

# Chapter 4

## Office of the Auditor General

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# Office of the Auditor General

## Background

*Exhibit 4.1*  
*Self assessment checklist*

**4.1** 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 2006 is presented below.

|   | 2006 | 2005 |
|---|------|------|
| 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*

**4.2** 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*

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

### *Office relevance*

**4.4** Volumes 1 and 2 of our 2005 Report generated significant interest. 400 copies of each volume 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. 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.

**4.5** 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.

**4.6** 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 Crown agencies and Trust Funds that we audit.

**4.7** 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.

## Strategic plan

**4.8** Our 2003-2008 strategic plan can be found on our web site. It identifies three main goals that we are concentrating on over the 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.

**4.9** We have developed strategies around each of these goals, along with specific objectives and actions. We have also identified performance indicators that we are using to measure our progress.

## Performance indicators

### *MLA survey*

**4.10** In 2004 we surveyed and interviewed Members of the Public Accounts and Crown Corporations Committees in order to measure our effectiveness in meeting their needs.

**4.11** The responses to the survey indicated a high degree of satisfaction with the work that we do. We converted the responses into a numerical index, which produced an overall satisfaction rate of 86.8%.

**4.12** We surveyed the members of the committees again in 2005, but the number of responses received was insufficient to allow us to draw any meaningful overall conclusions.

### *Auditee survey*

**4.13** Following the completion of each audit, we survey the department or Crown agency to determine their level of satisfaction with our work.

**4.14** The responses to the survey following our 2005 audits indicate a high degree of satisfaction with the audits we conducted. We converted all the responses into a numerical index, which produced an overall satisfaction rate of 84.6%, compared to a rate of 80.8% in 2004.

**4.15** Generally, auditees felt that we communicated well with their organization during our work and in the preparation of our reports, and that we dealt with them in a courteous and professional manner.

### ***Employee survey***

**4.16** In the fall of 2004 we conducted our second employee satisfaction survey. This provides us with feedback on topics such as quality of work life, communication and career development. We converted the responses into a numerical index, which produced an overall satisfaction rate of 66.3%, compared to a rate of 62.6% in 2003.

**4.17** We did not conduct an employee satisfaction survey in 2005, but intend to do so in late 2006.

### ***Acceptance and implementation of recommendations***

**4.18** Chapter 8 of Volume 2 of our 2005 Report provides an overview of the recommendations included in our 2001 through 2003 Reports. It summarizes the status of our recommendations, and focuses in particular on those recommendations we made in 2001 that have not been fully implemented.

**4.19** In general, we are pleased with the actions taken by departments and Crown agencies in response to our work and reports.

**4.20** The results of our follow-up work conducted in the current year on the recommendations included in our 2002 through 2004 Reports will be included in a future volume of our 2006 Report

### ***Completion of audits on time and within budget***

**4.21** Our long-term goal is to complete the audit of the Province's financial statements by 30 June and to complete all Crown agency and Trust Fund audits by 30 September.

**4.22** Our ability to achieve this objective is not totally within our control, because it really depends on when our auditees 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 auditees 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.

**4.23** The audit of the Province of New Brunswick for the year ended 31 March 2005 was not completed by 30 June 2005. Our auditor's report on the Province's financial statements was dated 30 September 2005.

**4.24** We are the auditors of twenty-one Crown agencies, six pension plans and the Fiscal Stabilization Fund. We completed thirteen of the Crown agency audits, three of the pension plan audits and the audit of the Fiscal Stabilization Fund by 30 September 2005. For the eight Crown agency audits that were not completed there were delays related to a lack of available resources in our Office to do the work. And we did not have the resources to complete the audits of three of the pension plans in time to meet our 30 September target.

**4.25** 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.

**4.26** The actual time spent on our 2005 audit of the Province's financial statements exceeded the budgeted time by approximately 500 hours. This was mainly as a result of the Province making a significant change in its accounting that year, recording tangible capital assets for the first time. The audit effort required to verify the calculation of the amounts recorded by the Province took far more time than we had anticipated.

**4.27** Most of the 2005 Crown agency and pension plan audits were carried out within or close to budget. Six audits were significantly over budget. One was a first-time audit for our Office; the other five had unanticipated accounting issues that took extra time to resolve.

**4.28** We undertook five major value-for-money audits during the past year that led to chapters in our 2005 Report. Two took significantly more time than we had budgeted.

***Interest in, and discussion  
of, our work***

**4.29** As mentioned earlier, we monitor the number of times our web site is visited to access our Report. In the period from August 2005 to May 2006, covering the release of volumes 1 and 2 of our 2005 Report and the subsequent four months, there were over 16,000 visits to the complete Reports. In addition to this there were specific visits to individual chapters. In the week following 10 August 2005, the day we

released volume 1, there were approximately 10,000 visits, or “hits”, to our web site. In the week following 10 January 2006, the day we released volume 2, there were over 14,300 hits.

