



Report on Performance 2013-14

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

Statement of Responsibility

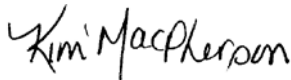
This Report reflects the performance of my Office for the year ended March 31, 2014. It was prepared under my direction. I am accountable for the results achieved, for the selection of performance indicators and for how performance has been reported.

Significant events have occurred recently which will impact the Office over the course of the next several years: the *Auditor General Act* has been updated and a new seven-year strategic plan has been adopted. However, I remain concerned about constraints imposed upon my operations given my small budget size of \$2.1 million.

This Report presents a comprehensive picture of the Office's actual performance. The report includes estimates and interpretive statements that represent the best judgment of management. The performance indicators reported are consistent with the Office's mission, goals and objectives, and focus on aspects critical to understanding the performance of the Office.

I am responsible for ensuring that the Office's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained.

This performance report has been prepared following the guidelines established in the Statement of Recommended Practice 2 (SORP-2) on public performance reporting issued by the Public Sector Accounting Board.



Kim MacPherson, CPA, CA
Auditor General

Introduction

The Auditor General of New Brunswick (AGNB)'s mission is to provide objective, reliable and timely information to the Legislative Assembly on government's performance in its delivery of programs and services to the people of New Brunswick.

This Report measures our performance according to performance indicators linked to our strategic plan and to the requirements of our legislation. We believe these indicators should help readers assess the productivity and quality of our work. Our 2013-14 audited financial statements are also included in this Report.

Strategic Initiatives

Our Office updated its strategic plan in 2014. Our new strategic plan is a seven-year plan which we are in the process of implementing. This Report presents the last year of performance indicators under the prior strategic plan. In 2015, as we implement our new strategic plan, we will be working to develop and update this report format, as well as related performance targets and indicators.

Performance indicator	Current year results 2014	Prior year	Prior year results
1. MLA perception, as determined by survey	Overall survey satisfaction rate of 100%	2012 2009 2008 2004	96% 88% 87% 87%
2. Auditee perception, as determined by survey	Overall satisfaction rate of 87%	2013 2012 2009 2007 2006	96% 92% 81% 80% 84%
3. Percentage of recommendations accepted and 4. Percentage of recommendations implemented	69% of 2010, 2011 and 2012 recommendations implemented	2013	72% of 2009, 2010 and 2011 recommendations implemented
5. Employee perception, as determined by survey	Survey not conducted in 2014	2012 2010 2007 2004	65% 69% 70% 66%
6. Completion of audits on time	Overall 44% success rate	2013 2012 2011	63% 69% 78%
7. Use of our time, focusing on the percentage of time spent on audit work	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> • Financial and performance audits - 69% • Professional development and training - 6% • Audit office admin & support activities - 25% 	2013 2012 2011 2010 2009	68%, 9%, 23% 66%, 8%, 26% 63%, 7%, 30% 64%, 9%, 27% 65%, 8%, 27%
8. Staff cost of our audits	\$1,380,000 represents the approximate annual staff cost of significant audit projects as follows:	2013	\$1,270,000
	* Performance Audit Projects \$479,000		\$365,000
	* Financial Audits: <ul style="list-style-type: none"> • Province of New Brunswick \$348,000 • Crown agencies \$367,000 • Cost Shared Claims \$87,000 		\$329,000 \$403,000 \$80,000
	* Annual Report Preparation \$99,000		\$93,000

Performance Measures

MLA survey

We were pleased to note the results from our survey of MLAs who sit on the Public Accounts Committee and Crown Corporations Committee. Our work appears to be meeting their needs and they believe our work is useful in their role of holding departments and Crown agencies accountable. Through a ongoing focus on improved communication strategies, we will continue our work with a goal of achieving similar results in future.

Auditee survey

Our auditee satisfaction rate has declined from 96% in the prior year to 87% in 2014. We are concerned at this change and will work even more closely with our auditees to isolate specific reasons for this change and increase this percentage again in future years.

