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

4.1 Financial Statement Audits

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

Goal 1.1

Complete our audit of the financial statements of the Province by 30 September of each year and complete all other financial statement audits within three months of their fiscal year end.

Status

My Auditor's Report on the audit of the financial statements of the Province was dated 15 October 2004. The 30 September 2004 target date was not met because of the public sector strike and the resulting delay in receiving the Public Accounts for audit. The Public Accounts consists of four volumes: Volume I - Consolidated Summary Financial Statements; Volume II - Consolidated Revenue Fund Financial Statements; Volume III - Consolidated Revenue Fund Supplementary Statements and Schedules; and Volume IV - Financial Statements of Crown Corporations, Boards and Authorities.

Of the 31 Crown agency financial statement audits that we perform, 20 were ready for audit in sufficient time for completion within three months of the fiscal year end. The remaining 11 did not provide draft financial statements for audit in sufficient time for completion within three months. Again, the public sector strike contributed to delays in receiving draft financial statements for audit.

Goal 1.2

Provide the House of Assembly with our report on the audit of the financial statements of the Province by 30 November of each year.

Status

Our report on the audit of the financial statements of the Province for the year ended 31 March 2004 was submitted to the Speaker of the House of Assembly and released on 30 November 2004.

Goal 1.3

On an annual basis, determine during the audit planning cycle which audit procedures can be eliminated or changed in order to reduce time and costs while meeting professional standards. As a result, each time budget will be established to meet audit requirements.

Status

Prior to the commencement of each audit, as part of the planning phase, the time budget was reviewed to determine whether there were areas where the audit time could be reduced. At the conclusion of each financial statement audit, the time spent on the audit was reviewed in detail and compared with the original time budget. While no significant time savings were realized during this process, all audit procedures have been rationalized and are necessary in order to meet professional standards.

Goal 1.4

Complete all audits (Crown agencies and financial statements of the Province) within budgets for time and cost, and monitor actual time and cost relative to budgets. Our target for success is to be within a 10% variance of budget for time and cost.

Status

Of the 31 Crown agency financial statement audits that we perform, all were completed within a 10% variance of cost. However, even though costs were within the goals, in 16 instances the time exceeded the budget by more than 10%. In some instances, this was planned and necessary in order to provide training for junior staff. In other instances, variances were caused by particular circumstances associated with the agency being audited.

The audit of the financial statements of the Province was completed within the set goals.

Goal 1.5

Conduct all audits in accordance with professional standards and comply with internal Office policy. All financial statements and management letters will be subjected to a professional practice and challenge review process. Our target for success is 100% compliance.

Status

The Office uses the Canadian Institute of Chartered Accountants' Professional Engagement Manual as a financial statement audit manual to guide staff and promote consistency in our audit work. To ensure compliance with Canadian Generally Accepted Auditing Standards, each financial statement audit file is reviewed and challenged in detail by an Audit Manager. In addition, all financial statements are reviewed by our Professional Practice Group and the Office's Executive before they are released. As a result of these processes, all financial statement audits were conducted in accordance with professional standards and internal Office policy.

Goal 1.6

Communicate with all auditees on an annual basis to ensure that good quality information required to be audited is available on a timely basis.

Status

Prior to the commencement of all financial statement audits correspondence was sent to all auditees requesting the necessary information needed to complete the audit on a timely basis.

Goal 1.7

Provide senior officials with an opportunity to meet and discuss the audit and findings.

Status

Audit staff met with senior officials of all auditees. Furthermore, all auditees were either written or contacted directly by the Auditor General and provided with an opportunity to meet and discuss the audit and/or findings.

4.2 Legislative Audits

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

- evaluation of accountability relationships, management practices and control systems;
- assessment of compliance with legislation and other authorities; and
- performance audits of program results compared to established criteria.

Goal 2.1

Continue to use risk-based audit management. The Executive Committee will meet with Audit Managers on an annual basis to obtain an overview of their departments and agencies. We will also have an annual meeting with all audit staff to identify possible projects.

Status

Although there is no substitute for professional judgement in determining what work we perform, we have developed a computerized risk based audit management system known as The Audit Universe Monitoring System (TAUMS) to assist us with the selection of legislative audit projects. The system was developed in 1996 and is located on the network server in our Corner Brook Office. This system retains financial and other relevant information from all Crown agencies and departments as well as issues raised in management letters. The information storage and retrieval features of TAUMS permit us to prioritize projects during our planning process and address issues requiring attention.

The Executive Committee met with Audit Managers to obtain an overview of their departments and agencies. An annual meeting with all audit staff was also held in December 2004 to identify possible projects for our next audit cycle.

Goal 2.2

The Executive Committee will meet with each Audit Manager on a bi-weekly basis to discuss the status of each legislative audit.

Status

The Executive Committee met with each Audit Manager to discuss the status of each legislative audit. For the most part, the meetings were held bi-weekly.