**4.30** We would also like to track the number of times our work is mentioned in the Legislative Assembly, and in meetings of the Public Accounts Committee and the Crown Corporations Committee. However, this has proven to be an impossible task. The official record of proceedings in the Legislative Assembly (Hansard) is at least two years behind, and minutes of committee meetings are no longer routinely prepared.

**4.31** Nevertheless, we believe that our relevance is demonstrated by the fact that the Public Accounts and Crown Corporations Committees continue to make use of our Reports in carrying out their work. We also offer our services to the committees to provide them with opportunities to explore topics in greater depth.

### *Use of time*

**4.32** An important indicator for us is the percentage of time we spend directly on audit work. Our goal is to reach a target of 60% of all professional paid time in our Office being spent directly on financial statement audits or value-for-money audits.

**4.33** A detailed analysis of staff time for 2005 indicates that 58.16% 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). Approximately half of this time is spent on value-for-money audits. 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.

### *Cost of our audits*

**4.34** We have always budgeted and tracked the number of hours for each of our audits. However, in an effort to be as economical and efficient as we can be in the work that we do, we are also tracking the cost of each audit. In the broadest sense, the cost of our audits can be said to be the cost of operating our Office, represented by our total expenditures set out later in this chapter.

**4.35** More specifically, the cost of the audit of the Province of New Brunswick’s financial statements for the year ended 31 March 2005 was \$183,000. The total cost of the Crown agency and pension plan audits for 2005 was approximately \$206,000. The total cost of the five major value-for-money audits included in our 2005 Report was \$351,000. The cost of preparing our 2005 Report, including the work

we do to follow up on recommendations made in previous Reports, was approximately \$121,000.

## Financial information

**4.36** Budget and actual expenditure for 2004-05 and 2005-06 by primary classification is shown in Exhibit 4.2. The approved budget for the 2006-07 year is presented for comparative purposes.

**4.37** Staff costs continue to account for approximately 90% of our budget and were underspent by \$61,000 for the year ended 31 March 2006. This was the result of staff turnover, and the inevitable delays in filling vacant positions, and also of having two staff members on secondment with a government department for a portion of the year.

**4.38** We used a portion of the savings in staff costs and other services to purchase additional Oracle licenses to assist our auditors in their work. These licenses account for the overexpenditure in property and equipment costs for the year, since they had not been budgeted for.

### Exhibit 4.2

*Budget and actual expenditure (thousands of dollars)*

|                        | 2007           | 2006           |                | 2005           |                |
|------------------------|----------------|----------------|----------------|----------------|----------------|
|                        | Budget         | Budget         | Actual         | Budget         | Actual         |
| Wages and benefits     | 1,637.2        | 1,568.8        | 1,507.8        | 1,513.8        | 1,491.4        |
| Other services         | 132.8          | 133.2          | 117.8          | 135.6          | 131.9          |
| Materials and supplies | 8.8            | 8.8            | 5.8            | 9.0            | 5.7            |
| Property and equipment | 33.2           | 33.2           | 75.2           | 32.6           | 34.6           |
|                        | <b>1,812.0</b> | <b>1,744.0</b> | <b>1,706.6</b> | <b>1,691.0</b> | <b>1,663.6</b> |

**4.39** 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

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

**4.41** Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, two staff members left the Office.

**4.42** Our staff complement, based on our available budget, is 23. Brent White, CA, Paul Jewett, CA and Phil Vessey, CA are the directors for our three audit teams. At 31 March 2006 there were seventeen professional staff with accounting designations. Our staff also included two students enrolled in accounting programs. Two other members of our staff provide administrative support services. Two positions were vacant, but have subsequently been filled. The following is a list of staff members at 31 March 2006:

|                           |                                  |
|---------------------------|----------------------------------|
| Mylène Chiasson, CGA      | Nathan Phillips, CA              |
| Cathy Connors Kennedy, CA | Ken Robinson, CA                 |
| Duane Dickinson, CA       | Jennifer Sherwood <sup>(2)</sup> |
| Kim Embleton, CGA         | Rebecca Stanley <sup>(1)</sup>   |
| Michael Ferguson, CA      | Al Thomas, CA                    |
| Deidre Green, CA          | Phil Vessey, CA                  |
| Eric Hopper, CA           | Yanjun Wang <sup>(2)</sup>       |
| Peggy Isnor, CA           | Brent White, CA                  |
| Paul Jewett, CA           | Darlene Wield <sup>(1)</sup>     |
| Cecil Jones, CA           | Tania Wood-Sussey, CA            |
| Bill Phemister, CA        |                                  |

<sup>(1)</sup> Administrative support

<sup>(2)</sup> Student enrolled in a professional accounting program