

# Chapter 14

## Office of the Auditor General

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# Office of the Auditor General

## Background

**14.1** In recent years, our Reports have contained a checklist relating to our assessment of our compliance with the Annual Report Policy of government. A comparative version for 2000 is presented below.

**14.2** It is our intention to continually improve the information available in our annual Report on the performance of our Office.

### Exhibit 14.1

#### Self assessment checklist

	2000	1999
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?	Yes	Yes
Are details available on level of client acceptance ?	Yes	Yes
Is actual and budget financial information presented?	Yes	Yes
Does the report explain variances from budget?	Yes	Yes

## Office Role and Relevance

### Our role

**14.3** 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 and how services are delivered. We also assist government by providing recommendations to senior officials of the departments and agencies we audit.

### Our vision

**14.4** 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

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

### Our values

**14.6** 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**

**14.7** Both volumes of our 1999 Report generated significant interest. Six hundred copies of each volume were printed and distributed. Access to our Report is also available through the Internet, and for the first time we are tracking the number of times our Report is visited. During the four-month period when our two volumes were released there were approximately 12,500 visits to a complete volume. In addition to this there were specific visits to individual chapters. Discussions of our findings in the Legislative Assembly and the Public Accounts and Crown Corporations Committees are evidence of the continuing relevance of our work.

**14.8** 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.

**14.9** 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.

**14.10** 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.

### **Performance Indicators**

**14.11** Early in 1998 we finalized a strategic plan for the Office. This plan identifies our priorities and strategic goals. As part of this exercise, we also established performance indicators. We are tracking our progress against these indicators. This section of our Report identifies each indicator by strategic priority, and discusses our progress to date.

### **Responding to the needs of users**

**14.12** We will survey Members of the Public Accounts and Crown Corporations Committees on an annual basis in order to measure our effectiveness in meeting their needs.

**14.13** We sent out a survey to all members of the Public Accounts and Crown Corporations Committees in July 2000. The response was encouraging. Committee members indicated that our Report was easy to read and understand, and helped them to do their job better. While some members expressed concern at the length of our full Report, all respondents appreciated the condensed report on highlights we issued together with volume 1. Most respondents also liked the issuance of our Report in two volumes.

**14.14** Committee members found the topics addressed in our Report were relevant and contributed to valuable discussion and debate. They also considered our recommendations practical and achievable. While Committee members found our briefing sessions on our Report useful, there was no consensus on whether our Office could be doing more to assist them in their work. However, all agreed that the Auditor General's Office contributes to improved public sector accountability, and provides good value for money for the taxpayers of New Brunswick.

**14.15** We will measure the extent to which the recommendations which appear in our annual Report are accepted and implemented. The disposition of all recommendations will be tracked for a period of four years.

**14.16** Chapter 9 of this Report provides an overview of the recommendations included in our 1997 and 1998 Reports, arising out of our broad scope audits. It details the departmental responses to our recommendations, and our assessment of the acceptance and implementation of those recommendations.

**14.17** In May 2000 we asked government departments to indicate the current status of recommendations included in our 1999 Report. We will be conducting follow-up work over the next year in order to assess the responses.

**14.18** We will measure the extent to which accounting and reporting recommendations made by the Public Sector Accounting Board of the CICA are accepted and implemented by the Province of New Brunswick.

**14.19** We are tracking this indicator as part of our annual audit of the financial statements of the Province. We are pleased with the progress made by the Province in recent years in implementing the CICA recommendations. However, one significant outstanding issue is that the Province still does not track and report its cumulative investment in tangible capital assets.

**14.20** The Province of New Brunswick audit will be completed by June 30<sup>th</sup> and all Crown agency and Trust Fund audits will be completed by September 30<sup>th</sup>.

**14.21** Our ability to achieve this objective is not totally within our control, because it really depends on when our audit clients close their books for the year and are ready for us to do our work. Notwithstanding this, we believe the indicator is important because it results in us encouraging our clients to close their books as quickly as possible. We support timely reporting of financial information. The indicator also places a discipline on our Office to complete the audit work by a specific date.

**14.22** The audit of the Province of New Brunswick was not completed by 30 June. In fact we did not release our auditor's report until 18 October. The target date was not met due to the financial statements not being ready for audit until 20 June. A lot of time was also spent during the late stages of the audit in discussing the format of the Statement of Revenue and Expenditure.

**14.23** We are the auditors of nineteen Crown agencies and six pension plans. We completed sixteen of the Crown agency audits and three of the pension plan audits by 30 September. For the three Crown agency audits that were not completed there were delays related to discussions on financial statement presentation. The three pension plans that were not completed were not ready for audit.

***Making effective use of resources***

**14.24 All financial and broad scope audits will be performed within the time allotted.**

**14.25** We establish detailed time budgets for each of our audits. During the audit, we monitor the time spent by staff members on individual sections of the work. At the end of each audit, we summarize the total time spent, compare it to the total budgeted hours and analyze major fluctuations. For our financial audits, we use the results of this analysis to help us prepare the budget for the following year's work.

**14.26** The audit of the Province of New Brunswick was completed within budget. And of the nineteen Crown agencies and pension plans that were completed by 30 September only three exceeded the budget by more than fifty hours. We are interested in examining all over-budget situations to see if there are lessons to be learned that will lead to improvements in the future. There were three different reasons for actual time being greater than budget: we had to do a lot of accounting work; we could have been more efficient in conducting our audit field work; and we spent a lot of time discussing the disclosure of a particular transaction. We are confident we can improve on the first two, but as for the third, we recognize that in any audit engagement some unanticipated issue may arise that will impact negatively on the budget.

