Management.
  - During our review, we identified many employees who received significant overtime payments during the period 1 April 2001 to 31 March 2009. We found the following:
    - In the 8 year period to 2009, 445 employees each received at least 50% in excess of their regular pay in overtime payments. The regular pay of these employees totalled \$20.3 million while their overtime payments totalled \$13.0 million. Therefore, on average, these employees received overtime payments equal to 64% of their regular pay.

- In 2009, 40 employees received \$30,000 or more each in overtime payments during the year totalling \$1.8 million and accounted for 8.6% of all overtime paid during 2009. In 2001, 3 employees received \$30,000 or more each in overtime payments during the year totalling \$0.1 million and accounted for 0.7% of all overtime paid during 2001.
- The Marine Services Division and the RNC had the most instances of significant overtime payments. For example:

A marine engineer at the Department of Transportation and Works has been paid overtime totalling \$303,000 for the five year period 2005 through to 2009 as follows: 2005 - \$31,000; 2006 - \$42,000; 2007 - \$69,000; 2008 - \$58,000; and 2009 - \$103,000. This employee's regular pay during this period was \$296,000; therefore, this employee received \$599,000 from the regular pay and overtime during this five year period and received 102% of their regular pay in overtime payments.

A sergeant at the RNC has been paid overtime totalling \$235,000 for the four year period 2006 through to 2009 as follows: 2006 - \$38,000; 2007 - \$62,000; 2008 - \$108,000; and 2009 - \$27,000. This employee's regular pay during this period was \$259,000; therefore, this employee received \$494,000 from their regular pay and overtime during this four year period and received 91% of their regular pay in overtime payments.

### **Time-Off-In-Lieu (TOIL)**

- The liability for TOIL has increased by \$6.7 million (160%) from \$4.2 million in 2001 to \$10.9 million in 2009. The increase is accounted for as follows:
  - \$1.8 million - Transportation and Works (liability of \$2.4 million in 2001 and \$4.2 million in 2009 representing an increase of \$1.8 million or 75%);

- \$1.0 million - Finance (liability of \$0.1 million in 2001 and \$1.1 million in 2009 representing an increase of \$1.0 million or 1,000%);
  - \$1.0 million - Justice (liability of \$0.0 million in 2001 and \$1.0 million in 2009 representing an increase of \$1.0 million or 1,000%);
  - \$0.7 million - Tourism, Culture and Recreation (liability of \$0.5 million in 2001 and \$1.2 million in 2009 representing an increase of \$0.7 million or 140%); and
  - \$2.2 million - all other departments (liability of \$1.2 million in 2001 and \$3.4 million in 2009 representing an increase of \$2.2 million or 183%).
- Four departments accounted for \$7.5 million (69%) of the total accumulated TOIL of \$10.9 million as at 31 March 2009:
    - \$4.2 million (39%) – Transportation and Works;
    - \$1.2 million (11%) – Tourism, Culture and Recreation;
    - \$1.1 million (10%) – Finance; and
    - \$1.0 million (9%) – Justice.
  - During our review, we identified many employees who accumulated significant amounts of TOIL during the period 1 April 2001 to 31 March 2009. We found the following:
    - In 2009, 43 employees each had an accumulated TOIL balance equal to at least 50% of their annual salary. The annual salary of these employees for 2009 totalled \$2.8 million while their accumulated TOIL balance totalled \$2.5 million. Therefore, on average, these employees had an accumulated TOIL balance equal to 89% of their annual salary.

- In 2009, 43 employees had an accumulated TOIL balance of \$30,000 or more each which totalled \$2.6 million and accounted for 24% of all accumulated TOIL. In 2001, 2 employees had an accumulated TOIL balance of \$30,000 or more each which totalled \$93,000 and accounted for 2% of all accumulated TOIL.
- Examples of significant instances of accumulation of TOIL are as follows:

An employee at the Legislature had accumulated TOIL of \$210,000 as at 31 March 2009. During the three year period, 2007 through to 2009, this employee accumulated \$186,000 as follows: 2007 - \$80,000; 2008 - \$41,000; and 2009 - \$65,000. This employee's annual salary for 2009 was \$96,000; therefore, this employee had accumulated TOIL equal to 219% of their annual salary.

The regional manager of one of the Arts and Culture Centres at the Department of Tourism, Culture and Recreation had accumulated TOIL of \$163,000 as at 31 March 2009. During the four-year period 2006 through to 2009, this employee accumulated \$88,000 as follows: 2006 - \$28,000; 2007 - \$16,000; 2008 - \$19,000; and 2009 - \$25,000. This employee's annual salary for 2009 was \$55,000; therefore, this employee had accumulated TOIL equal to 296% of their annual salary.

- Other than the RNC, Government does not have a policy which requires TOIL to be either used or paid by the end of a fiscal year. As a result, employees have accumulated significant amounts of TOIL. The value of the TOIL will increase as employees' salaries increase either through wage increases or reclassifications.

## Monitoring Overtime Costs

- For the period 1 April 2001 to 31 March 2009 Government significantly exceeded its budget for overtime. During this period, Government budgeted \$67.5 million, while the actual payments totalled \$126.9 million. As this shows, actual payments exceeded budget by \$59.4 million (88%). The difference is accounted for as follows:
  - \$22.0 million (33%) – Transportation and Works;
  - \$16.8 million (25%) – Justice;
  - \$4.2 million (6%) – Natural Resources; and
  - \$16.4 million (24%) – All other departments.

In 2009, Government exceeded its budget by \$11.4 million (budget \$9.5 million and actual payments of \$20.9 million) or 120%. In 2008, Government exceeded its budget by \$12.3 million (budget \$8.6 million and actual payments of \$20.9 million) or 143%. This shows that Government is not doing a good job in budgeting for overtime payments.

- In order for Government to adequately monitor and control overtime costs, it requires complete information on all overtime hours worked, all overtime paid, and all overtime taken in TOIL. However, Government does not have a system that either provides total overtime hours worked or how many of these overtime hours were taken in TOIL. Furthermore, this can have a cumulative effect if it creates the need for overtime that in turn causes more overtime. As a result, Government cannot readily determine its total overtime costs. All Government can conclude with the current information is how much was actually paid out in overtime dollars during the year and the balance of TOIL at the end of the year.

- The Office of the Comptroller General (OCG) has been providing Treasury Board with semi-annual updates and an Annual Report on Overtime Expenditures since 2003. We requested access to the Annual Report on Overtime Expenditures from the OCG for the year ended 31 March 2009; however, we determined that Executive Council instructed that the Report not be provided. We wrote Executive Council on 12 November 2009 and, as at 7 January 2010, no response had been received. However, we understand that the Report would not be provided to the Office because it was considered to be a Cabinet submission and therefore access would be restricted in accordance with the *Auditor General Act*. We disagree with their position on this matter because, in our opinion, the Reports do not contain information that would constitute a Cabinet submission. This particular incident causes significant concerns about access to information necessary to complete work in accordance with the *Auditor General Act*.

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## Part 2.2

### **DEPARTMENT OF CHILD, YOUTH AND FAMILY SERVICES**

#### Child Care Services

Under the *Child Care Services Act* (the *Act*), the four Regional Health Authorities (RHAs) are responsible for the day-to-day administration of the provisions of the legislation within each region with respect to the licensing and monitoring of child care services in the region. The Department of Health and Community Services (the Department) had overall responsibility for child care services in the Province (responsibility was assumed by the new Department of Child, Youth and Family Services during 2009).

As at January 2009, there were 170 licensed child care centres throughout the Province and 68 family child care homes. Of the 68 family child care homes, 57 were affiliated with 2 agencies (Eastern and Western), and 11 were in regions without agencies or directly licensed by the RHAs. In total there were 6,032 available spaces for child care, comprised of 5,621 at child care centres and 411 at family child care homes.

Although the Department and the four RHAs have made progress in implementing our previous recommendations relating to licensing and monitoring of child care services in the Province, our current review indicated that there are still issues within the child care services as follows:

#### **Monitoring - Child Care Centres**

Policies at the Department of Health and Community Services require that RHA officials make monthly visits where possible to child care service providers and formally evaluate each provider at least annually or more frequently if the situation requires. Our review of 34 files from the four RHAs identified the following deficiencies:

##### *Operators*

In 14 files there were 28 instances relating to child care centre operators where files did not contain the required documentation or evidence that the requirements were waived by the Regional Director as follows:

- 1 - no evidence that the application had been approved;
- 7 - no evidence of a current Level II Certification for Child Care Services;
- 6 - no evidence of a current first aid certification;
- 9 - no evidence of a current Child Protection Records Check; and
- 5 - no evidence of a current Certificate of Conduct.

### *Staff*

In 13 files there were 30 instances relating to 79 staff at child care centres where files did not contain the required documentation or evidence that the requirements were waived by the Regional Director as follows:

- 5 - no evidence of a current Early Childhood Education Certification for Child Care Services;
- 7 - no evidence of a current first aid certification;
- 7 - no evidence of a current Child Protection Records Check;
- 8 - no evidence of a current Certificate of Conduct; and
- 3 - no evidence of a record of immunization.

Two additional files did not contain a staff summary document which is used to identify staff and monitor all of the required documentation along with expiry dates.

### *Inspections*

There were 8 instances where there was no evidence that the required annual inspections by RHA officials had been performed. The annual inspections were not performed as follows: 3 - Eastern (Urban); 2 - Central; and 3 - Western.

Only 1 RHA (Central) had a preprinted form detailing all of the areas that were required to be checked during the monthly visits. The other 3 RHAs used a preprinted form which only had a section for comments and actions required. As a result, the 3 RHAs could not readily demonstrate that all areas were checked as required.

### *Violations*

In 11 files there were 14 instances where RHA officials did not issue violation orders even though there was a non-compliance with the *Act* and *Regulations*. These instances included such things as:

- in 2 instances an employee had been on site without a current Child Protection Records Check;
- a recurring issue identified during three visits to a centre over a four month period, where there were limited or no files maintained for children at the centre;
- a homeroom lead staff did not have the required Level I Certification for Child Care Services;
- equipment and materials were blocking a centre's emergency exit;
- at one centre a medicine cabinet was not locked;
- no documentation on file for substitute staff working at the centre; and
- at one centre children were being taken for walks without first aid kit/supplies.

## **Licensing of Child Care Centres**

Contrary to the *Act* and *Regulations*, child care centres did not always submit, within the timeframes prescribed, applications and documentation specified for licensing and continuing operation. Our review of 34 files from the four RHAs identified the following deficiencies:

- in 15 files the centres applied for licence renewal after the 60 day minimum notice prior to licence expiry. Centres applied for licence renewal from 2 days to 58 days prior to licence expiry;
- in 9 files there was no evidence on file during our review to show evidence of current liability insurance; and
- in 1 file there was no evidence of follow-up during the licensing process to determine whether the centre met the condition of having all medications in a locked container.

## **Family Child Care Homes**

The *Act* and *Regulations* outline a number of application requirements relating to the issuance of a licence to operate a family child care home.

Our review of 13 files for family child care homes for three RHAs (Labrador-Grenfell had no family child care homes) identified the following issues with regards to family child care homes affiliated with licensed child care agencies:

- in 1 file there was no evidence of an application for renewal of approval; and
- in 6 files the facilities submitted renewal applications dated after the date of expiration on the prior approval. In these cases, the facilities operated without approval for between 2 days and 28 days.

## Part 2.3

### **DEPARTMENT OF CHILD, YOUTH AND FAMILY SERVICES**

#### Protective Intervention Program for Children at Risk

The *Child, Youth and Family Services Act* (the *Act*), established the Protective Intervention Program (PIP). The PIP is one of four service components of the *Act*. The other three are: Family Services, Youth Services and In Care (Foster Care). The purpose of the PIP is to intervene, assess and secure the safety, health and well being of children under the age of 16 who are at risk of being maltreated by their parent(s). Maltreatment refers to the neglect of a child or the non-accidental infliction of injury or harm to a child. It would also include the failure to protect a child from the non-accidental infliction of injury or harm by another person. Section 14 of the *Act* defines what would constitute a child in need of protection.

Prior to 9 April 2009 the Department of Health and Community Services had responsibility for the PIP. On 9 April 2009 the Government established the Department of Child, Youth and Family Services. This new Department assumed responsibility for the oversight of the PIP from the Department of Health and Community Services. This review of the PIP was conducted during the period when it was the responsibility of the Department of Health and Community Services (the Department).

