

Chapter 16

Office of the Auditor General

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Office of the Auditor General

Background

16.1 Our 1996 Report contained a checklist relating to our assessment of our compliance with the Annual Report Policy of government. A comparative version for 1997 is presented below.

Exhibit 16.1
Self assessment checklist

	1997	1996
Was a report prepared?	Yes	Yes
Is there a discussion of program relevance?	Yes	Yes
Are goals and objectives stated?	Yes	Yes
Does the report discuss achievement of plans?	Yes	Yes
Are performance indicators presented?	Partial	Partial
Are details available on level of client acceptance ?	Partial	No
Is actual and budget financial information presented?	Yes	Yes
Does the report explain variances from budget?	Yes	Yes

16.2 It is our intention to continually improve the information available in our annual Report on the performance of our Office. The above checklist sets out our assessment of progress over the last two years. We have made some progress in the development of performance indicators but still have not been able to completely address the client acceptance criterion.

Office role and relevance

16.3 Our role within the provincial public service is unique. We are independent of the government of the day and provide information directly to the Legislative Assembly. The Legislative Assembly uses our information to help fulfil its role of holding the government accountable for how public monies are managed. We also assist government by providing recommendations to senior officials of the departments and agencies we audit.

Role

Our vision

16.4 **We are committed to making a difference for the people of New Brunswick by promoting, in all our work for the Legislative Assembly, productive, open and answerable government.**

Our mission

16.5 We promote accountability by providing objective information to the people of New Brunswick through the Legislative Assembly.

Values

16.6 Our values impact our performance. We are committed to:

- ***Independence and objectivity*** - Being independent and objective, in fact and appearance.

- **Accountability** - Being accountable ourselves, and promoting accountability through example and reporting. In doing so, we strive to be a key influence for effective government.
- **Adding value** - Focusing our resources on areas of government where value can be added.
- **Learning** - Enhancing quality by placing emphasis on staff learning and development.
- **Improvement** - Improving our work through innovative thinking and the use of technology.
- **Fairness and respect** - Developing and maintaining professional relationships by treating our own staff and those we contact with fairness and respect.

Office Relevance

16.7 Our 1996 Report generated significant interest. Over six hundred copies were printed and distributed. Access to our Report is also available on the Internet and over one thousand inquiries were recorded by this means. Debates in both the Legislative Assembly and the Public Accounts Committee are evidence of the continuing relevance of our work. In addition we were invited for the second time in the history of our Office to discuss our Report with the Standing Committee on Crown Corporations.

16.8 Each year we include in our Report matters that we believe are significant to the Legislative Assembly and the public. These include our findings, conclusions and recommendations arising out of our audit work during the year. Our 1997 Report contains 62 recommendations. In addition in 1997 we completed a special report on the Department of Human Resources Development's compliance with the Public Purchasing Act in its contract with Andersen Consulting. This report was the result of a special request of the Public Accounts Committee. Two more requests for special studies were received from the Committee in 1997.

16.9 Our service also includes separate audit conclusions on the reliability of financial statements. These conclusions (auditor's reports) are provided to the Legislative Assembly with the financial statements for the Province as well as the Agencies and Trusts that we audit.

16.10 We see our work remaining relevant and contributing to:

- public confidence in our system of government;
- the Legislative Assembly's ability to carry out its responsibility of holding the government to account; and
- the government's ability to carry out its responsibilities using sound management systems and practices.

Goals and objectives

16.11 We have not yet identified specific goals or objectives for our Office for 1998. We will do this before the end of 1997. This Report updates the status of the objectives we listed last year.

Encouraging performance reporting by government

16.12 For 1996-97, and again for 1997-98, the government issued a supplement to the Main Estimates setting out specific performance indicators and targets which departments have developed. In turn, the departments will be expected to report their progress towards achieving these targets, beginning with their 1996-97 annual reports. We support this government initiative, and will be monitoring its progress.

16.13 We also believe there may be a place for an audit of the reported results to ensure they are reasonable and based on consistent and reliable information. However, it would be inappropriate to establish such a regime until the performance measurement system has been allowed to evolve and reach a level of maturity.