Prior year recommendations accepted and implemented

Our rate of recommendations accepted and implemented declined slightly from 72% in our 2013 Report to 69% in 2014. This represents a very small change and overall we are pleased with this result. Please refer to Volume II, Chapter 4 of our 2014 Report for further information on implementation of prior year recommendations or consult our web site at www.agnb-vgnb.ca. To facilitate work of the Committees, we have added a "heat map" to our web site to be able to show the urgency with which departments respond to our recommendations.

Employee perception survey

We periodically conduct our employee perception survey to gain employee feedback on the quality of work life, communication and career development. We will be performing this survey again in the coming year to obtain more up to date information and are committed to making improvements where possible to improve staff satisfaction with our workplace.

Completion of audits on time

We have seen a decline in the percentage of our audits completed on time from 63% in our 2013 Report to 44%. Our small office has been challenged by ever growing demands of new audits and more rigorous timelines on large audits (ie Province of New Brunswick). Further, we received feedback from our strategic planning process to break up our performance audit reporting (which resulted in delaying our reporting on certain performance audits). While some of the circumstances causing the decline were impacted by factors beyond our control, including staff turnover which created challenging vacancies, we are committed to improve this percentage next year. We will do this through implementing our new strategic planning objective to focus our office's work on areas of greatest value to our stakeholders and aligning our work schedule accordingly.

Staff cost of our audits

Our increased focus on performance audit projects is evident in reviewing our cost information. It should be noted that in addition to staff costs, there are at times additional external costs incurred to complete audit projects, such as use of specialist and accounting firm resources.

Independent Auditor's Report of the Office Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Speaker of the Legislative Assembly

Report on the financial statements

We have audited the accompanying financial statements of the Office of the Auditor General of New Brunswick, which comprise the statement of financial position as at March 31, 2014 and the statements of operations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of New Brunswick as at March 31, 2014, the results of its operations, for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

Fredericton, NB
June 25, 2014

Statement of Financial Position

March 31, 2014

	2014	2013
Financial Assets		
Petty cash	\$ 50	\$ 50
Accounts receivables	2,021	-
Working capital advance (Note 4)	202,623	157,782
Accrued recoveries receivable	71,684	81,944
	<u>276,378</u>	<u>239,776</u>
Liabilities		
Payables and accrued liabilities	227,604	200,839
Accrued salary and benefits	61,389	55,719
	<u>288,993</u>	<u>256,558</u>
Net debt	<u>(12,615)</u>	<u>(16,782)</u>
Non-financial Assets		
Prepaid expenses	12,615	16,782
Accumulated Surplus	\$ <u>-</u>	\$ <u>-</u>

Statement of Financial Operations

Year ended March 31

	2014 Budget	2014 Actual	2013 Actual
Expenses			
Personnel services	\$ 1,901,842	\$ 1,827,008	\$ 1,690,749
Other services	331,852	393,412	446,934
Materials and supplies	8,850	6,406	8,708
Property and equipment	15,500	11,280	32,185
	<u>2,258,044</u>	<u>2,238,106</u>	<u>2,178,576</u>
Recoveries	<u>(200,000)</u>	<u>(199,567)</u>	<u>(192,485)</u>
	\$ 2,058,044	\$ 2,038,539	\$ 1,986,091
Government contributions (Note 3)		<u>(2,038,539)</u>	<u>(1,986,091)</u>
Surplus/deficit	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

1. Nature of Operations

The Office of the Auditor General is an office of the New Brunswick Legislative Assembly. The Office is not subject to income taxes because it is a public sector entity. The mandate and authorities of the Office are provided by the *Auditor General Act*.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

- a) *Asset Classification* – Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver services, may be consumed in normal operations and are not for resale. Non-financial assets of the Office include prepaid expenses.