During our review of the PIP we determined that, as a result of issues with the delivery and monitoring of that program, there was an increased risk that harm may occur to children. In particular, there were numerous examples where visits and assessments were not completed within the established timeframes, and documentation was either not on file or was incomplete. The following are details on issues which contributed to the increased risk:

#### **Referrals not investigated within the required time frames**

The Risk Management System is comprised of a computerized database (CRMS), a series of procedures and reports, and a policies and procedures manual. The System is designed to assist social workers to identify, assess, respond to, and document the risk of child maltreatment within established timeframes.

The most serious failure to meet the required timeframes, which was known by the Department of Health and Community Services and the Eastern RHA, occurred on the northeast Avalon (excluding Conception Bay South) on two occasions, in 2004 and in 2006. Details are as follows:

- In January 2004, the Eastern RHA indicated that there were 559 cases that were considered backlog assessment cases.

Special measures such as the redeployment of social workers, the curtailment of training, along with additional funding from Government to recruit 15 additional temporary staff were taken; however, this backlog was not resolved until June 2005.

- In October 2006 the Eastern RHA determined that it was again experiencing a backlog. As of June 2007, the Eastern RHA indicated that there were 642 cases that were considered backlog assessment cases and again undertook special measures to address the backlog.

Although the Eastern RHA created a new assessment team to deal exclusively with backlogged cases, due to ongoing issues (such as insufficient staff resources, high volume of assessments being received on an ongoing basis, and increased complexity of cases), at 31 October 2008, there were 613 cases that were still considered backlog assessment cases. Officials indicated that 149 of the 613 related to the June 2007 backlog cases.

In addition to the 2004 and 2006 backlogs whereby cases were not completed within the standard timeframes established, we selected a sample of 74 referrals from 3 RHAs (Eastern, Central and Western) to determine compliance with response times. Our review identified the following issues:

### *Initial Visit*

We identified issues with 31 referrals as follows:

- 27 referrals indicated that the initial visit, to interview or observe the child(ren), was not conducted within the required response guidelines (ranging from immediate response to a maximum of 72 hours) after receipt of the referral and for which there were no acceptable explanations. The delays ranged from 1 day to 16 days.

In 3 of the 27 referrals, it was ultimately determined that the children were unsafe once the visit occurred. The delays for these 3 cases ranged from 1 day to 15 days.

- In 4 referrals it could not be determined if the response priority was met because either the interview (observation) date or the response priority was missing from the documentation provided.

### *Safety Assessment*

We identified issues with 22 referrals as follows:

- In 3 referrals the required Safety Assessment, to document whether it was safe for the child(ren) to remain in the current home environment while the referral is being investigated, was not completed.
- In 19 referrals the Safety Assessment was not completed within the required 24 hours of interviewing or observing the child(ren). The delays ranged from 1 day to 76 days.

### *Investigative Summary*

We identified issues with 40 referrals as follows:

- In 11 referrals the required Investigative Summary, used by a social worker to document the verification of the initial referral allegations, determine if further protective intervention was required and to document other information gathered during the investigation, were not completed, or not fully completed.

- In 29 referrals the Investigative Summary was not completed within the required 30 days after receipt of the referral. The delays ranged from 1 day to 303 days.

### *History of Referral Verification*

We identified issues with 16 referrals as follows:

- In 8 referrals the required History of Referral Verification, which documents previous referrals received and provides an overview of the findings of those referrals, was not completed.
- In 8 referrals the History of Referral Verification was not completed within the required 30 days after receipt of the referral. The delays ranged from 2 days to 124 days.

### *Risk Assessment*

We identified issues with 24 referrals as follows:

- In 4 referrals the required Risk Assessment was not completed for cases where the need for long-term intervention was identified.
- In 9 referrals the Risk Assessment was not completed within the required 30 days after receipt of the referral. The delays ranged from 5 days to 144 days.
- In 11 referrals, it could not be determined if a Risk Assessment was necessary because the required Investigative Summary was not completed or not fully completed.

## **The Risk Management System was not fully implemented in the Labrador-Grenfell RHA**

There are concerns with the Labrador-Grenfell RHA's ability to comply with the Provincial standards established by the Department when intervening and investigating situations where the safety, health and well being of children may be at risk. This situation exists because the RHA was not able to implement the Risk Management System in all locations as a result of difficulties in recruiting and retaining social workers.

### **Issues regarding the adequacy of monitoring and evaluation of the PIP**

- The Client and Referral Management System (CRMS) was not capable of producing reports that would allow the Provincial Director and the RHAs to monitor whether the PIP standards are being achieved.
- The Provincial Director did not regularly review or evaluate any RHAs' file information during the period of our review.
- The Provincial Director did not have sufficient staff resources available to monitor and evaluate the PIP.

### **Ministerial Advisory Committee not fulfilling reporting requirements**

Contrary to the requirements of the *Child, Youth and Family Services Act*, the Ministerial Advisory Committee did not prepare biennial reports to the Minister as to whether the purposes and principles of the *Act* are being achieved. Since 2000, only one report, in 2005, was prepared.

Furthermore, the Department of Health and Community Services has not formally reported on its efforts to address the recommendations contained in the 2005 Report. In particular, one of the findings not addressed was that the Department must increase its capacity to monitor and evaluate programs and services.

**The RHAs have not included performance measures on the PIP in their strategic plans and annual reports**

Although the PIP contains performance standards against which actual results could be reported, none of the RHA's Strategic Plans established any goals and objectives with respect to their performance in relation to these standards. As a result, none of the RHAs made any reference in their Annual Reports to their actual performance in relation to the PIP's performance standards.

As a result, Members of the House of Assembly are not being informed about the performance of the PIP relative to established performance standards.

## Part 2.4

### **DEPARTMENT OF ENVIRONMENT AND CONSERVATION** Administration and Management of Crown Lands

The Department of Environment and Conservation (the Department) through its Lands Branch (Branch) is responsible for the administration and management of Provincial Crown land resources, including among other things: administering the licensing, leasing, sale and transfer of Crown land; maintaining the Provincial Crown land registry; implementing the Provincial Geomatics Strategy; maintaining a digital mapping system that includes an inventory of cadastral and land use information; and enforcing lands legislation, including legislation to prevent the illegal occupation of Crown land.

Our review of the administration and management of Provincial Crown land resources indicated a number of issues with regard to illegal occupation of Crown land, lack of an inspection program for shoreline Crown land and lack of an inspection program for compliance with leases and licences. In addition, the Lands Branch Geographic Information System (GIS) was outdated, incomplete and inaccurate. In particular, our findings included the following:

#### **Illegal Occupation of Crown Land**

The Department estimated that there were in excess of 9,000 structures illegally occupying Crown land as at November 2009, comprised of approximately 4,200 trailers, 3,800 cabins and 1,000 other structures such as fences and gates. The Department has authority under the Lands Act to inspect and order the removal of illegal structures within 60 days of serving a “removal notice” on the person(s) who placed, occupies or uses the illegal structure on Crown land. Our review indicated the following:

- The Branch did not maintain an adequate database of information on inspections, removal notices and final disposition of required actions. As a result, the Branch did not have information readily available to manage this activity. For example:
  - For fiscal years 2005 to 2009, the Branch issued 1,151 removal notices. As a result of not having adequate information available, the Branch could not readily

determine the status of 726 or 63.1% of the removal notices and whether structures were legal, had applications to legalize in progress, were removed or continued to illegally occupy Crown land.

- The Branch had difficulty in readily providing complete information on its inspection activities as evidenced by the fact that we had difficulty obtaining and analyzing the information provided by the Branch with respect to inspections of illegal structures. Regional listings detailing the illegal structures inspected and the removal notices issued in 2009 were provided only after significant delay. We had difficulty determining the number of removal notices issued, the number of structures legalized, the number of structures removed and the number and reasons why the remaining structures were not legalized or removed. We also found that removal notices were not pre-numbered and accounted for. Therefore, the Branch did not, and could not, ensure that the listings of removal notices were complete.
- Each year, the Branch receives a significant number of complaints from the public regarding, among other things, the illegal occupation of Crown land. Only the Western Region maintained a database on complaints. As a result, the Branch could not readily provide us with the number, nature or resolution of complaints received at the other three regional offices.
- The Branch estimates that there are in excess of 4,000 recreational campers illegally occupying Crown lands on a long-term basis. This situation has resulted in numerous public health, safety and environmental issues. The Branch indicated that approximately 1,400 of these campers were concentrated in 42 sites throughout the Province. The Branch had only recently started to take action to curb this practice and, as at November 2009, had only been successful in removing approximately 600 structures from 10 of the 42 known sites.

- The Branch had no inspection report that could be used by inspectors to record and attest to the results of inspections carried out. The results of inspections carried out, including the identification of potential illegal structures, the monitoring of compliance with removal notices issued, and the monitoring of inspection performance dates stated in the annual work plans cannot be effectively managed without an inspection report to provide such information. Furthermore, an inspection report would be a necessary source document to populate an information database.

### **No Inspection Program for Shoreline Crown Land**

The Branch did not have an inspection program to address the illegal occupation of shoreline Crown land to determine whether such things as wharves, boathouses and other structures exist without a proper licence. As at 31 December 2008, the Department had issued approximately 9,300 grants for the purpose of recreational cottages; however, only 179 licences were issued for the purpose of wharves and boathouses.

### **No Inspection Program for Compliance with Leases and Licences**

The Branch did not have an inspection program to determine whether there was compliance with the terms and conditions of the approximately 22,600 leases and licences which had been issued up to December 2008. The only inspection activity carried out by the Branch related to ad hoc inspections performed during other activities.

### **Humber Valley Resort Corporation**

In April 2001, the Humber Valley Resort Corporation (the Corporation) entered into a five-year lease with the former Department of Government Services and Lands relating to 160 hectares of land. In August 2005, the Corporation entered into a five-year lease with the Department relating to an additional 613 hectares of land. In September 2008, the Corporation sought bankruptcy protection under the Companies' Creditors Arrangement Act. Our review indicated the following:

- The Branch granted the Corporation all 160 hectares of land

under the 2001 lease without completing an inspection to confirm that development conditions under the lease were complied with. These development conditions included specific work to be completed on the golf course and the requirement for poured foundations for the chalets.

- The Branch entered into the 2005 lease without confirming that development under the 2001 lease had been completed as required. The Branch completed an inspection of the resort in November 2009, after we enquired about whether development conditions under the 2001 lease had been met, whether there was any chalet development under the 2005 lease, and whether there were any buildings or facilities constructed on Crown land under the 2005 lease.

The inspection completed in November 2009 identified the following:

- of the 138 chalet lots granted in the 2001 lease, 96 chalets were completed, 8 chalets were in-progress and 34 lots were vacant; and
- of the 71 chalet lots granted in the 2005 lease, 16 chalets were completed, 7 chalets were in-progress and 48 lots were vacant. There was also a storage building constructed on Crown land.
- Under the terms and conditions of the 2005 lease, the Branch issued grants to the Corporation for the development of 71 chalet lots. The Corporation was required to pay a 6% premium on the greater of the fair market value or the actual purchase price of each chalet lot sold. Our review indicated:
  - The Branch did not obtain a purchase and sale agreement that was signed by the Corporation and the chalet lot purchaser indicating an agreed upon purchase price, and did not determine the fair market value of the chalet lots in relation to the purchase price as required under the lease. As a result, the Branch could not demonstrate whether the 6% market value premiums paid by the Corporation were appropriate.

- The Branch received market value premiums totalling \$2.2 million or an average of \$31,460 per chalet lot. The Corporation, upon sale of the chalet lots, would have received a total of \$37.2 million or an average of \$524,390 per chalet lot. As of September 2008, when the Corporation sought bankruptcy protection, the Branch had received three of the five annual lease payments totalling \$3.8 million of the total \$6.4 million in payments due over the term of the lease.
- The terms and conditions of the 2001 lease were favorable to the Corporation compared to the 2005 lease. For example:
  - The annual lease payments under the 2001 lease amounted to \$4,900 per hectare while under the 2005 lease, the cost per hectare increased by \$5,500 to \$10,400.
  - The 2001 lease did not contain a mechanism to compensate the Province for the fair market value of the chalet lots that were granted to the Corporation for chalet development. However, the 2005 lease required the Corporation to pay a 6% premium calculated on the greater of the fair market value or actual purchase price of the chalet lots that were sold.

### **Geographic Information System (GIS)**

The Branch uses a computer based Geographic Information System (GIS) to analyze and display geospatial data to assist with the identification, management and disposition of Crown land.

We found instances where the data in the GIS was outdated, inaccurate and incomplete. For example:

- There was no system to ensure that the Branch had access to information from applicable Departments and agencies in a timely manner. We found numerous thematic layers of data provided by other Departments which have not been updated since 2006.