**14.27** We undertook eight major value-for-money audits or special assignments during the past year that led to chapters in this Report. Six of these were over budget, one was under budget and one did not have a budget. The project that did not have a budget was when we assisted the

Crown Corporations Committee in its hearings with the regional hospital corporations. We have identified a number of reasons for the over-budget situations including: the complexity of the project being greater than anticipated; a change in the focus of the project subsequent to the budget being set; more time taken to complete the report writing phase of the project; and staff being assigned to this type of work for the first time. While we continue to use our experiences to become more efficient we do recognize the difficulty in setting a realistic budget for this type of work. Unlike our financial audit work which is basically the same year after year, the value-for-money work is usually one of a kind, and there may be very little experience to draw on.

**14.28 60% of all professional paid time in our Office will be spent directly on financial statement audits or broad scope audits.**

**14.29** A detailed analysis of staff time for 1999 indicates that 57.94% of the total paid time of all staff, with the exception of our three administrative support staff, was spent directly on audit work (including work on our annual Report). For the first six months of 2000, this number increased to 61.20%. Non-audit time includes statutory holidays, vacations, courses for accounting students and professional staff, sick leave and administrative duties not chargeable to a specific audit. We were disappointed not to reach our target in 1999, and are striving to improve in the current year. In particular, we would like to increase the percentage of time senior management spends directly on audit work.

**14.30 Of the total time spent directly on financial statement audits and broad scope audits, 30% will be spent on broad scope audits.**

**14.31** Our analysis indicates that, in 1999, we spent 41.18% of total audit time on broad scope audits. For the first six months of 2000, this number rose to 49.23%. This reflected a conscious and successful effort to reduce audit time on financial statement audits so that more time is available for broad scope audit projects.

***Maintaining professional standards***

**14.32 We will meet the standards required by the New Brunswick Institute of Chartered Accountants Mandatory Practice Review Committee.**

**14.33** The latest inspection of our Office files and procedures by the Institute was in 1996. The inspection concluded that we continue to meet the standards required by the Institute. No exceptions were noted. Our next inspection is scheduled for late 2000.

**Financial Information**

**14.34** Budget and actual expenditure for 1998-99 and 1999-2000 by primary classification is shown in Exhibit 14.2. The approved budget for the 2000-01 year is presented for comparative purposes.

**14.35** Staff costs continue to account for approximately 90% of our budget and were underspent by \$135,800 for the year ended 31 March 2000. Although we filled the two vacant positions we had at the start of the year, we lost four other staff members during the year. Only two of these positions had been filled by 31 March 2000. The cumulative effects of this turnover caused the underspending.

*Exhibit 14.2*

*Budget and actual expenditure (thousands of dollars)*

	2001	2000		1999	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,392.4	1,397.1	1,261.3	1,392.1	1,296.5
Other services	121.9	118.4	117.9	118.4	111.2
Materials and supplies	8.4	7.9	7.2	7.9	7.2
Property and equipment	34.2	22.1	42.5	22.1	36.0
	<b>1,556.9</b>	<b>1,545.5</b>	<b>1,428.9</b>	<b>1,540.5</b>	<b>1,450.9</b>

**14.36** Property and equipment was overspent by \$20,400. We used a portion of the savings in staff costs to support additional costs for computer software and hardware. As part of our ongoing computer strategy, we upgraded a number of our notebook and desktop computers to improve their speed and capacity. We also replaced two of our printers, and upgraded some of our audit software.

**14.37** Our legislation requires an annual audit of our accounts by a qualified auditor, appointed by the Speaker of the Legislative Assembly on the advice of the Board of Management. This audit is conducted by the Office of the Comptroller and their audit report is tabled before the Legislative Assembly.

## Staff Resources

**14.38** Our Office continues to provide experience and training to our employees. New employees must enrol 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.

**14.39** Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, three staff left to take senior positions in government; one other staff member joined the private sector. Although we are sorry to see staff leave, we are pleased when their training and abilities are recognized by the government departments and Crown agencies we deal with. We consider our contribution of qualified staff to other government organizations to be a positive indicator for our Office.

**14.40** Our staff complement remained unchanged during the year at 25. Brent White CA, Paul Jewett CA and Phil Vessey CA are the

directors for our three audit teams. At 31 March 2000 there were fourteen professional staff with accounting designations. Our staff also included six students who hold a university degree which is a prerequisite for both enrolment in an accounting program and employment at our Office. The three remaining members of our staff provide administrative support services. Two positions were vacant. The following is a list of staff members at 31 March 2000:

Lorna Bailey <sup>(1)</sup>	Ken Robinson, CA
Cathy Connors Kennedy, CA	Yvonne Samson <sup>(2)</sup>
Alphonse Doyle <sup>(2)</sup>	Brian Soeler <sup>(2)</sup>
Eric Hopper, CA	Tammy Sterling <sup>(2)</sup>
Peggy Isnor, CA	Diane Swan <sup>(1)</sup>
Paul Jewett, CA	Al Thomas, CA
Cecil Jones, CA	Phil Vessey, CA
Kim Embleton <sup>(2)</sup>	Brent White, CA
Diedre Green, CA	Darlene Wield <sup>(1)</sup>
Laurie Haines, CA	Daryl Wilson, FCA
Greg Mignault, CMA	Tania Wood <sup>(2)</sup>
Bill Phemister, CA	

(1) Administrative support

(2) Student enrolled in a professional accounting program