

Chapter 8

Office of the Auditor General

Contents

Background	181
Office role and relevance	181
New strategic plan	182
Performance indicators	183
Financial information	186
Staff resources	187

Office of the Auditor General

Background

8.1 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 2003 is presented below.

Exhibit 8.1
Self assessment checklist

	2003	2002
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

8.2 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

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

Office relevance

8.4 Our 2002 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 3,000 visits to the complete Report. In addition to this there were specific visits to individual chapters. On 17 December 2002, the day our Report was released, there were over 4,800 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.

8.5 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.

8.6 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.

8.7 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.

New strategic plan

8.8 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 finalized the new plan in May 2003. It can be found on our web site.

8.9 The new strategic plan identifies three main goals that we will be concentrating on over the next five years. These are:

- the Legislative Assembly and the public are aware of and value all the work that we do, and have confidence in our ability to provide timely, objective and credible information;
- departments and agencies accept and implement our recommendations; and
- our stakeholders - the Legislative Assembly, the public, auditees and our employees - view us as leading by example.

8.10 We have developed strategies around each of these goals, along with specific objectives and actions. Each year we intend to develop a business plan that will set priorities for each of our objectives. We have identified the following objectives as priorities for the current year:

- to improve our process for selecting value-for-money audits;
- to develop and implement a comprehensive human resources strategy that includes a human resources plan for the Office;

- to implement a risk management strategy for the Office; and
- to develop and implement ways of measuring our progress, and to publicly report on the results.

Performance indicators

8.11 For a number of years now we have been reporting on our performance. Our 2003-08 strategic plan identifies the indicators that we will use to determine our progress towards the goals we have set. Many of these indicators are similar to the ones we have been using for the last five years. We will continue to survey Members of the Legislative Assembly to determine their level of satisfaction with our work. We will also survey our auditees for the same purpose. Our employees will be surveyed, beginning this fall, to determine their level of satisfaction. We will also continue to track the acceptance and implementation of the recommendations that appear in our annual Report. And we will continue to focus on completing our work on time and within budget.

8.12 A new indicator that we will begin to report on in 2004 is the cost of the audits that we carry out. We have always tracked the time that we spend on each audit; we are now developing a system of costing out that time, and we intend to make that information available in our annual Reports. We will also continue to report on the percentage of time we spend directly on audit work.

8.13 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

8.14 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.

8.15 We did not carry out any surveys of Members in 2003. Because of the election in June 2003, Members of the Public Accounts and Crown Corporations Committees did not meet to discuss our 2002 Report, or indeed any reports from departments or agencies for the year ended 31 March 2002, until late in 2003.

8.16 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.

8.17 Chapter 7 of this Report provides an overview of the recommendations included in our 1999 through 2001 Reports, arising out of our value-for-money audits. It details the departmental responses to our recommendations, and our assessment of the acceptance and implementation of those recommendations.

8.18 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.

8.19 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 2003 financial statements.

8.20 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.

8.21 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.

8.22 The audit of the Province of New Brunswick was not completed by 30 June. A number of accounting issues, including some significant changes in the Province's accounting policies, delayed the completion of the financial statements and our audit.

8.23 We are the auditors of nineteen Crown agencies, six pension plans and the Fiscal Stabilization Fund. We completed fourteen of the Crown agency audits and three of the pension plan audits by 30 September. For the five Crown agency audits that were not completed there were delays related to a lack of available resources in our Office to do the work. However, all five were completed and reports issued by 31 October. The Fiscal Stabilization Fund financial statements, and financial statements for three pension plans, were not ready for audit in time to meet our 30 September target, nor would we have had the resources to complete them by that date.

Making effective use of resources

8.24 All financial and value-for-money audits will be performed within the time allotted.

8.25 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.

8.26 The actual time on our audit of the Province's financial statements was close to the budgeted hours. The time we spent in excess of budget (approximately 300 hours) can be almost entirely attributed to extra time necessary to deal with accounting issues arising subsequent to the completion of our planned audit work. All of the seventeen Crown agency and pension plan audits we completed by 30 September were carried out within or close to the budgeted hours.

8.27 We undertook six major value-for-money audits during the past year that led to chapters in our 2003 Report. Three of the six 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.

8.28 60% of all professional paid time in our Office will be spent directly on financial statement audits or value-for-money audits.

8.29 A detailed analysis of staff time for 2002 indicates that 56.72% 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 2003, this number increased to 61.22%. 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 2002, which we attribute to time spent on our strategic planning process, some disruption caused by extensive renovations to our offices and two extended sick leaves during the year.

8.30 Of the total time spent directly on financial statement audits and value-for-money audits, 45% will be spent on value-for-money audits.

8.31 Our analysis indicates that, in 2002, we spent 51.91% of total audit time on value-for-money audits. For the first six months of 2003, this number was 48.98%. In recent years we have made a conscious and successful effort to reduce audit time on financial statement audits so that more time is available for value-for-money audit projects.

Maintaining professional standards

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

8.33 The Institute last 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

8.34 Budget and actual expenditure for 2001-02 and 2002-03 by primary classification is shown in Exhibit 8.2. The approved budget for the 2003-04 year is presented for comparative purposes.

8.35 Staff costs continue to account for approximately 90% of our budget and were underspent by \$64,300 for the year ended 31 March 2003. This was the result of two unpaid leaves, plus a maternity leave.

8.36 Other services were overspent by \$43,300. This was largely due to the hiring of a consultant to assist us with our strategic planning process.

8.37 Property and equipment costs were overspent by \$17,000. Renovations to our offices resulted in a charge to our budget by the Department of Supply and Services of \$59,000. A portion of this amount was funded by delaying the purchase of computer equipment, and by not replacing our server.

Exhibit 8.2

Budget and actual expenditure (thousands of dollars)

	2004	2003		2002	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,473.8	1,446.5	1,382.2	1,420.7	1,344.9
Other services	138.2	124.2	169.5	122.8	137.7
Materials and supplies	8.4	8.1	7.8	8.3	6.8
Property and equipment	52.6	76.2	93.2	45.2	28.5
	1,673.0	1,655.0	1,652.7	1,597.0	1,517.9

8.38 Subsequent to the approval by the Legislative Assembly of our 2004 budget, we were asked by the Board of Management to reduce that amount by 5%, or \$83,650. We have always complied with government restraint initiatives, and, in the spirit of our goal to lead by example, we have consistently underspent our budget allocation. However, we were compelled to inform the Board of Management that in this case we would be unable to comply fully with their request. We have deferred computer purchases, restricted travel, and will do whatever we can to control our expenditures for the remainder of the year. However, persistent budget restrictions are now seriously affecting the level of staffing in the Office, and consequently the extent of the work we are able to carry out on behalf of the Legislative Assembly. This matter, and the process by which our budget is established, is discussed at greater length in chapter 1 of this Report.

8.39 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

8.40 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.

8.41 Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, however, only one staff member left the Office.

8.42 Our staff complement, based on our available budget, remained unchanged during the year at 24. Brent White CA, Paul Jewett CA and Phil Vessey CA are the directors for our three audit teams. At 31 March 2003 there were seventeen professional staff with accounting designations. Our staff also included five 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 2003:

Lorna Bailey ⁽¹⁾	Nick McCarthy ⁽²⁾
Mylène Chiasson ⁽²⁾	Bill Phemister, CA
Cathy Connors Kennedy, 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, CA
Cecil Jones, CA	Shauna Woodside, CA

⁽¹⁾ Administrative support

⁽²⁾ Student enrolled in a professional accounting program