- We found instances where the purpose and total area of grants issued was incorrect or was not recorded at all, lease expiry dates were incorrectly recorded, leases that were converted to grants were not closed, and licences were recorded as leases.
- Approximately 4,600 Crown titles covering 840,000 hectares have yet to be plotted in the GIS due to missing records or inadequate survey and/or base map information.
- Of the 146 lots of land totalling approximately 1 million hectares granted to the Reid Newfoundland Company Limited in connection with the construction of the Newfoundland railway, Government re-acquired 145 of the land lots (44 lots purchased in 1974, 86 lots purchased in 1994 and 15 lots expropriated in 2008). However, the Branch did not know the extent of the land within these lots that had been sold privately prior to reacquisition by Government and therefore would not be Crown land.

Branch officials indicated that the master file of GIS data cannot be accessed by staff efficiently because the server is being used well beyond its capacity.

### **Geomatics Strategy**

In 1997 Government approved, in principle, a Geomatics Strategy to provide direction and policies that support, among other things, the efficient sharing of geographic referenced data among users, and the establishment of standards to ensure the alignment and connectivity of data, including the standardization of GIS software and base maps used. Government also established a Steering Committee co-chaired by Government (Lands Branch) and industry to develop a plan to implement the Strategy.

Branch officials could not demonstrate whether the Geomatics Strategy Implementation Plan developed in 1999 was ever reviewed and approved by the Steering Committee or presented to Government for final approval. Furthermore, there has been no meeting of the Steering Committee since approximately the year 2000 and the Lands Branch makes no formal reference to the plan. A Technical

Committee comprised of GIS users throughout Government and chaired by the Lands Branch informally addresses the spirit of the GIS component of the Strategy; however, Branch officials indicated that this committee requires guidance from the executive level of Government to resolve a number of GIS issues.

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## Part 2.5

### **DEPARTMENT OF FISHERIES AND AQUACULTURE**

#### **Fisheries Technology and New Opportunities Program**

The Department of Fisheries and Aquaculture (the Department) administers the Fisheries Technology and New Opportunities Program (FTNOP). This is a \$6 million program over the three fiscal years 2008, 2009 and 2010. As at 31 March 2009, a total of \$2.60 million had been approved for 63 projects.

The primary objective of the FTNOP is to fund eligible activities related to harvesting, processing, and marketing initiatives to diversify and increase the overall viability of the Provincial seafood industry. Its focus is to fund research and development in the harvesting and processing sectors.

Our review indicated a number of concerns related to how the Department is administering the FTNOP. We found that project applications were not always assessed and approved in accordance with program criteria, payments were sometimes made without the required documentation and approvals, and projects were not always adequately monitored to determine whether funds were spent as intended. Furthermore, the Department did not establish measurable criteria in order to determine whether the program objectives were achieved. In particular:

#### **Approval and Assessment**

The approval and assessment process is required in order to ensure that only eligible activities relating to the primary objectives of the FTNOP are funded. We reviewed 40 approved projects and found a number of weaknesses in the approval and assessment process as follows:

- 10 projects totalling \$444,248 – the required application was not on file to provide the required information necessary for a proper assessment and to support either the approval or rejection of the project. These projects were approved based on proposals; however, the proposals did not contain all the information and declarations as required in the application.

- 8 projects totalling \$400,542 – the application on file was incomplete. For 2 of these projects, only the signed declaration on the last page of the application was on file. Without a complete application on file, it is questionable how a proper assessment could be performed to support either the approval or rejection of the project.
- 10 projects totalling \$416,607 – funding for overhead costs totalling \$68,416 was approved even though these expenditures were not considered an eligible FTNOP cost as there was no evidence on file to support that the overhead was directly a result of the project. Existing overhead is not an eligible cost.
- 3 industry-related projects totalling \$78,280 – funding was approved in excess of the FTNOP limits. The FTNOP has a limit of 60% funding capped at \$100,000 for industry-related projects; however, in these cases, the total maximum funding should have been \$38,759 while \$49,030 was paid, representing 76% funding.
- 36 projects totalling \$2.17 million - Project Summary and Approval Forms (PSAFs) on file were incomplete as follows:
  - 22 projects totalling \$1.11 million with 22 PSAFs - there was no information to specify the eligible costs of the project;
  - 15 projects totalling \$963,105 with 16 PSAFs - there was no evidence that comments from the Department of Fisheries and Aquaculture, the Department of Fisheries and Oceans and other agencies were obtained as required;
  - 11 projects totalling \$772,537 with 11 PSAFs - there was no evidence that comments from the Department of Fisheries and Oceans were obtained as required;
  - 12 projects totalling \$879,375 with 12 PSAFs - there was no evidence that comments from other agencies were obtained as required; and

- 2 projects totalling \$104,926 with 2 PSAFs - the required signatures to document the approval were not on file.
- 16 projects totalling \$808,518 - the required supplier quotations, to support the estimated costs of the project, were not provided with the application.
- 24 projects totalling \$1.55 million - these projects were not approved within the 45 days as outlined in the policy. The delay in processing these 24 projects ranged from 1 day to 108 days in excess of the 45 days.
- The minutes of the Management Committee meetings did not always document the decisions of the Committee relating to projects. For 7 projects totalling \$355,709 there was no evidence in the minutes that the projects were recommended for approval by the Committee.

## **Payments**

Adequate documentation and support for eligible project costs are required in order to ensure that payments are made in accordance with policies and procedures. Our review indicated that the required documentation to support payments was not always on file as follows:

- 6 projects with payments totalling \$249,476 – there were no supplier invoices on file to support that advance payments totalling \$212,122 were used within the required six month timeframe.
- 16 projects with payments totalling \$662,232 – there were no supplier invoices on file to support actual costs incurred totalling \$511,794. As a result, it was not possible to verify whether the costs were accurate, actually incurred or if they were incurred after the application date.
- 26 projects with payments totalling \$1.20 million – supplier invoices to support actual costs incurred were not always signed by the Project Officer to indicate that they were eligible costs.

- 4 projects with payments totalling \$201,884 – the required payment memos were not always prepared.
- 30 projects with payments totalling \$1.29 million – the required payment memos were prepared but incomplete.

Our review also identified errors totalling \$44,747 in 7 projects as follows:

- \$26,629 relates to payments for an industry-related project, in excess of the 60% of eligible costs capped at \$100,000. Although maximum funding should have been 60% of \$122,285 or \$73,371, the actual funding was \$100,000, \$26,629 beyond the maximum allowed.
- \$7,518 relates to payments for a project for management and support costs that were not an eligible expense.
- \$1,805 relates to payments for a project for office supplies and communications that were not an eligible expense.
- 6 projects (2 previous projects and 4 others) – HST of \$8,795 was funded although this expenditure would not normally be funded. In 11 other projects there was insufficient documentation on file to determine whether HST was funded.

Payments were not made in compliance with the terms of the contract. For example:

- 2 projects – final payments totalling \$34,637 were made prior to the receipt of the final report; and
- 1 project – final payments totalling \$1,908 were made prior to a site visit.

## **Monitoring**

Project monitoring should be conducted by the Department to ensure compliance with policies and procedures, to ensure that funds were used for the approved purpose, to determine whether the funded

projects were successful and whether FTNOP met its overall objectives. Our review identified the following:

- 40 projects totalling \$2.23 million in approved funding – the required audit and review process was not conducted for any project. This process is intended to determine whether there was compliance with policies and procedures and to determine whether adequate documentation was available to support payments.
- 11 projects totalling \$434,585 in approved funding – no site visits were made.
- 40 projects totalling \$2.23 million in approved funding – the Department did not provide a Terms of Reference for a Final Report to any proponent as required. As a result, it is likely that Final Reports from proponents will not be comparable or include all information necessary for the Department to determine whether the project was completed in accordance with the approved project's objectives and costs.
- 10 projects with payments totalling \$459,093 in approved funding – a written comprehensive final report was not submitted within 30 days of the project completion date as required.
- 7 projects totalling \$405,719 in approved funding – these projects were not completed by the proponent as outlined in their original submission. For example, in one instance the proponent was paid \$119,642 for 3 projects that were to undertake a resource assessment of a fish species in certain fishing zones. The Final Report identified a number of areas where the actual project was different from the approved project, including 20 sites done instead of 30 sites, 4 days of data collection instead of 6 days and 34 days for surveying instead of 50 days in one zone, 5 days of data collection instead of 8 days and 8 survey days instead of 50 days in the other zone. In addition, there was no evidence of a required power point presentation, incorporation of other exploratory fisheries, and feasibility of assessment of transmitter implants.

- The Department did not identify performance indicators for each of its objectives or establish measurable targets for each of the performance indicators. As a result, it could not measure actual results against any targets to determine whether the FTNOP's objectives were being met.

## Part 2.6

### **DEPARTMENT OF GOVERNMENT SERVICES**

#### **Inspection and Monitoring of Radiation Equipment**

The Department of Government Services, through the Occupational Health and Safety Division (OHSD), has responsibilities related to the installation, registration, inspection and monitoring of radiation equipment in the Province under the *Radiation Health and Safety Act (Act)*. The objective is to protect the health and safety of persons, including operators, who are exposed to radiation from such equipment. As at 30 September 2009, there were 608 pieces of radiation equipment in the Province registered with OHSD.

Our review indicated a number of significant deficiencies in how the OHSD discharges its responsibilities related to radiation equipment and ensuring the health and safety of persons including operators. There was non-compliance with the *Act* relating to radiation equipment not being registered, installation not being approved in advance, biennial inspections not always performed and no Radiation Health and Safety Advisory Committee established. In addition, there was no information system relating to the registration of radiation equipment and the information system used to track inspections did not include all necessary information. We found the following:

#### **Registration System**

The OHSD did not have a registration system to track radiation equipment which was required to be registered. Instead, OHSD used a manual listing which we determined was neither accurate nor complete in that equipment which was no longer in service was on the listing and equipment in service was not on the listing. Of the 25 pieces of equipment selected for review, we identified 5 pieces that, although they had been removed from service, were still on the listing. We also identified equipment that, although it was inspected, could not be located on the registration listing.

Furthermore, the listing did not contain sufficient information necessary to monitor radiation equipment. For example, in the majority of instances it was difficult to identify a piece of equipment because, either the description of the equipment was incomplete, or the serial number was not recorded, or information on both the location and owner was not always recorded. In addition, there was no information on the age of equipment, installation date and inspection dates.

As the registration system did not allow the OHSD to readily determine either what equipment was at a particular location or to track additions and disposals of equipment, the OHSD could not adequately plan and complete inspection work as required under the *Act*.

### **Installation and Registration of Radiation Equipment**

We noted the following instances where the *Act* was contravened:

- The approval required from the Minister prior to the installation of radiation equipment was never obtained. Such approval would ensure that plans adequately accommodated the requirements of the equipment being installed. As a result of not obtaining prior Ministerial approval, OHSD officials indicated that there had been instances where radiation emission problems existed and expensive modifications had to be undertaken to address the issues.
- Radiation equipment was not being registered within 30 days of installation. Our review of 20 pieces of equipment indicated that 10 were not registered within 30 days of being installed. The time past the 30 days registration requirement ranged from 5 days to 14 months.
- Radiation equipment was not being re-registered every September. Our review of 20 pieces of equipment indicated that 2 owners had not re-registered their equipment two months after the required 30 September 2009 deadline, and 1 owner did not re-register their equipment until October 2009.

- Owners of radiation equipment where the equipment had been transferred or otherwise disposed of did not always notify the OHSD. Our review indicated that 5 pieces of equipment, while still on the OHSD registration listing, were not in service.

### **Inspection of Radiation Equipment**

The OHSD did not have adequate processes and procedures in place to plan its inspection activities and, contrary to the *Act*, radiation equipment was not being inspected biennially.

- The OHSD did not use a formal risk-based approach in planning its inspection activity. Instead, the OHSD prioritized its inspection activities on the basis of new installations, complaints, transfers and stop work orders. There was no operational plan in place to ensure that all equipment was inspected every two years.
- Our review of 20 inspections selected from the Central Inspection System (CIS) indicated 8 instances where the previous inspection for that location had been completed more than two years prior to the current inspection. The time past the two years ranged from 41 days to 7 years.
- Our review of 20 pieces of equipment from the registration listing indicated that for 5 pieces of equipment the last inspection was greater than two years. The time past the two years ranged from 5 months to 2 years. For 13 pieces of equipment, although the location was visited, as a result of the lack of information in the CIS, OHSD officials could not demonstrate that this equipment was inspected. Furthermore, for 2 pieces of equipment, OHSD officials could not demonstrate whether the equipment had ever been inspected. In these instances, although it was known when the equipment was registered, the date the equipment was taken out of service was unknown.
- OHSD officials indicated that they do not inspect pan x-ray units at dental offices. They indicated that they do not perform these inspections because of fear of damaging their equipment, tests results are not reliable and also there are no specific regulations in the Health Canada codes for guidance. Given

that there was no registration system, OHSD officials could not readily provide us with details as to how many pan x-ray units were in use in the Province.