16.14 We have made several suggestions in recent Reports that we believe have improved the Province's reporting of its financial performance. Each year we discuss issues with the Comptroller which, in our opinion, would provide more meaningful information on the Province's financial results. We continue to encourage the presentation of budget information with the financial statements of Crown agencies; this is a specific initiative of our Office.

Improving our service to the Legislative Assembly

16.15 We were invited in 1996, and again in 1997, to appear before the Standing Committee on Crown Corporations to discuss our Report comments relating to certain Crown agencies. We were pleased to accept these invitations to talk about our work and our role.

16.16 As mentioned earlier in this chapter, we also prepared a special report for the members of the Standing Committee on Public Accounts, and were asked to carry out two more special studies.

16.17 We are also investigating ways in which we might provide more timely service to the members of the legislative committees we deal with. Options might include briefings to the committees concurrent with the release of our Report, or meeting to discuss our Report comments as soon as possible following the release of our Report.

Developing a better understanding of the needs of users of our Report

16.18 We have found it difficult to obtain consistent and direct feedback from the people we serve. We try to make changes to things like the structure and readability of our Report but most changes are ad hoc and not the result of any well designed survey of our users. We feel that by developing a closer working relationship with the legislative committees (as discussed above), we will be able to better understand their needs.

Developing and implementing a staff appraisal system capable of supporting performance pay

16.19 A staff appraisal system is now fully operational. It incorporates individual, team and Office goals, and links pay to performance.

Identifying and proposing needed changes to the Auditor General Act

16.20 Little work has been done in this area in 1997. We intend to address this issue in the coming year.

Improving our use of technology

16.21 Computer technology available to the Office continues to change and progress rapidly. We must make the most economical, efficient and effective use of technology available to us. Some of our auditees are moving quickly toward a paperless accounting environment, so our audit practices must adapt to that situation. Another significant issue we must address is the decentralization of government documents and accounting records, perhaps coupled with the introduction of imaging systems in departments.

16.22 While we have made significant advances in our practice via the use of a local area network, E-mail, Internet connections etc., we still have significant challenges ahead.

Continuing to develop meaningful performance indicators

16.23 The Board of Management has embarked on a very positive initiative to improve the indicators of performance being reported by government departments. While we are not covered by the requirement we certainly feel obligated to conform with the spirit of the directive.

16.24 In our 1996 Report, we identified what we considered to be two meaningful indicators for our Office. They were:

- a comparative analysis of the audit hours and cost of our audits; and
- the status of the recommendations that we make to departments and agencies as a result of our audit work.

16.25 In order to generate accurate and reliable data to measure the first indicator above, we need to enhance the time reporting system currently in use in our Office. We had hoped to complete an evaluation of various commercial time and billing software packages and make a decision on the upgrading or replacement of our present system during 1997. We were unable to complete this work because of other priorities, and because of the difficulty in finding a commercial system suitable for our needs. A preliminary analysis of staff time in 1996 indicates that approximately 57.8% of total time (including vacation time, statutory holidays, study leave and other absences) was spent on audit activities. Our goals are to increase this to at least 60%, and at the same time to increase the proportion of this time spent on broad scope audit work from its present 23.4% to 30%. We will do this by continuing to look for efficiencies in our financial audit work and by closely monitoring and managing non-audit time.

16.26 We have begun a process of tracking the status of recommendations we make to departments and agencies. We expect to be able to provide an analysis of progress in this area in our 1998 Report.

Timeliness of audits

16.27 A third performance indicator for our Office is the timeliness of completion of our audit work. The following table summarizes the completion dates for the significant aspects of our work.

Exhibit 16.2

Audit completion dates

	1997	1996	1995
Audit of Provincial Financial Statements	30 July 1997	20 September 1996	30 November 1995
Crown Agency Audits Completed	22 September 1997 ⁽¹⁾	8 November 1996 ⁽¹⁾	22 January 1996 ⁽¹⁾
Release of Auditor General Report	31 December 1997	31 December 1996	19 February 1996

⁽¹⁾ Date of audit report of last Crown agency completed.