- b) *Measurement Uncertainty* – The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

- c) *Recoveries* – The Office recognizes recoveries of professional costs when they are earned; specifically when all of the following conditions are met:
- Services are provided;
 - There is clear evidence that an arrangement exists;
 - Amounts are fixed or can be determined; and
 - The ability to collect is reasonably assured.

- d) *Harmonized Sales Tax* – The Office does not record Harmonized Sales Tax (HST) in its financial statements because the Federal portion of all HST paid is reimbursed to the Province of New Brunswick, and the provincial portion of HST is not levied by the Province on its own entities.
- e) *Tangible capital assets* – The Office has adopted the policy of expensing assets acquired with an individual value of \$10,000 or less. Accordingly, there are no tangible capital assets to record or amortize.
- f) *Statement of Cash Flows and Statement of Changes in Net Debt* – A statement of cash flows and a statement of changes in net debt are not provided in these financial statements as disclosures in the statements of financial position and operations are considered adequate.
- g) *Cash* – Cash consists of the office petty cash float.

3. Government Contributions

The Office is funded through annual budgetary appropriations approved by the Legislative Assembly. The appropriation represents the government contributions which are applied to expenses of the Office. In addition, there are reimbursements from government for certain payroll-related costs. Any unused appropriation cannot be carried forward for use in subsequent years. The budget figures presented in the Statement of Operations have not been audited.

Budget 2013-2014 as approved	\$2,078,000
In year spending restraint as requested by government	(19,956)
Revised 2013-2014 budget	<u>2,058,044</u>
Unused appropriation	<u>(19,505)</u>
Net government contributions 2013-2014	<u><u>\$2,038,539</u></u>

4. Working capital advance

The Office, similar to many Crown entities maintains no separate bank account and uses instead the Province’s bank account to receive funds and pay invoices. The working capital figure represents the net balance of the Office’s assets less liabilities. As described in note 3, the year end surplus or deficit lapses and is not carried forward to subsequent years.

5. Related Party Transactions

The Office of the Auditor General is related to the Government of New Brunswick and its departments and agencies. The Office’s sources of funding are through payment of its expenses by the government and the recovery of certain audit work performed. The Office recovered professional costs and made certain purchases

through other government departments and agencies in the normal course of its business.

Translation, printing, and certain information technology services are provided by the government to the Office in the normal course of operations and are accounted for within these financial statements at arm’s length amounts. However, government provides office space, funds the Office’s external auditor fee and absorbs the Office’s employer cost of various employee benefit plans, the effect of which has not been calculated or recorded in these financial statements.

6. Employee Future Benefit Plans

(a) *Pension Plan* – All permanent employees of the Office of the Auditor General are entitled to receive pension benefits under the New Brunswick Public Service Superannuation Plan. The Province of New Brunswick made changes to the New Brunswick Public Service Superannuation Plan during the year. The previous multi-employer defined benefit pension plan has since changed to a shared risk plan, Public Service Shared Risk Plan (PSSRP). Effective January 1, 2014, all permanent employees of the Office of the Auditor General are required to participate in this new plan. The plan is funded by the employee and government contributions. The Office is not responsible for any unfunded liability with respect to its employee pensions. The Office’s costs and liability related to employee pensions are not included as part of the Office budget and are recorded by government in its financial statements

(b) *Retirement Allowance Plan* – Certain long serving employees receive a retirement allowance upon retirement from public service. The plan is funded by the Province of New Brunswick. The Province of New Brunswick made changes to its retirement allowance program during the year where management and non-union employees of the Office will no longer accumulate retirement allowance credits. Employees who were participating in this program were offered a choice of pay-out in lieu of a retirement allowance or, for those with more than five years of service, an option to defer the pay-out until retirement. The Office’s costs and liability associated with the plan and its recent changes are not included as part of the Office budget and are recorded by government in its financial statements.

7. Financial Instruments

The Office’s financial instruments consist of accounts receivable, accrued recoveries receivable, working capital advance and payables and accrued liabilities. It is management’s opinion that the Office is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