The inspection summaries completed by the Radiation Protection Officers and used to populate the CIS did not always provide sufficient information to determine what pieces of equipment were inspected, the inspection process followed and the results. Therefore, it was not always possible to track what was inspected to what was registered in order to determine whether inspections were completed as required.

### **CT Scanners**

In an article in the August 2009 edition of the Canadian Medical Association Journal, the President of the Canadian Association of Radiologists stated in relation to patients that “...*one abdominal CT scan is equal to 500 chest x-rays (in terms of radiation dose)*”. It was also noted in the article that from a risk standpoint, “...*between 1% and 2% of cancer cases may be caused by CT radiation exposure.*” While patients are exposed to radiation during a CT scan, standards are in place to protect employees from possible radiation exposure. The inspections conducted by the OHSD are to ensure that radiation exposure to employees is within accepted standards. Even with this potential health and safety issue for persons, including operators, OHSD officials indicated that, contrary to the *Act*, other than during the initial installation of a CT scanner, they did not inspect CT scanners every two years. The Department of Health and Community Services indicated that during fiscal 2009 there were 71,372 CT scans conducted in the Province and 64,391 CT scans during fiscal 2008.

### **Radiation Health and Safety Committee**

Contrary to the *Act*, the Minister of Government Services had not established the Radiation Health and Safety Advisory Committee. Although there was a Committee up to 2004, albeit they had not met since 2002, since 2004 no members have been appointed. The Committee is to provide advice to the Minister on the *Act* and *Regulations*, promote educational programs to those who may be

exposed to radiation and provide advice to Radiation Protection Officers.

Our review of Committee minutes up to 2002 indicated that they were addressing such matters as the quality of radiographic procedures performed in rural areas, the qualifications of persons operating radiation equipment and possible amendments to the *Act* and *Regulations*. As a result of not having a Committee in place since 2002, it was not clear whether similar issues today are being adequately addressed.

### **Policies and Procedures**

There were no documented policies and procedures to guide Radiation Protection Officers in the installation approval, registration, inspection and monitoring of radiation equipment. In the absence of policies and procedures, Officers do not have guidance in the collection and recording of information, which increases the likelihood of inconsistencies. During our review, we identified inconsistencies including interchanging the company name and owner, and details captured in the inspection summary.

Documented policies and procedures are also important for any employee recruitment. This is particularly important given that the current two Officers are long-term employees.

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## Part 2.7

# **DEPARTMENT OF HEALTH AND COMMUNITY SERVICES**

## Medical Equipment

Each year the Department of Health and Community Services (the Department) allocates medical equipment funding to each of the four Regional Health Authorities (RHAs) – Eastern, Central, Western and Labrador-Grenfell. Medical equipment includes such items as magnetic resonance imagers (MRIs), computed tomography (CT) scanners, ultrasound equipment and hospital beds. Over the four fiscal years 2005 to 2008, the RHAs submitted budget requests for medical equipment expenditures totalling \$132 million, of which the Department approved a total of \$70 million. In 2008, a total of \$48 million was requested, of which \$39 million was approved.

Our review indicated deficiencies at the Department with regards to the allocation and monitoring of medical equipment funding. As well, there were issues identified at the RHAs relating to the adequacy of controls over medical equipment. For example:

### **Inadequate Needs Assessment**

There was no Province-wide assessment of RHA medical equipment requirements. As a result, there was no strategic multi-year plan to determine the annual budgetary requirements. Instead, medical equipment funding was provided based on an annual priority list submitted by each RHA. Medical equipment requirements were not assessed relative to the overall needs of the Province considering items such as waitlists, age of equipment, equipment condition reports and obsolescence.

In 2009 it was determined that approximately \$200 million would be required over the next four years to address priority equipment needs. However, the priority equipment needs were determined by the RHAs and were not based on an overall Provincial need. There was no evidence that the estimated four year requirement was approved by Government.

## **Inadequate Monitoring of RHA Medical Equipment Purchases**

The Department did not adequately monitor how RHAs spend capital funding relative to approved budgets. For example:

- There was no requirement for the RHAs to advise the Department in cases where capital equipment purchases significantly differed from the approved budget or final tendered price.

To illustrate, in 2008, the Western RHA budgeted \$2.9 million for the purchase of a 64-slice CT scanner that was quoted under tender at only \$1.9 million; however, the RHA purchased a 320-slice CT scanner at a cost of \$3.3 million. The RHA did not request approval to spend the additional \$1.4 million for the upgraded CT scanner.

- Required quarterly reports were not always being submitted to the Department by the RHAs. In addition, the ones that were submitted were not reviewed by the Department. Furthermore, the Department had not established a format in which the quarterly reports were to be submitted.

As a result, the Department did not know if RHAs spent the money in accordance with the approved budget.

## **Inadequate Assessments of Medical Equipment Requirements**

Although many of the medical equipment items listed on the priority list are of significant value e.g. up to \$7 million for one item, the Department did not require the RHA to provide any documentation to support the cost estimate of any items provided in the priority list, nor did the Department determine the reasonability of the cost estimates of the higher value items on the priority list. As a result, the Department did not know if the estimates are reasonable.

To illustrate, in 2007-08, the Western RHA budgeted \$4.5 million for the purchase of a 16-slice and 64-slice CT scanner; however, the tender prices totalled \$3.2 million. As a result, the budget request was not accurate. In this instance, there was no evidence to suggest that the Department questioned the reasonability of the \$4.5 million.

## **Non-compliance with the *Public Tender Act***

There were instances of non-compliance with the *Public Tender Act*. For example, in one instance the lowest tendered bid was not accepted by the Central RHA and the Government Purchasing Agency (GPA) was not notified as required under the *Act*. Officials at the Central RHA indicated that since this was not a public tender there was no requirement to notify the GPA that a bid other than the lowest had been accepted. However, our review of documentation supplied by GPA confirms that this was indeed a public tender. In this case, the low tender was approximately \$511,000 while the accepted tender was approximately \$810,000 – a difference of \$299,000. Officials indicated that the more costly equipment was purchased because of physician preference.

## **Inadequate Monitoring of Medical Equipment Inventories**

Controls over medical equipment were inadequate at all four RHAs. For example:

- Only three of the four RHAs (Eastern, Central and Western) had a computer system to track medical equipment. However, none of the RHAs could determine whether all medical equipment was recorded in the system because the systems are not reconciled to financial records.
- Not all relevant information such as cost and age on each piece of medical equipment was captured in the computer systems. As a result, not all information required for management purposes was readily available.
- While all four RHAs indicated that they had a capital equipment management committee, only the committee at the Eastern RHA had regular meetings, kept detailed minutes and addressed equipment management issues such as budgeting and purchasing (*Public Tender Act* and lease versus buy). The other RHAs either did not meet on a regular basis, did not keep minutes or dealt mainly with only the annual budget.
- Only three of the four RHAs (Eastern, Central and Labrador-Grenfell) have contracted a service to notify them of alerts and hazards related to medical equipment. We note that although

the Western RHA did have this service and stopped, they are currently looking at reinstating this service as well. As a result, the Western RHA could inadvertently miss an important alert or hazard relating to medical equipment.

- Only two of the four RHAs (Eastern and Central) had specific policies which required that either new equipment or equipment obtained for evaluation or loaner purposes be tested to determine whether the equipment was safe for patient use.
- Controls over the disposal of medical equipment were inadequate. There was no evidence that all equipment removed from the Eastern RHA laboratories was offered to other facilities in the region or to other facilities throughout the Province and that proper disposal procedures were followed. Also, equipment disposals at the Western RHA were not properly documented using established procedures.

### **Only One RHA has an Evidenced-Based Equipment Assessment System**

Officials at all RHAs indicated that a significant amount of medical equipment had or was reaching the end of its normal useful life and that this was due primarily to a lack of capital funding. However, only the Eastern RHA could substantiate this position using an evidenced-based assessment system. Under this system, priority lists for replacement medical equipment identify the age and remaining life of each piece of equipment.

As of 21 October 2008, the Eastern RHA assessment system indicated that medical equipment with an historical cost of approximately \$50 million (52.5% of its total medical equipment) had reached the end of its normal useful life. The Eastern RHA also determined that only 48% of its medical equipment was rated as being in good condition, while 17% was in poor condition and 35% was in fair condition.

Without a similar evidenced-based assessment system, the other three RHAs do not have readily available information to support their plans to replace equipment.

## Part 2.8

### **DEPARTMENT OF HEALTH AND COMMUNITY SERVICES**

#### Living Arrangements for Children and Youth

Eastern Health, through the Child, Youth and Family Services Program (the CYFS Program) is responsible for administering services to children and youth in need.

Code 79 expenditures represent specific types of costs for children and youth with specific needs. Specific needs can include children and youth with either behavioural and/or anti-social impairments or children and youth who, because there is no placement available, cannot be placed in a caregiver home (foster care). These expenditures are comprised of costs associated with one of four living arrangements: Alternate Living Arrangements (ALAs), Independent Living Arrangements (ILAs), Out-of-Province Placements (OPPs) and Group Homes – Code 79 Block Funding. Total Code 79 expenditures amounted to \$6.5 million related to 73 children and youth in fiscal 2008, and \$13.5 million related to 128 children and youth in fiscal 2009.

Our review of these Code 79 expenditures and living arrangements during the 2008 and 2009 fiscal years indicated that there were significant issues with regards to escalating costs, documentation, policies and procedures, and how service providers were selected. Our findings are as follows:

#### **Code 79 Costs**

Code 79 expenditures have steadily increased from \$3.0 million in 2005 to \$13.5 million in 2009, an increase of 350%. From 2008 to 2009, expenditures increased from \$6.5 million to \$13.5 million, an increase of 108%. In 2008 there were 73 individuals in living arrangements while in 2009 this increased to 128, an increase of 75%. In 2010, Code 79 expenditures are expected to total in excess of \$17 million, an increase of 26% in one year and an increase of 467% from 2005. Information on the numbers of individuals in living arrangements was not readily available prior to 2008.

The living arrangements funded under Code 79 are expensive. The average cost in 2009 of the 10 highest costing living arrangements per child were as follows:

- ALA - \$268,000 (ranging from a high of \$615,000 to \$157,000);
- ILA - \$241,000 (ranging from a high of \$379,000 to \$167,000);
- OPPs - \$147,000 (ranging from a high of \$263,000 to \$93,000); and
- Group Homes (Code 79 Block Funding) - \$157,000.

We also found that the increase in the ALAs significantly exceeded the overall Code 79 expenditure increases in that while Code 79 expenditures increased from \$6.5 million to \$13.5 million or 108% between 2008 and 2009, the expenditures relating to ALAs increased from \$2.0 million to \$7.1 million or 255% during that same period. Officials have attributed this significant increase to the fact that placement at caregiver homes (foster care) was not available.

Discussions with Eastern Health officials indicated that the intent of the ALAs is to provide temporary living arrangements for individuals who require and are suitable for placement in caregiver homes (foster care) while waiting for placement. ALAs can also be used for individuals waiting for placement in a group home or an out-of-province treatment facility. Officials indicated that by “temporary” they mean until a suitable placement in a caregiver home, group home or treatment facility (depending on the child’s needs) is secured. We found the length of time individuals were in the 16 ALAs that we examined ranged from 4 months to 27 months. Of the 16, 10 individuals were in ALAs in excess of 12 months.

### **Documentation and Policies and Procedures**

Although the Department of Health and Community Services has a Provincial Standards and Policies Manual which is used by Eastern Health for the CYFS Programs, it does not include reference to the Code 79 living arrangements which comprise the largest expenditures in the CYFS Program (\$13.5 million or 51% of \$26.4 million in 2009).

Without policies and procedures to outline the requirements with regards to documentation, approval, assessment, eligible costs and monitoring it is not possible to ensure that staff are consistent in their application of the Code 79 funding and that appropriate documentation is on file. Through discussion with Eastern Health officials, we were able to determine the process which should be followed. The lack of formal policies and procedures has resulted in individuals being placed in living arrangements without adequate or consistent documentation to support the arrangement.