The Office is a trainer

16.28 Our Office continues to provide experience and training to our employees. New employees must enroll in a professional accounting program, namely CA (Chartered Accountant), CMA (Certified Management Accountant) or CGA (Certified General Accountant). Before staff begin this professional training they must have, as a minimum, one university degree at the bachelor level.

16.29 In the past six years eleven people in our Office have received a professional accounting designation. Five of these people have moved to important financial positions in government. One person moved to a government position in another province, another to a quasi regulatory organization in New Brunswick; two people have remained in our Office and two have joined the private sector. The feedback that we have received on the quality of our staff is favourable. We consider our contribution of qualified staff to other government organizations to be a positive indicator for our Office.

Financial information

16.30 Budget and actual expenditure for 1995-96 and 1996-97 by primary classification is shown in the exhibit below. The approved budget for the 1997-98 year is presented for comparative purposes.

Exhibit 16.3

Budget and actual expenditure

(thousands of dollars)

	1998	1997		1996	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,365.5	1,386.4	1,247.4	1,384.8	1 309.5
Other services	105.7	107.2	102.2	120.5	95.8
Materials and supplies	7.9	8.6	7.8	10.5	7.3
Property and equipment	22.1	24.5	53.7	44.5	83.1
	1,501.2	1,526.7	1,411.1	1,560.3	1,495.7

16.31 Staff costs continue to account for approximately 90% of our budget and were underspent by \$139,000 for the year ended 31 March 1997. Two employees left during the year and were not replaced until after 31 March 1997. A third position was vacant for part of the year, and two employees were out on maternity leave.

16.32 Other services were underspent by \$5,000. Professional services not utilized in the year resulted in a saving of \$4,000.

16.33 Property and equipment was overspent by \$29,200. We again used a portion of the savings in staff costs to support additional costs for computer software and hardware. We purchased additional notebook computers for use by staff when out of the office, and also upgraded a number of our desktop computers to improve their speed and capacity.

Staff resources

16.34 The staff complement in our Office has remained constant at 27 for the past few years. At 31 March 1997 there were 24 people on staff, with three vacant positions. Brent White CA, Paul Jewett CA and Phil Vessey CA are the directors for our three audit teams. At 31 March 1997 there were fifteen professional staff with accounting designations. Our staff also included six students who hold a university degree which is a prerequisite for both enrollment in an accounting program and employment at our Office. The three remaining members of our staff provide administrative support services. The following is a list of staff members at 31 March 1997:

Lorna Bailey ⁽¹⁾	Gordon Nowlan ⁽²⁾
Ralph Black, FCA	Bill Phemister, CA
Jeffrey Chown ⁽²⁾	Ken Robinson, CA
Cathy Connors Kennedy, CA	Brian Soeler ⁽²⁾
Murray Gill, CMA	Tammy Sterling ⁽²⁾
Don Harrington ⁽²⁾	Diane Swan ⁽¹⁾
Eric Hopper, CA	Al Thomas, CA
Peggy Isnor, CA	Phil Vessey, CA
Paul Jewett, CA	Tim Walker, CA
Cecil Jones, CA	Deborah Whalen, CMA
Kimberley LeBlanc ⁽²⁾	Brent White, CA
Greg Mignault, CMA	Darlene Wield ⁽¹⁾

⁽¹⁾ Administrative support

⁽²⁾ Student enrolled in a professional accounting program.

16.35 Subsequent to 31 March 1997, Murray Gill and Ralph Black retired. Mr. Gill was an audit director, and had worked in the Office for seventeen years. He was instrumental in developing our approach to broad scope audits following the change in our legislation in 1988. Mr. Black had been Auditor General since 1993 and during his term worked to improve the accountability of government to the Legislature and the citizens of New Brunswick. He also was instrumental in developing a strategic plan for the Office and increasing the profile of our work.

16.36 The wisdom and experience which Mr. Gill and Mr. Black brought to our Office will be missed.