

Chapter 12

Office of the Auditor General

Contents

Background	257
Office role and relevance	257
Performance indicators	258
Financial information	261
Staff resources	261

Office of the Auditor General

Background

12.1 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 2002 is presented below.

Exhibit 12.1
Self assessment checklist

	2002	2001
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

12.2 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 mission

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

Office relevance

12.4 Our 2001 Report generated significant interest. Five hundred and fifty copies were printed and distributed. Access to our Report is also available through the Internet, and we are tracking the number of times our Report is visited. During the four-month period following the release of the Report there were over 5,400 visits to the complete Report. In addition to this there were specific visits to individual chapters. On 13 December 2001, the day our Report was released, there were over 4,000 visits, or 'hits', to our web site. 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.

12.5 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.

12.6 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.

12.7 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

12.8 In April 2002 we began an exercise to update our Office's 1998 strategic plan. Using an external consultant, we interviewed all Office staff and a good representation of our external stakeholders who were defined to be Members of the Legislative Assembly, government departments and agencies, the media and the general public. We expect to have our new plan in place prior to the start of the 2003 calendar year. It will set out our strategic goals for the next five years, and establish performance indicators to measure our progress towards our goals.

12.9 This section of our Report identifies the indicators from our 1998 strategic plan, set out by strategic priority, and discusses our progress to date.

Responding to the needs of users

12.10 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.

12.11 We sent out a survey to all members of the Public Accounts and Crown Corporations Committees in March 2002. The response was encouraging. Committee members indicated that our Report was easy to read and understand, and helped them to do their job better. However, some members felt that the Report was too long. Once again, all respondents appreciated the condensed report on highlights we issued together with the main Report.

12.12 Committee members once again found that the topics addressed in our Report were relevant and contributed to valuable discussion and debate. For the most part, they also considered our recommendations practical and achievable. Committee members found our briefing sessions on our Report useful, and did not feel that our Office could be doing any more to assist them in their work. Almost 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.

12.13 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.

12.14 Chapter 10 of this Report provides an overview of the recommendations included in our 1998 through 2000 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.

12.15 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.

12.16 We are tracking this indicator as part of our annual audit of the financial statements of the Province. One significant outstanding issue is that the Province still does not track and report its cumulative investment in tangible capital assets. Some information on tangible capital assets is included in the notes to the 2002 financial statements.

12.17 The Province of New Brunswick audit will be completed by June 30th and all Crown agency and Trust Fund audits will be completed by September 30th.

12.18 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.

12.19 The audit of the Province of New Brunswick was not completed by 30 June. Our auditor's report on the financial statements was dated 9 August. The target date was not met due to the financial statements not being ready for audit until 25 June.

12.20 We are the auditors of nineteen Crown agencies, six pension plans and the Fiscal Stabilization Fund. We completed twelve of the Crown agency audits and three of the pension plan audits by 30 September. For the seven Crown agency audits and three pension plans that were not completed there were delays related to a lack of available resources in our Office to do the work. We have recently made administrative changes in our Office to resolve this problem.

Making effective use of resources

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

12.22 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.

12.23 The audit of the Province of New Brunswick was completed within budget. However, of the fifteen Crown agencies and pension plans that were completed by 30 September, seven exceeded the budget by more than fifty hours. We examine all over-budget situations to see if there are lessons to be learned that will lead to improvements in the future.

12.24 We undertook seven major value-for-money audits during the past year that led to chapters in this Report. Six of the seven audits took more time than we had budgeted. We continue to analyze our experiences on each audit, in an effort to become more efficient in carrying out the work, and more realistic in setting our budgets. However, 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.

12.25 60% of all professional paid time in our Office will be spent directly on financial statement audits or broad scope audits.

12.26 A detailed analysis of staff time for 2001 indicates that 59.36% of the total paid time of all staff, with the exception of our administrative support staff, was spent directly on audit work (including work on our annual Report). For the first six months of 2002, this number dropped to 58%. 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 2001, although we were pleased that our percentage had increased from the previous year.

12.27 Of the total time spent directly on financial statement audits and broad scope audits, 45% will be spent on broad scope audits.

12.28 Our analysis indicates that, in 2001, we spent 53.5% of total audit time on broad scope audits. For the first six months of 2002, this number rose to 57.47%. This has resulted from 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

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

12.30 The Institute inspected our Office files in November 2000. The inspection concluded that we continue to meet the standards required by the Institute. No exceptions were noted.

Financial information

12.31 Budget and actual expenditure for 2000-01 and 2001-02 by primary classification is shown in Exhibit 12.2. The approved budget for the 2002-03 year is presented for comparative purposes.

12.32 Staff costs continue to account for approximately 90% of our budget and were underspent by \$75,800 for the year ended 31 March 2002. Although we filled the vacant position we had at the start of the year, we lost three other staff members during the year. Delays in filling two of these positions, plus savings resulting from two maternity leaves, caused the underspending.

12.33 Other services were overspent by \$14,900. This was largely due to increased travel costs and the hiring of temporary clerical help during our busiest time of year.

12.34 Property and equipment costs were underspent by \$16,700 mainly due to the postponement of a major computer system software upgrade.

Exhibit 12.2

Budget and actual expenditure (thousands of dollars)

	2003	2002		2001	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,446.5	1,420.7	1,344.9	1,398.4	1,319.6
Other services	124.2	122.8	137.7	121.9	114.1
Materials and supplies	8.1	8.3	6.8	8.4	8.7
Property and equipment	76.2	45.2	28.5	34.2	39.4
	1,655.0	1,597.0	1,517.9	1,562.9	1,481.8

12.35 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

12.36 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.

12.37 Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, one staff member left to take a senior position in government and one left to pursue other career options. One staff member retired.

12.38 Our staff complement, based on our available budget, reduced during the year from 25 to 24. Brent White CA, Paul Jewett CA and Phil Vessey CA are the directors for our three audit teams. At 31 March 2002 there were sixteen professional staff with accounting designations. Our staff also included six students enrolled in accounting programs. The two remaining members of our staff provide administrative support services. The following is a list of staff members at 31 March 2002:

Lorna Bailey ⁽¹⁾	Nick McCarthy ⁽²⁾
Cathy Connors Kennedy, CA	Bill Phemister, CA
Alphonse Doyle, CA	Bonnie Pitre, CA
Jocelyn Durette, CA	Ken Robinson, CA
Kim Embleton ⁽²⁾	Yvonne Samson, CA
Debbie Graye ⁽²⁾	Al Thomas, CA
Deidre Green, CA	Phil Vessey, CA
Sarah Hearn ⁽²⁾	Brent White, CA
Eric Hopper, CA	Darlene Wield ⁽¹⁾
Peggy Isnor, CA	Daryl Wilson, FCA
Paul Jewett, CA	Tania Wood ⁽²⁾
Cecil Jones, CA	Shauna Woodside ⁽²⁾

⁽¹⁾ Administrative support

⁽²⁾ Student enrolled in a professional accounting program