We found inconsistencies in the documentation on file during our sampling of 31 files as follows:

- In 5 files there was no Individual Support Service Plan (ISSP). An ISSP is required for each child in the care of the Director per the Standards and Policy Manual. This plan is completed in consultation with external parties and guides service provision with a view to selecting the most appropriate service for the individual. As a result, Eastern Health cannot demonstrate that the most appropriate living arrangement was chosen.
- In 2 files there was no Plan of Care. This plan, for the most part, is completed internally and guides service provision with a view to selecting the most effective service for the individual. As a result, Eastern Health cannot demonstrate that the most effective living arrangement was chosen.
- In 12 files (5 - ILAs and 7 - ALAs) there was no approval from the Manager of Community Corrections, Youth and Residential Services for the selection of the living arrangement. As a result, there is no evidence of management approval of the living arrangement.
- In 11 files there was no documentation to evidence that ongoing assessments for individuals in ALAs were completed to determine whether another, more effective arrangement was available. Because the ALA is supposed to be a short-term arrangement, this ongoing assessment is necessary to determine whether the ALA is still necessary.

- In 1 file there was no referral form on file to support the placement of individuals in a group home. As a result, there was no evidence on file to demonstrate that a social worker had made this assessment and referral.

### **How Service Providers Were Selected**

We found that two service providers received a total of \$4.6 million in 2008 (Caregivers - \$3 million and Waypoints - \$1.6 million). In 2009, the total increased to \$10.1 million or 120% (Caregivers -\$8.1 million and Waypoints - \$2.0 million). In 2009, this \$10.1 million represented 75% of all expenditures relating to Code 79. We determined the following:

- There was no contract on file with Caregivers outlining the terms and conditions of the arrangement. As a result of not having any measurable criteria or deliverables, Eastern Health was not able to assess the effectiveness of the service provided.
- There was no documentation on file to show how these two service providers were selected. As a result, Eastern Health was not able to demonstrate that the cost of the services being provided was competitive and that the services being offered were the most effective at that time.
- Officials at Eastern Health indicated that they have no plan of calling for proposals for these services because, in their opinion, these service providers are considered sole source given the extent and volume of the service they can provide.

Although caregivers in caregiver homes (foster care) are required to go through a formal education, assessment and approval process, there was no evidence on file to show that a similar process was followed for the service providers (such as Caregivers and Waypoints) involved with the ILAs, ALAs and Group Homes. As a result, Eastern Health cannot ensure that the standard of care provided is similar to what is provided in caregiver homes (foster homes).

## Part 2.9

### **DEPARTMENT OF HEALTH AND COMMUNITY SERVICES**

#### Monitoring of Regional Health Authorities

The Department of Health and Community Services (the Department) is responsible for the supervision, control and direction of all matters relating to the administration of hospitals and long-term care facilities in the Province.

To meet these responsibilities with respect to the regional health authorities (RHAs), the Department has determined that it has to monitor and carry out periodic evaluations of select programs and services, provide a budget allocation, and monitor financial performance.

Our review indicated that the Department was not adequately fulfilling its responsibilities with regard to the oversight of the four RHAs. In particular:

#### **Information to Evaluate Select Programs and Services**

Information necessary to evaluate programs and services was either not always obtained by the Department or was not obtained on a timely basis. This would include statistical information such as operational information related to hours of work, service activity, caseloads and workloads to be submitted by the four RHAs via the Teledata system. As a result, the Department could not properly monitor the programs and services administered by the four RHAs. We identified the following issues:

- Although the Department uses statistical information to identify variances, it had not established benchmarks to identify issues that would require follow-up.
- Site visits, conducted by Departmental officials, to review programs and services were not adequate. For example, Departmental policy requires quarterly site visits; however, only semi-annual visits were conducted. As well, as a result of the Department not obtaining timely statistical information from the RHAs, Departmental staff did not always have up-to-date information during site visits, which could lead to issues not being identified and reviewed. Furthermore, site visit files

did not contain adequate information to support either the work performed by staff or the conclusions reached. In addition, the site visit files were not well organized.

- Because the Department did not always obtain complete statistical information from the RHAs, reports prepared by the Newfoundland-Labrador Centre for Health Information (NLCHI), which provided information on performance indicators, could not be prepared for all functional areas or sites. As a result, performance for all functional areas and sites was not adequately monitored.

For example, nursing statistics on service activities, caseloads and workloads were not always being collected or completely reported. In 2002, the Provincial Nursing MIS Committee recommended that all RHAs were to have nursing workload management systems implemented by 2006. As of 2008, none of the RHAs had these systems fully implemented.

- Where complete statistical information was obtained and reports prepared, and where significant variances were evident, there was no indication or explanation as to the reason for the variance or what action, if any, was taken to address the variances.
- The Department did not have a policies and procedures manual to assist Board Services Division staff in the monitoring and reporting on RHA programs and services.

### **Monitoring Financial Performance**

Information necessary to monitor financial performance was either not always obtained or was not obtained on a timely basis. This would include monthly financial information, quarterly capital reports, and management letters related to the annual financial statement audit. As a result, the Department could not properly monitor the financial performance of the four RHAs. We identified the following issues:

- The Department did not always obtain the monthly financial information from the RHAs via the Teledata system on a

timely basis. For example, during 2008, RHAs submitted monthly information ranging from 5 to 194 days after the required submission date.

- The monthly reporting system was not designed to capture capital expenditures. In addition, although the RHAs are required to manually prepare quarterly capital reports, they were not always obtained by the Department. As a result, capital expenditures were not being adequately monitored. During 2008, funding provided by the Department for capital expenditures totalled \$51.2 million.
- Although the Department uses financial information to identify variances, it had not established benchmarks to identify issues that would require follow-up.
- Site visits, conducted by Departmental officials, to review financial information were not adequate. For example, Departmental policy requires quarterly site visits; however, only semi-annual visits were conducted. Furthermore, site visit files did not contain adequate information to support either the work performed by staff or the conclusions reached and the files were not well organized. In addition, Department staff did not always have current financial information available during site visits because either monthly information was not obtained from the RHAs or RHA internal reports were not available. This could lead to significant issues not being identified and reviewed.
- There was no evidence to indicate whether the Department followed-up on issues identified in management letters resulting from the annual external audits of RHAs.
- The Regional Health Authorities' Financial Policies and Procedures manual was in draft form since May 2007. The manual was being developed to assist Department staff and RHAs in their financial monitoring and reporting responsibilities. As of April 2009, the manual had not been finalized and provided to either Department staff or the RHAs.

## **Budget Allocations**

The Department did not provide the RHAs with the funding allocations until well into the fiscal year being funded. Although the RHAs submitted their budget requests 5 to 6 months prior to the commencement of the fiscal year, the RHAs were not provided with their approved budget until 3 months after the applicable fiscal year had commenced. The budget submission, review and approval process, on average, took 7 months to complete for 2008 (November 2006 to June 2007) and 8 months for 2009 (October 2007 to June 2008). This situation makes it difficult for the RHAs to properly manage expenditures given that they sometimes operate for up to one third of a year without knowing the final approved budget.

## **Audit Services Division**

Although the Department has an Audit Services Division (primarily for MCP and prescription drug program audits), the Division did not perform internal audits of RHA operations. It was noted the *Regional Health Authorities Act* states that the Minister may audit the accounts of an RHA and that the Department has identified that one of the functions of the Division is to carry out audits of health and community service organizations such as the RHAs.

## Part 2.10

### **DEPARTMENT OF HUMAN RESOURCES, LABOUR AND EMPLOYMENT**

#### Newfoundland and Labrador Labour Relations Agency

The Labour Standards Division (the Division) of the Newfoundland and Labrador Labour Relations Agency (the Agency) receives, records and investigates complaints by employers and employees alleging a violation of one of the acts administered by the Division. The majority of complaints involve the *Labour Standards Act*, which mandates minimum terms and conditions of employment in the Province. Most complaints relate to the non-payment of wages to employees.

Although the Division has an established process for accepting and investigating complaints, our review identified a number of weaknesses. Specifically:

- The electronic database used by the Division to record each complaint and track the final disposition of the complaint was neither complete nor accurate. Information such as the incident date needed to investigate and monitor complaints was not always recorded, and details on the final disposition of Determination Notices, including who, if anyone, was at fault, was not recorded. Furthermore, we identified errors in the database. As a result of not always having complete and accurate information, the Division:
  - could not adequately monitor the status and final disposition of complaints and assess its performance with regard to its success in collecting wages owed; and
  - was not able to identify employers with multiple instances of fault for proactive follow-up.
- Although the Division has established guidelines for the time expected to address a complaint (as measured from the time the Agency received the complaint to conclusion), our review for 2009 identified that the average exceeded the guidelines. For an Early Resolution case, the guidelines are 2 to 4 weeks and for a Formal Complaint case, the guideline is 6 months

depending on the complexities of the case. For 2009, the average was 46 days to complete an Early Resolution case and 220 days to complete a Formal Complaint case. In each instance, the average exceeded the guidelines.

Furthermore, in one instance the database indicated an Early Resolution case took 746 days to complete.

- The Division did not develop and implement a strategy for inspecting employer records in instances where there have been either multiple complaints in the past about a particular organization or there had been a determination of a valid complaint by an employee or former employee where other employees at that organization may also be affected. The *Labour Standards Act* provides the Agency with the authority to inspect, examine and copy employer records.
- The Agency's Strategic Plan for 2006-07 through 2007-08 had performance measures that could not be "readily comparable" to either the Agency's historical or intended performance. As a result, we could not assess the performance of the Agency as it relates to prior and intended results as contemplated by the *Transparency and Accountability Act*.

Law firms may obtain a clearance certificate from the Agency related to the sale of real property. The fee for this clearance certificate is \$25 plus tax. The Agency was not proactive in collecting clearance certificate fees on a timely basis. For example, officials did not send statements to law firms and did not telephone law firms. As at 31 March 2009, there was a total of \$38,269 in uncollected fees of which \$20,412 was for the period prior to 1 July 2006. If amounts owing are not collected on a timely basis, the probability of collection is greatly reduced. As at 31 March 2009, the Agency determined that approximately \$15,500 was considered to be uncollectable.

## Part 2.11

### **DEPARTMENT OF INNOVATION, TRADE AND RURAL DEVELOPMENT**

#### **Newfoundland and Labrador Immigrant Investor Fund Limited**

The Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) was incorporated in April 2005 with the purpose of investing in the Provincial economy to improve business and employment. The funds for the Corporation are provided through participation in the Citizenship and Immigration Canada (CIC) Immigrant Investor Program (the Program). Five years after the receipt of funds, the Corporation must repay these amounts to CIC, along with the commission fee calculated at 7% of the amount provided to CIC by immigrant investors.

Since April 2005, the cash balance of the Fund steadily increased and totalled \$147.1 million as at 31 March 2009. At 30 November 2009 the cash balance had increased to \$185.1 million (\$176.8 million plus interest net of expenses of \$8.3 million). Repayment to CIC is to begin in May 2010.

Our review identified that the Corporation had not made any investments and therefore has not been successful in using any of the \$176.8 million provided by CIC to improve the Provincial economy. Other than earning interest at a chartered bank, the funds have not been utilized.

All amounts owed to CIC by the Corporation have been guaranteed by the Province. As a result of the current low interest rates paid by chartered banks, there is a risk that the Corporation may not have sufficient funds to repay the commission fee to CIC. As at 30 November 2009, if the Fund were terminated, there would be a shortfall of \$5.0 million that the Province would have to fund. This represents the difference between the net interest earned of \$8.3 million and the commission fee of approximately \$13.3 million based on the amount of funds received from CIC to that date. If this situation does not improve, the Province will ultimately have to pay the difference.

Although the CIC guidelines allow the funds to be used to finance capital projects in such areas as health and education sectors that would have a positive economic impact on the Province (e.g.

Memorial University of Newfoundland, College of the North Atlantic, or the four Regional Health Authorities), no such projects had been undertaken. We note that the Corporation was aware of this opportunity and there had been discussions regarding the University and the Regional Health Authorities. The minutes of the Board meeting in November 2008 indicated that a Cabinet Paper would be prepared on this matter. This paper has been drafted by the Corporation, but has not yet been submitted to Cabinet.

## Part 2.12

### **DEPARTMENT OF MUNICIPAL AFFAIRS**

#### Canada-Newfoundland and Labrador Gas Tax Fund

In Budget 2005, the Federal Government announced its intention to share a portion of the revenues from Federal gasoline excise tax to support environmentally sustainable infrastructure. Funding of \$5 billion over an initial 5 year period would flow to the provinces and territories (on a per capita basis) once individual agreements were negotiated and signed.