Goal 2.3

Provide senior auditee officials with an opportunity to meet and discuss the audit and findings.

Status

At the commencement of all legislative audits senior officials were contacted and provided an opportunity to meet and discuss the audit. At the conclusion of the audit, senior officials were provided with an opportunity to meet and discuss the findings.

Goal 2.4

Ensure a high level of quality in the legislative audit process by subjecting all reports to quality control criteria and a professional practice and challenge review process.

Status

All legislative audit work is carefully planned, conducted, monitored, and reviewed in accordance with Canadian Generally Accepted Auditing Standards. The reports from this work are the final published product provided to Members of the House of Assembly. Therefore, it is imperative that the documents be factual, relevant and understandable. To achieve this objective, over the years we have undertaken a number of initiatives. Such initiatives include a rigorous challenge review process at various levels in the Office including the Executive, and providing draft reports to senior Government and Crown agency officials for validation and comment. During the year, all legislative audits were subjected to this process.

Goal 2.5

Monitor the degree to which positive change has occurred resulting from implementation of our recommendations or evidence that major issues will be addressed. Our target for success is that 80% of all recommendations be implemented within two years of our report date.

Status

In 1996, we established a process to measure the extent to which Government implements our recommendations. It is our intention to monitor and update the recommendations in each report two years after it has been issued. Monitoring will continue until we are reasonably satisfied that the issues are being adequately addressed or are no longer valid.

For the nine years from 1994 to 2002 this Office made 934 individual recommendations through our various reports which were tabled in the House of Assembly. We are pleased to note that, for 826 or 88.4% of these recommendations, satisfactory progress has been made or the recommendations are no longer applicable.

In 2004, Chapter 3 of our *Report to the House of Assembly on Reviews of Departments and Crown Agencies* outlined our update on prior years report items.

Goal 2.6

Provide the House of Assembly with our report on reviews of departments and Crown agencies by 31 December of each year.

Status

Our report on reviews of departments and Crown agencies was provided to the Speaker for tabling in the House of Assembly before the statutory deadline of 31 January 2005. The public sector strike contributed to delays experienced this year in completing the report by 31 December 2004.

Goal 2.7

Provide the House of Assembly with an accountability report on our Office by 31 January of each year. This accountability report is the report on the operations of the Office of the Auditor General.

Status

This report on the operations of our Office was provided to the Speaker before the statutory deadline of 31 January 2005 for tabling in the House of Assembly.

4.3 Monitoring Crown Agency Reports

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

Goal 3.1

Review the auditor's report, audited financial statements, recommendations to management, annual report, and any other relevant reports of each of the Crown agencies.

Status

We have developed and are using a database system known as The Audit Universe Monitoring System. This system retains financial and other relevant information on all Crown agencies and departments as well as issues raised in management letters.

Goal 3.2

Maintain The Audit Universe Monitoring System to record relevant reports of each of the Crown agencies.

Status

The Audit Universe Monitoring System is updated as financial statements and reports are received from the auditors of Crown agencies.

Goal 3.3

Contact private sector firms to arrange for receipt of financial statements and management letters on a timely basis and monitor receipt of this information.

Status

All private sector firms were originally contacted in July 2004 and a follow-up letter was sent in late August requesting the audited financial statements and management letters.

Goal 3.4

Provide the House of Assembly with a report on monitoring of Crown agencies by 31 December of each year.

Status

There is a part in our *Report to the House of Assembly on Reviews of Departments and Crown Agencies* which contains the results of this monitoring work for the 2004 fiscal year.

4.4 Special Assignments

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

Goal 4.1

Strive to perform special assignments whenever requested.

Status

While we have completed a number of special assignments in recent years, there were no requests for special assignments during the 2004 fiscal year.

Goal 4.2

Report on all special assignments conducted within six months of beginning our work.

Status

There were no requests for special assignments during the 2004 fiscal year.

Goal 4.3

Subject all special assignment reports to quality control criteria and a challenge review process.

Status

While there were no requests for special assignments during the 2004 fiscal year, our quality control and challenge review process requires that all audits, reviews, or assignments be subject to quality control criteria and a formal challenge review process.

4.5 Report Publishing

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

Goal 5.1

Commencing in 2004-05, provide our reports to the House of Assembly in compact disc format to supplement existing formats.

Status

Our *Report to the House of Assembly on the Audit of the Financial Statements of the Province of Newfoundland and Labrador* and our *Report to the House of Assembly on Reviews of Departments and Crown Agencies* for the year ended 31 March 2004 were provided to the House of Assembly on a compact disc along with our traditional printed format.

Goal 5.2

Provide staff with direction relating to the Office's existing auditing policy on drafting reports and emphasize the need for consistency in report drafting.

Status

The Office has a standard format, as outlined in our Auditing Policy 10, for preparing draft reports. Furthermore my Office has scheduled a report preparation course for staff to be held in February 2005.

Performance Accountability