The Province's share of the \$5 billion was estimated at approximately \$82 million. A Canada-Newfoundland and Labrador Agreement on the Transfer of Federal Gas Tax Revenues (the Agreement) commenced on 1 August 2006. It covers a 10 year period from 1 April 2006 to 31 March 2015 and will total approximately \$207 million, including the initial \$82 million.

The Agreement provides funding through the Province to all of the 282 municipalities (277 municipalities, 5 Inuit Community Governments and other eligible recipients). One of the primary purposes of the Agreement is to provide a joint framework for the transfer of funds to Newfoundland and Labrador for investment in environmentally sustainable infrastructure. The Agreement is administered by the Department of Municipal Affairs (the Department).

#### **Late Signing of Agreement**

Although funding was available from the Federal Government for the 2006 fiscal year, the Agreement between the Federal and Provincial Government was not finalized until August 2006 i.e. the 2007 fiscal year. Funding received for the 2007 fiscal year totalling \$19.7 million included an amount of \$9.75 million related to the 2006 fiscal year. As a result of not entering into the Agreement in the 2006 fiscal year, funding to the municipalities was delayed.

## **Non-compliance with the Agreement**

### *Province*

The Province is required to submit an audited Annual Expenditure Report (AER) to the Federal Government by 30 September for the most recent fiscal year. We found that, although the Province was required to have submitted 3 such AERs since the Agreement commenced (i.e. fiscal years 2007, 2008 and 2009), none were submitted by the required 30 September deadline. When AERs are not submitted by the required deadline, there may be delays in the receipt of funding from the Federal Government. For example, in 2009, the Province had to wait approximately 4 months (March 2009 versus November 2008) before it received \$8.2 million.

Contrary to the Agreement, the Province advanced funds to certain municipalities in excess of the amount approved in the municipality's Capital Investment Plan (CIP). The audited financial statements relating to the Provincial AER indicated that, for fiscal year 2008, 16 municipalities received excess funds totalling \$222,909 while for fiscal year 2009, 4 municipalities received excess funds totalling \$11,596.

Contrary to the Agreement, the Province provided funding of approximately \$1 million related to 6 waste management projects before the formal adoption of eligibility criteria by the Oversight Committee. Although the Provincial AER for the 2008 fiscal year outlines the \$1 million in funding, the criteria were not approved until January 2009. Without appropriate assessment of projects relative to approved criteria, some projects approved for funding may not ultimately qualify. For example, one of projects included in the \$1 million related to funding of \$114,837 which was subsequently determined to not qualify for funding. In this case, the Province had to fund the project.

The Province provided \$11.8 million in funds to the City of St. John's in March 2009 in excess of the allocation limit set by the Agreement for waste management initiatives and before the funds were received from the Federal Government. Pursuant to the Agreement, the City was not entitled to these funds until the next fiscal year. As a result, general funds of the Province were used to

make the payment to the City. Without the funding from the Province, this would have resulted in a deficit in the Gas Tax Fund of approximately \$9.4 million as at 31 March 2009.

### *Municipalities*

Municipalities are required to submit an audited Annual Expenditure Report (AER) to the Province by 30 June for the most recent calendar year. The AER forms the basis of the Province's audited AER to the Federal Government which is required to be submitted by 30 September for the most recent fiscal year. We found 67 instances where the AER for 2008 (due 30 June 2009) from the municipalities were not submitted as required. The delay ranged up to 114 days past the 30 June deadline. Such delays can result in funds not being made available for municipalities and provides difficulty for the Province in the preparation of its AER for the Federal Government.

AERs were not always properly completed as required. Without a properly completed AER, the Province's policy is that monies will not be advanced to the municipalities. Common deficiencies in the AERs included such things as no audited report attached, not all required appendices included and funds not invested to earn interest as required. During our review of AERs submitted by the municipalities for 2008, we noted deficiencies such as:

- 44 instances where the Appendix A (Summary of Eligible Recipients Fund) was either not received or not certified by an official of the municipality;
- 14 instances where the Appendix B (Project Expenditure Report) was not submitted;
- 50 instances where the Appendix C (Progress of Commitments-ICSP, Communications, Public Sector Accounting Board [PSAB] standards) was not submitted;
- 2 instances where the auditor's report was not submitted with the AER; and
- 6 instances where funds received by the municipality had not been invested pending use on projects, as required.

To access funding from the Province under the program, the Province requires municipalities to enter into Local Government Gas Tax Funding Agreements. The Local Agreement requires a municipality to develop an Integrated Community Sustainability Plan (ICSP) by 31 March 2009. The ICSP outlines how the municipality will achieve the sustainability objectives it has for the environmental, cultural, social, and economic dimensions of its identity. However, the majority of municipalities did not develop the required ICSP by 31 March 2009. As a result, the Province extended the deadline for municipalities to submit their completed ICSPs to 31 March 2010 and put a process in place to address issues such as a lack of resources at municipalities.

### **Non-Compliance With Departmental Policy**

Contrary to Departmental policy, we identified one municipality which received the first and second semi-annual installments when only the first installment was due. In this instance, the municipality received \$136,012 in June 2009 which included both semi-annual allocations (\$68,006 - first allocation due July 2009 and \$68,006 - second allocation due February 2010). As a result, this municipality received preferential treatment and potentially saved costs that many municipalities have to incur related to interim financing.

Contrary to Departmental policy, we identified two municipalities which received payments prior to the Department receiving an AER. In one instance, a payment of \$24,434 was made on 22 July 2009 while the AER was not received until 18 August 2009. In the other instance, a payment of \$11,351 was made on 23 July 2009 while the AER was not received until 27 July 2009.

### **Committees**

#### *Federal-Provincial Oversight Committee*

The Federal-Provincial Oversight Committee was not adequately monitoring the progress of the program under the Agreement. The Agreement provides that the Committee shall monitor overall strategic implementation, adjust/redirect allocations and approve funding for municipalities, and resolve any contentious issues. Since

the Agreement was signed in August 2006, the Committee has only met twice: once in October 2007 and again in February 2008.

### *Departmental Gas Tax Committee*

The Gas Tax Committee was established by the Department to monitor the progress of the program, provide advice and support to the Gas Tax Secretariat, and review and approve all Capital Investment Plans for projects. The Committee did not always complete minutes to document decisions of meetings. Furthermore, minutes that were available were not signed and Records of Decisions required by the Committee's terms of reference were not prepared or signed. Minutes of the Gas Tax Committee and the Records of Decisions serve to document key decisions of the Committee.

### **Lack of a Comprehensive Information System**

There was no central database in place to facilitate the operation of the program. Such a database could include information on receipt and evaluation of applications, decisions made, payment information, and related monitoring and reporting.

The Department was using a variety of spreadsheets and other electronic files which are stored on a number of network drives. Department officials indicated that the spreadsheets were time consuming to maintain and were shared jointly on the Department's network with no controls to prevent risks of unauthorized changes. As a result of not having an integrated information system, there is duplication of effort in populating the spreadsheets with the same information.

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## Part 2.13

### **DEPARTMENT OF MUNICIPAL AFFAIRS**

#### Disaster Financial Assistance Arrangements

Fire and Emergency Services-Newfoundland and Labrador (FES-NL) under the Department of Municipal Affairs is responsible for the administration of the Disaster Financial Assistance Arrangements (DFAA) program. It coordinates financial assistance to help individuals, businesses, organizations and municipalities recover from the effects of a natural disaster. The DFAA program is a Federal-Provincial cost shared arrangement.

Since January 2000, there have been 11 natural disasters that qualified for assistance under the DFAA program. As of June 2009, the FES-NL had made a total of \$95 million in claim payments. Of this amount it is estimated that \$65 million will be recovered from the Federal Government. To date the Province has recovered \$18 million from the Federal Government with a receivable for a further \$47 million as at 30 June 2009.

#### **Provincial Claim Process**

Our review identified a number of issues with how FES-NL is administering the DFAA program. These issues included such things as: database not being adequate for monitoring and reporting; policies and procedures which were incomplete and out of date; payments for ineligible costs; lack of documentation to support amounts claimed and paid; delays resulting in additional costs; errors in amounts paid to claimants; and lack of a formal appeal process. In particular:

- Information regarding expenditures or statistics on each disaster was not readily available. There was no single Provincial database that captured the expenditures incurred for each disaster. Furthermore, the Province's Financial Management System does not track expenditures related to each disaster in one account.
- Although FES-NL has a number of guidelines and documents to assist staff and claimants with the DFAA claims process, FES-NL did not have these guidelines and documents consolidated in an approved policy and procedures manual. Furthermore, the guidelines and documents that were in place

were out-of-date in relation to allowances affected by the cost of living and minimum wages.

- FES-NL approved claims and made payments for ineligible costs. Eligible costs relate to essential items that were actually damaged during the disaster. Examples of ineligible costs that were paid included exercise equipment (treadmill \$600), furniture in excess of the allowed quantity (extra chesterfield and unused spare bedroom contents, 6 instances totalling \$11,375), land enhancements (8 instances totalling \$61,799), clothing allowance for household members not affected by the disaster (4 instances totalling \$10,050), contents not in affected flooded area (1 instance of \$9,175), and structural payments for other than the property owner (1 instance of \$10,174).
- Disaster assistance claimant files did not always include all of the required documentation. As a result, Provincial payments were made without adequate documentation to support eligibility and the amount to be reimbursed. Of the 106 approved disaster assistance claimant files we examined, we identified the following issues:
  - 3 did not have documentation to support property ownership;
  - 7 had inappropriate approval due to pre-existing conditions;
  - 11 did not have photographs on file to support all of the claim;
  - 2 did not have an engineering assessment of structural damage to the property that was rebuilt;
  - 1 did not have proof of primary residence;
  - 3 did not have the required certificate of insurance signed by the claimant's insurance agent on file;
  - 62 did not have a privacy consent form on file; and
  - 1 did not have a final release and indemnity form.

- Our review identified 1 instance where delays resulted in a damage estimate increasing by \$101,070 or 319% of the original damage estimate. In this instance, the claimant's property damage was initially estimated at \$31,730; however, the increase resulted from not having any heat in the house for six months, causing pipes to burst and mould to form.
- Our review identified 4 instances, related to insurance deductibles, where errors were made in the amounts paid to claimants. In 3 instances, the claimants had home insurance and were responsible to pay for the deductible (2 at \$500 and 1 at \$1,000); whereas, claimants with no insurance had no extra payment. Furthermore, as a result of an error in the treatment of the deductible, the 3 claimants not only lost the original deductible payment, but the same amount again was deducted from their eligible amount. In another instance, all of the insurance proceeds of \$12,356 were deducted from the claim; however, \$3,763 related to expenses for items, including a piano, which were not part of the claim. Therefore, the claimant was underpaid by \$3,763.
- There was no formal process in place for applicants to appeal decisions relating to whether their application was approved or denied, and the decisions relating to the amounts paid for approved assistance.

### **Federal Claim Process**

A significant amount of time passed between the date some disasters occurred and the date the final Federal claim was paid. Of the 11 disasters since January 2000, only 2 – Storm Surge 2000 and Tropical Storm Gabrielle – had Federal claims finalized, in May 2008 and March 2009 respectively. Of the remaining 9 disasters, 2 (Badger Flood and West Coast Flood) occurred in 2003 and, at June 2009, had receivables from the Federal Government estimated at \$5.36 million and \$6.39 million respectively. The time between the disaster and the final Federal claim increases the probability that documentation, not obtained at the time the assistance is provided, will no longer be readily available. This means that assistance, normally recoverable from the Federal Government, may no longer qualify.

## **Additional Provincial Disaster Relief Coverage**

In addition to disaster relief coverage under DFAA, the Province also provided additional disaster relief coverage. This additional coverage was approved by Cabinet for two of the four disasters we reviewed – the Stephenville flood in 2005 and the Daniel’s Harbour landslide in 2007. This coverage included provisions for claimants to receive replacement value for their homes, coverage for vacant land and homes, and coverage for businesses that did not represent 51% of the claimants income, none of which were available under the DFAA program.

Our review of disaster relief coverage for these 2 disasters identified that documentation required to support the eligible costs under the DFAA portion was not always on file. As a result, the portion of assistance that would normally be recovered from the Federal Government under the DFAA program may not be able to be identified and recovered due to inadequate documentation.

## Part 2.14

### **DEPARTMENT OF TOURISM, CULTURE AND RECREATION**

#### **St. John's Arts and Culture Centre**

The St. John's Arts and Culture Centre (St. John's ACC) is the largest of six such centres in the Province. The centres operate as a division of the Department of Tourism, Culture and Recreation (the Department). Costs relating to the operation of the centres are recorded as expenditures of the Department with costs related to heating, lighting, snow clearing and most major repairs recorded as expenditures of the Department of Transportation and Works.

The St. John's ACC acts as head office for the other five centres which are located at Gander, Grand Falls-Windsor, Corner Brook, Stephenville and Labrador West.

While overall management responsibility for day-to-day operations of all the centres rests with the Director located at the St. John's ACC, each of the other centres has a manager, box office staff, technical and other theatre and clerical staff. All of the centres utilize the same ticketing system and the only accounting department is located at the St. John's ACC. The St. John's ACC Manager of Programming and Promotion, in consultation with the other centre managers, arranges and contracts all of the touring performances.

In total, the centres have 22 full-time and 254 part-time staff and a seating capacity of 3,212.

Our review of the St. John's ACC identified issues with respect to how the finances of the centres are managed, a lack of internal controls, issues with payroll and a lack of written policies and procedures. In addition, there were instances of non-compliance with the Department's complimentary ticket policy and inadequate monitoring of complimentary tickets issued. We identified the following:

#### **Two Separate Accounting Systems**

The St. John's ACC uses Government's Financial Management System (FMS) to process its revenues and operating expenses such as salaries and purchased services. The St. John's ACC also has its own bank account and uses its own computerized accounting system to

process performance-related revenues and expenditures such as payments to performers. There are a number of issues relating to this arrangement:

- The two systems are not integrated and as a result, complete information required to properly manage and monitor each of the centres is not readily available.
- While the cheque to reimburse the St. John's ACC's own bank account is processed through the FMS, the details related to the expenditures are not captured in the FMS.
- Although the FMS has the capability to record transactions by centres, this capability is not being fully utilized. As a result of not having adequate information by centre, it is difficult to adequately monitor and control operations.
- The St. John's ACC's control related to payments from its own bank account does not provide the same level of control inherent in the FMS (e.g. expenditure verification and approval).

### **Lack of Internal Control**

Although there are at least four staff at the St. John's ACC who could be involved in the control of revenues and the acquisition, approval and processing of expenditures, they have not been assigned specific tasks that would result in an adequate segregation of duties. We identified the following issues regarding the lack of internal controls:

#### *Revenues*

- There is a lack of segregation of duties with regard to box office supervisors who are responsible for approving the total cash for the box office and who also process day-to-day cash transactions.
- There is a lack of segregation of duties over miscellaneous revenues relating to merchandise sales commissions and coat check revenues. Furthermore, although pre-numbered receipts

were introduced during 2006, the numbers are not being accounted for.

### *Expenditures*

- Controls over the St. John's ACC's own bank account are not adequate in that one person, who co-signs many (15 in our sample of 30) cheques, is responsible for preparing documents for payment, recording the transaction and reconciling the bank account.

Effective 1 January 2009, the St. John's ACC ceased using its bank account as instructed by the Department. However, as a result of difficulties in paying performers on a timely basis using Government's FMS, in May 2009, the Department authorized the St. John's ACC to resume using its own bank account. Although the bank account was again being used, the St. John's ACC had taken no action to improve the lack of controls that previously existed.

- Although there is a purchase verification stamp, it is not always fully completed to evidence the procedures followed in reviewing and approving payments.
- The Director does not obtain and review supporting documentation when approving the summary request for reimbursement for their bank account. During the 2009 fiscal year, approximately \$1.96 million flowed through this account.

### **Complimentary Tickets**

The guidance and authority for the approval and issuance of complimentary tickets is included in a policy document from the Department dated 1995. This document addresses complimentary tickets issued in relation to centre produced performances and a "2% of capacity" (i.e. approximately 20 seats in the St. John's ACC) complimentary tickets provided for in rental contracts with clients. St. John's ACC officials estimate that the rental contracts make up in excess of 90% of performances.

Departmental policy provides that complimentary tickets can be provided to departmental officials, VIPs and special dignitaries, the

media and corporate sponsors. The policy also provides that complimentary tickets may be issued in a “...*judicious manner in order to make small audiences more respectable in size...*” The number of complimentary tickets issued by the centre is noted on the final settlement document with the performer in determining the final payment under the rental contract. The respective managers of each centre outside St. John’s and the Director of Arts and Culture Centres are designated to authorize all complimentary tickets and these approvals are to be documented through the use of Complimentary Ticket Vouchers (CTVs). We found the following:

- St. John’s ACC officials could not demonstrate who used individual complimentary tickets and therefore whether the tickets were used for appropriate purposes.
- St. John’s ACC employees receive complimentary tickets; however, employees are not specifically identified in the policy.
- Although the voucher requesting a complimentary ticket is part of the daily box office reconciliation, the vouchers are not filed so that they can be easily located.
- There are no statistics kept for management review and monitoring of the numbers of complimentary tickets issued. Also, the cost of the use of complimentary tickets is not recorded in the accounting records.
- Contrary to Departmental policy, the Director has delegated authority to approve complimentary tickets to the Manager of Programming and Promotion in certain cases.
- Although complimentary ticket vouchers are to be approved by the Director prior to the box office issuing the tickets, we found instances where the approval was not provided until the tickets had been issued.

## **Payroll Issues**

At 31 March 2009, the centres had recorded accrued time-off-in-lieu (TOIL) totalling approximately \$426,000. The increase in TOIL from 2008 to 2009 totalled \$89,822 or 27%. Ten employees accounted for \$400,675 or 94% of the total TOIL in 2009, an increase of \$98,913 or 33% from 2008. At 31 March 2009, one employee at the Stephenville ACC had TOIL of \$163,370 or 38% of the total 2009 TOIL. Given the extent of overtime at the centres, we would expect strong controls to be in place over recording and approving overtime. We identified the following issues with regard to how overtime is recorded and approved:

- We found errors in overtime recorded in 7 of 10 employees selected for review.
- The Director does not obtain and review timesheets when approving reimbursement for overtime worked.
- None of the centres use an electronic time clock to improve the accuracy of recording hours worked.

Furthermore, the Director does not always review and approve bi-weekly payroll documents. Our review of 26 payrolls indicated that 13 Part-Time Payroll Detail Sheets for backstage part-time staff, 9 Bi-Weekly Work Registers for backstage full-time staff and 2 Part-Time Payroll Detail Sheets for ushers had no evidence that they were either reviewed or approved.

## **Policies and Procedures**

The St. John's ACC has undertaken very little work to develop policies and procedures to guide staff in day-to-day operations. For example, although the St. John's ACC maintains a separate bank account and accounting system, there are no written policies and procedures for staff. Without adequate policies and procedures, the likelihood of issues with regards to such things as lack of internal controls and inadequate segregation of duties increases significantly.

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## Part 2.15

### **DEPARTMENT OF TRANSPORTATION AND WORKS**

#### Ferry Services

The Department of Transportation and Works (the Department), through its Marine Transportation Services Branch (Branch) is responsible for the provision, maintenance and management of 16 Provincial ferry services for marine operations throughout the Province. The Department uses 18 vessels - 10 Government-owned (8 Government operated and 2 contractor operated) and 8 contractor-owned and operated – in the provision of these 16 routes. Three of the 18 vessels are designated as swing vessels which are used as back-up as circumstances require. Thirteen of these vessels service the Island portion of the Province while the remaining 5 vessels service Labrador.

We identified significant weaknesses in the planning and monitoring of Government's ferry services. In particular, we identified that there was no comprehensive long-term plan for ferry services, aging vessels were currently in use, contractor-owned vessels were not inspected by the Department, owner-operator contracts were not adequately monitored, operating costs were increasing and there were instances of non-compliance with the *Public Tender Act* and the *Financial Administration Act*. Details are as follows:

#### **Aging Vessels**

The average age of the 18 vessels is 34 years. The average age of the 10 Government-owned vessels is 30 years, while the average age of the 8 contracted vessels is 39 years. A consultant hired by Government concluded that vessels more than 25 to 30 years of age are typically unreliable and expensive to maintain. At 31 March 2009, 12 of the 18 (67%) vessels in service throughout the Province were older than 30 years. Of these 12 vessels, 5 were Government-owned while 7 were contractor-owned.

#### **Increasing Costs**

While the cost of purchased services (e.g. contract costs) and supplies (e.g. fuel) relating to contractor-owned vessels have increased by 7% from \$15.8 million in 2007 to \$16.9 million in 2009, the cost of purchased services (e.g. maintenance and vessel refit) and supplies

(e.g. fuel) relating to Government-owned vessels have increased by 43% during the same period. In 2007, costs relating to Government-owned vessels totalled \$15.8 million and increased by \$6.8 million to \$22.6 million in 2009.

## **Planning**

### *Island Portion of the Province*

Although Department officials indicated that strategy alternatives had been presented to Cabinet, they did not provide evidence of a long-term comprehensive plan for ferry services which would include an analysis and conclusion as to which model (i.e. Government-owned and/or contractor-owned) would be most suitable for each ferry route in the Province and program cost information for whichever model was to be selected. Given the significant cost of ferry operations in the Province, this is important for developing future budgets.

The Department also did not provide evidence that it has undertaken the analysis as directed by Cabinet in 2006 “...to undertake a thorough analysis of both private and public sector operation models, and report back to Cabinet for further direction.” Although submissions were received and public consultations were held, the Department did not provide evidence of analysis of the results of this information in order to determine whether the private sector contractor model and/or whether the Government-owned and operated model was preferred.

As a result, the Department could not demonstrate why it called tenders in April 2009 for owner-operator contractors to operate all five ferry services on the South Coast for a 10 year period with an option to renew for five additional years. We identified that:

- although the Department gathered information on traffic patterns, it only used this information to determine vessel size and has not used the information to forecast future ferry service requirements.
- the Department had not performed any cost-benefit analysis for either individual ferry service routes or to support which ferry service model would be most appropriate.

- the Department indicated that it chose to re-tender the existing private sector services because it was what the public preferred. Our review of documentation on file indicated that the public were also of the view that there should be changes to the existing services such as to include vehicle capacity and schedule changes. These changes were not included in the tender document.

### *Labrador*

In 2005, Government committed to developing a plan for ferry operations for Labrador. In April 2007, the Northern Strategic Plan was released and covered the five fiscal years from 2008 to 2012. One of the objectives of this plan was “...to evaluate options for the provision of two new ferries for the Labrador Straits ferry route, that would provide year-round service, pending ice conditions.”

The Department did not provide evidence of an evaluation of the options for the replacement of two vessels for Labrador. Such an evaluation is particularly important given the age of the vessels and the sea conditions in which they operate. The *M/V Apollo*, currently contracted with an owner-operator, runs on the Labrador Straits ferry route and is 39 years old, well beyond what the consultants considered to be reliable.

There was no Departmental plan to consider any of the ferry services in Labrador. Such a plan is particularly important given the age of the vessels, the sea conditions in which they operate, the potential for increased passenger traffic given the new Trans-Labrador Highway, and increasing costs associated with some of the runs. For example, we found that costs relating to operating the *M/V Sir Robert Bond* went from \$4.9 million in 2007 to \$8.4 million in 2009, an increase of \$3.5 million or 70%. The two Government-owned vessels operating in Labrador experienced the highest increase in costs from 2007 to 2009 of all the Government-owned vessels.

It was noted that the average age of the five vessels operating in Labrador is quite high at 31 years old. The two Government-owned vessels are aged 34 and 23 years old, while the three contractor-owned vessels are aged 39, 38 and 23 years old.

In April 2009, the Department called tenders for a contractor-owned vessel to operate a ferry service in Labrador for a 10 year period with an option to renew for five additional years. However, there was no information on file to show that all options had been considered and that the contractor-owned vessel was the optimal arrangement.

### **Contract Management**

We identified issues with how the Department monitored owner-operator contracts. In particular:

- regular physical inspections of vessels were not performed to determine whether the vessels were in compliance with the requirements of the contract; and
- regular audits of contractors' financial records were not performed.

Furthermore, we identified that:

- Transport Canada inspects all vessels annually; however, the Department's consultant indicated that "*Transport Canada considers compliance with its regulations and standards to be necessary but not sufficient to provide for safe operation.*" Operators should develop safety standards in addition to that of Transport Canada.

However, the Department did not perform any inspections to determine whether safety standards beyond the standards set by Transport Canada had been developed to decrease the risk of having unsafe vessels in operation. Contracts did not include a provision to allow the Department to conduct safety inspections.

Furthermore, safety management standards, similar to standards developed by the Department in 2009-10, for Government-owned vessels, were not developed for contracted vessels.

- a risk management plan had not been developed to address the potential areas of non-compliance; and

- policies and procedures to guide Departmental officials in conducting compliance and monitoring work were not developed.

## **Compliance with Legislation**

### *Public Tender Act*

The Department contravened the *Public Tender Act* by entering into two separate contracts totalling approximately \$2.8 million without calling public tenders. The contracts related to the advance ordering of a propulsion system for a third vessel (Cabinet had approved the design and construction of two other vessels in September 2006). Circumstances around these contraventions were as follows:

- on 13 August 2008, the Department entered into a contract for the purchase of equipment including 2 stern thrusters and 2 propellers. The total cost of the contract was \$1,605,500.
- on 6 October 2008, the Department entered into a contract for the purchase of main machinery including 2 engines, 2 generators and a bow thruster. The total cost of the contract was \$1,227,717.

In both instances a “Form B” was filed with the Government Purchasing Agency indicating the construction of the vessel was exempt from provisions of a public tender call for economic development purposes as approved by Cabinet. However, our review indicated that Cabinet did not provide authority for exemption from a public tender call for economic development purposes. Cabinet approval for exemption was only provided for the initial two vessels.

### *Financial Administration Act*

The Department contravened the *Financial Administration Act* when, in 11 instances totalling approximately \$1,082,000, it ordered goods and services without encumbering funds. Contrary to sound financial management practices, purchase orders were prepared after the date of the related invoices.

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# Audit of the Province's Financial Statements

## Reflections of the Auditor General

The following comments are made further to my audit of the Province's financial statements (commonly referred to as the Public Accounts) for the year ended 31 March 2009. The Report provides additional information on the financial condition of Government measured by using indicators issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Report also offers comments on Government's compliance with generally accepted accounting principles and adherence to principles of sound financial accountability.

The Public Accounts provide an important link in an essential chain of public accountability. They are the principal means by which Government reports to the House of Assembly and to all Newfoundlanders and Labradorians on its stewardship of public funds.

Public Accounts Volume I (Consolidated Summary Financial Statements) provides the most complete information about the financial position and operating results of the Province. They combine the financial position and operating results of central Government and the departments (Consolidated Revenue Fund - Public Accounts Volume II), with those of other Government entities.

There have been substantial improvements in the Province's financial position and fiscal capacity in recent years as evidenced by steadily increasing revenues and a surplus in each of the last 4 years. A significant contributor to the increased revenues in recent years relates to offshore royalties which have increased from \$127 million in 2004 to \$2.2 billion in 2009 and now represent approximately 26% of total revenues. At the same time, there have been significant increases in expenses, especially in health and education, which in 2009 accounted for approximately 58% of total expenses.

In order to sustain program spending at current levels, similar levels of revenue will be required. However, our current dependence is on revenues from offshore royalties – these revenues are volatile and oil is a non-renewable resource. Government has little control over the items that make offshore revenues volatile - world oil prices, production and foreign currency fluctuations. Budgeting in this environment is challenging as evidenced by the significant variances between budgeted and actual offshore revenues in recent years.

The unfunded pension liability of \$1.7 billion and the liability for group health and group life insurance retirement benefits of \$1.6 billion will have to continue to be closely monitored by Government. The unfunded pension liability increase of \$200 million during the year resulted, for the most part, from a decline in the value of the pension fund assets related to the global economic downturn. The liability for group health and group life insurance retirement benefits continues to increase and, if action is not taken to address it, is expected to total \$1.9 billion by 2012, an increase of approximately \$300 million or 19% over 2009.

Government's budget for 2010 has projected very different financial results than have been reported in recent years. Government's 2010 budget predicted a decline in revenue, an increase in expenses and an increase in net debt attributable to an expected deficit of \$750 million. The most recent Government projection now has the expected deficit at \$443 million. A significant contributor to the expected deficit reduction for 2010 relates to increased oil prices, again highlighting the difficulty in budgeting in such a volatile environment.

Some of the highlights from the Public Accounts for the year ended 31 March 2009 include:

### ***Financial Position***

**Net Debt** - representing the difference between total liabilities and financial assets, decreased from \$10.2 billion in 2008 to \$8.0 billion in 2009 (the highest net debt of \$11.9 billion was recorded in 2005). While this is a significant reduction, I note the following:

- The net debt on a per capita basis represents approximately \$15,700 for each Newfoundlander and Labradorian and is the second highest net debt per capita of all provinces in Canada. Also, based on information obtained from Government, the \$15,700 net debt per capita is well above the national net debt average of approximately \$10,000 per capita.
- At 25%, the Province still has one of the highest net debt as a percentage of GDP ratios of any province and remains in one of the lowest credit rating categories of all provinces.
- During the year, the unfunded pension liability increased from \$1.5 billion to \$1.7 billion, mainly as a result of the global economic downturn which resulted in a significant decline in the value of fund assets. Government will have to continue to closely monitor this significant unfunded liability.
- During the year, the liability for group health and group life insurance retirement benefits increased from \$1.5 billion to \$1.6 billion, and is expected to increase in each of the next three years. If action is not taken to address it, the liability is expected to total \$1.9 billion by 2012, an increase of approximately \$300 million or 19% over 2009. Government will have to continue to closely monitor this significant liability.

### ***Results of Operations***

**Annual Surplus** - representing the excess of revenues over expenses, was \$2.4 billion for the year ended 31 March 2009. The \$2.4 billion surplus was significantly higher than the budgeted surplus of \$544 million and also significantly higher than the reported surplus of \$1.4 billion for 2008. A significant reason for the increase in surplus in 2009 related to the recognition of \$1.2 billion of the deferred balance of the \$2.0 billion Atlantic Accord (2005) Agreement. The \$2.0 billion was received in 2005 and has been recognized as a deferral since that time with annual amounts recognized as revenue. Since the Province no longer qualifies for Equalization and has therefore met revenue recognition criteria, the remaining \$1.2 billion was recognized as revenue in 2009.

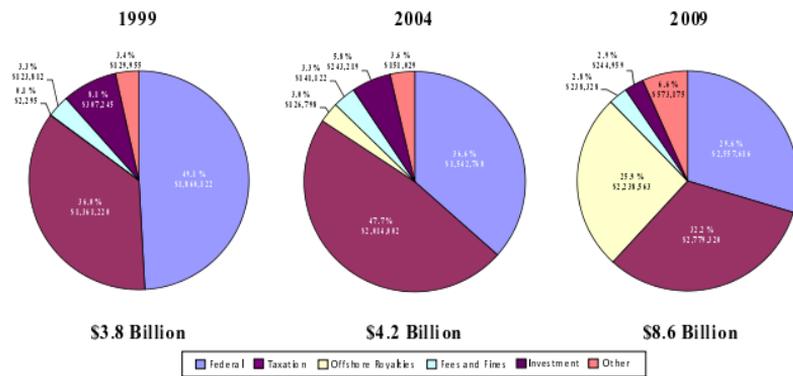
While the Province has experienced significant revenue and expense

growth in recent years, the revenues have exceeded the expenses which have resulted in a swing from the historical deficits to surpluses for each of the last 4 years.

**Revenues** – for the year ended 31 March 2009, total revenues were \$8.6 billion and represented an increase of \$1.5 billion (21%) from the \$7.1 billion total revenues in 2008. Figure 1 outlines the sources of revenue for 1999, 2004 and 2009 and highlights how the sources of Provincial revenue have changed in recent years. It also shows how much total revenues have increased over this period.

**Figure 1**

**Province of Newfoundland and Labrador  
Revenues by Source for 1999, 2004 and 2009  
(\$ 000's)**



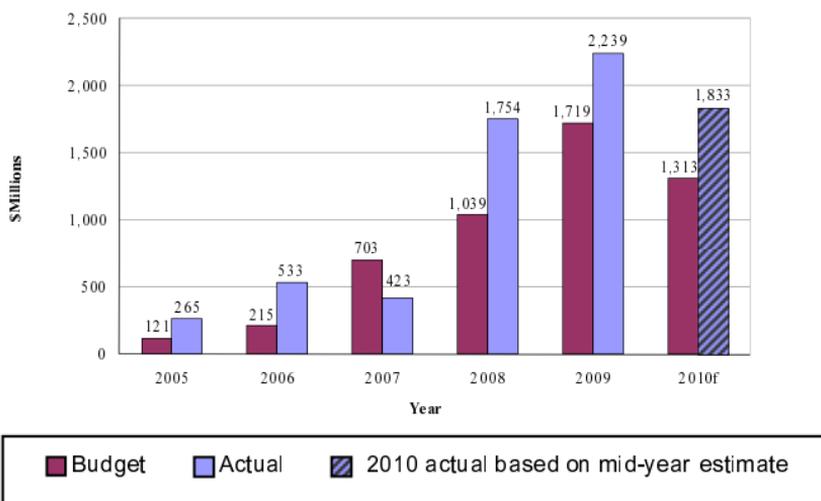
As Figure 1 shows, total revenues have increased to \$8.6 billion, an increase of \$4.8 billion (126%) from the total revenues of \$3.8 billion in 1999. The Figure also shows that while offshore royalties and provincial taxation revenues have increased, Federal revenues as a proportion of total revenues have decreased from 49.1% in 1999 to 29.6% in 2009 (even with the recognition of \$1.2 billion of the deferred balance of the \$2.0 billion Atlantic Accord (2005) Agreement).

Figure 1 also highlights the dependence on offshore royalties, which in 2009 accounted for approximately 25.9% of total revenues. Along with this dependence on offshore royalties comes volatility. Offshore royalties are volatile by their nature and depend on fluctuations in

three main factors: world oil prices, production and foreign currency fluctuations - none of which can be directly impacted by Government. Information on the budget and actual numbers for offshore royalty revenues during the fiscal periods 2005 through to 2009 is outlined in Figure 2. The Figure also provides the budget and most recent Government projection for 2010.

**Figure 2**

**Province of Newfoundland and Labrador  
Offshore Royalty Revenues: Budget and Actual  
Fiscal Years  
(\$ Millions)**

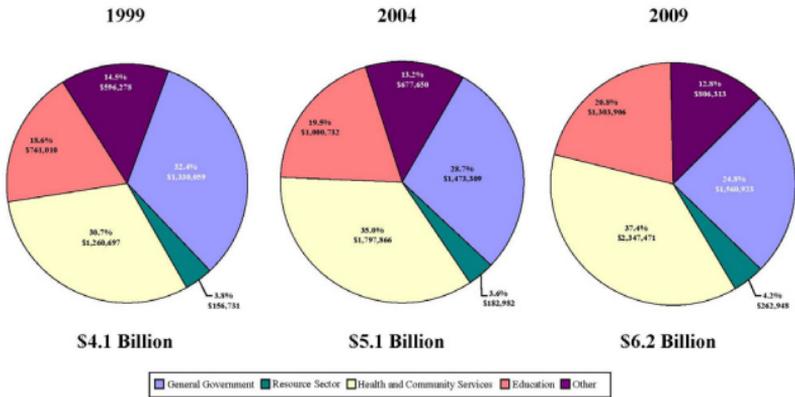


As Figure 2 shows, there are significant variations (in either direction) between budgeted and actual offshore royalties revenues. It is certain that the volatility associated with these revenues is part of the explanation for the variances. This volatility in revenue causes significant challenges when preparing the Provincial budget.

**Expenses** - for the year ended 31 March 2009, total expenses were \$6.2 billion and represented an increase of \$0.5 billion (8.8%) from the \$5.7 billion total expenses in 2008. Figure 3 outlines the expenses by sector for 1999, 2004 and 2009 and highlights how the expenses in sectors have changed in recent years. It also shows how much total expenses have increased over this period.

**Figure 3**

**Province of Newfoundland and Labrador  
Expenses by Sector for 1999, 2004, and 2009  
(\$ 000's)**



As Figure 3 shows, total expenses have increased to \$6.2 billion, an increase of \$2.1 billion (51%) from the total expenses of \$4.1 billion in 1999. The Figure also shows that funding for health and community services, and education have increased significantly since 1999. Expenses for health and community services has increased to \$2.3 billion, an increase of \$1.0 billion (77%) from the \$1.3 billion in 1999 while funding for education has increased to \$1.3 billion, an increase of \$543 million (71%) from the \$761 million in 1999.

Although recent surpluses may be perceived as there being an abundance of money available for Government programs, Government will continue to be challenged to meet the expenditure needs of the Province, as well as the need to address its significant debt. Sustainability of program spending will require significant revenue streams into the future and will remain a major consideration for Government.