

Chapter 8

Strengthening the Role of the Auditor General

Contents

Introduction	221
The <i>Response</i>	221
Ways to strengthen the authority of the Auditor General	225

Strengthening the Role of the Auditor General

Introduction

8.1 In June, 2006, the government of the day issued its *Response to the Final Report and Recommendations* of the Commission on Legislative Democracy. That *Response* refers to the government's intention to strengthen the authority of the Auditor General to examine important issues of public management.

8.2 We decided that this would be an opportunity to provide our thoughts on strengthening the authority of the Auditor General. We recognize that the government position on the *Final Report and Recommendations* of the Commission on Legislative Democracy may change because of the recent change in government, however we believe that our recommendations are still valid and would result in a stronger mandate for the Auditor General.

The Response

8.3 The references to the Auditor General that are contained in the *Response* are summed up in Initiative 16. It says:

16. The authority of the Auditor General to examine important issues of public management will be strengthened.

8.4 In the *Response*, the Auditor General is mentioned in three areas:

- legislature oversight of the Auditor General;
- financial guidelines, and
- value-for-money audits, with specific reference to governance.

8.5 Regarding the establishment of a Legislative oversight committee for the Auditor General, the *Response* says:

Recently, Members of the Legislative Assembly favourably considered amending the role of the rarely-used Ombudsman Committee to be expanded to include review and oversight of the activities of all the Officers of the

Legislature. This includes the Auditor-General, Chief Electoral Officer, Ombudsman, Conflict of Interest Commissioner, Official Languages Commissioner and others. The new Standing Committee on Legislative Officers will reinforce the independence and authority of the Legislative Assembly and may play a role in the selection process for these positions in the future.

8.6 Having an oversight committee for our work would be useful, as long as the roles and responsibilities of the committee are clearly understood and documented. We would suggest this committee should have a mandate for such things as:

- reviewing the resources and budget of the Office;
- providing input into our annual work plan;
- considering potential changes to the *Auditor General Act*; and
- as stated in the *Response*, playing a role in the process of appointing the Auditor General.

8.7 While the committee should have input into our work plan, the final determination of the work plan must remain with the Auditor General to ensure independence. Also, we assume that the existence of this committee would not affect our responsibility to report to the Legislative Assembly.

8.8 Regarding the role of the Auditor General as it relates to financial guidelines, the *Response* says:

We will enhance the role of the Auditor General by strengthening provincial financial guidelines. Appropriate measures will also be adopted to protect those who report the misappropriation of funds. Government will work with the Auditor General to ensure the protection of public servants, and all of those who deal with public funds, when a potential misappropriation has been identified and brought to light.

8.9 We are not quite sure what the reference in the *Response* to us playing a role in strengthening of financial guidelines means, however, if this is a role that the new government is interested in having us play, we welcome the opportunity to discuss it with them.

8.10 We are also not sure what role we would play in ensuring the protection of public servants when a potential misappropriation has been identified, however we are also willing to discuss this with the new government if it is a position that they support.

8.11 Regarding the role of the Auditor General as it relates to value-for-money auditing, the *Response* says:

The Auditor General has a mandate to report on the value of money spent, procedural practices, and programs offered by government on behalf of the people of New Brunswick. We will take the appropriate actions to heed the comments of the Auditor General and his office. For instance, the following are areas that have been identified as requiring attention, and upon which the government is taking action.

8.12 We appreciate that the *Response* stated the government's intention to take appropriate actions to heed our comments. We only make recommendations that we believe can be implemented and they are intended to improve the programs that government provides to the people of New Brunswick. When formulating our recommendations we will endeavour to include suggestions about how they can be implemented wherever it is appropriate to do so.

8.13 One area specifically mentioned in the *Response* is Crown agency governance.

The Auditor General's Office has also stated that better Crown agency performance and protection of the public interest would be facilitated by improvements in how Crown agencies are governed. New Brunswick has made continual improvements in the area of Crown agency governance. While best practices are already being put in place across a number of New Brunswick's agencies, board and commissions, there is no question that the pursuit of improvement in the areas of accountability and effective ABC performance will continue.

In particular, there is a need to ensure that there is clear understanding between the Crown agency boards and government about both the mandate of the boards and the performance expectations of government. It also needs to be understood that government will be monitoring board performance in relation to compliance with legislation and stated performance objectives.

Beginning with the most significant ABCs, and in particular the major Crown Corporations, Memorandums of Understanding (Shareholder Agreements) between the ABC and sponsoring departments will be established.

These MOUs will clarify the mandate of the ABC and the performance expectations of government. They will also provide a framework for accountability with respect to the achievement of results.

8.14 We continue our work on governance in government organizations. Good governance practices result in better functioning organizations. We are also convinced that weaknesses in governance practices result in costs that could have been avoided. We are pleased that the *Response* specifically addresses the importance of good governance, and hope that the new government will be committed to strengthening governance practices. We would be willing to provide input to the government on improving governance practices. We would like to see the government clearly assign the responsibility for completing this governance work, and establish some target dates that will allow progress to be monitored.

8.15 We believe that the weaknesses that still exist in governance in various government organizations are evidence of the need to establish a governance centre of excellence within the civil service. In Volume 1 of the 2003 Report of the Auditor General, we recommended:

The Executive Council Office's coordinating role should be expanded to include providing guidance and support to Crown agencies in some or all of the following areas:

- *setting and periodically updating governance standards for use by all New Brunswick Crown agencies;*
- *monitoring compliance with those governance standards;*
- *providing guidance to Crown agencies in the application of those governance standards;*
- *providing governance training opportunities for Crown agency directors;*
- *communicating the shareholder's perspective, government priorities, and emerging issues to Crown agencies;*
- *providing independent advice to Cabinet, Ministers, Boards and/or CEOs on Crown agency mandates, direction, plans, and performance, as requested; and*
- *identifying and coordinating major Crown agency policy issues and projects as required.*

8.16 We believe this recommendation is still valid.

Ways to strengthen the authority of the Auditor General

8.17 We therefore support all of the initiatives related to the Office of the Auditor General that are contained in the *Response*, and we encourage the new government to also support these initiatives.

8.18 Returning to the summary initiative number 16, which was to strengthen the authority of the Auditor General to examine important issues of public management, we considered how the authority of the Auditor General could be strengthened in a way that helps to strengthen government accountability. To compile a list of suggestions, we considered:

- issues we have raised in past audit reports;
- challenges we have faced in completing audits;
- discussions with other legislative auditors;
- the phase 2 report of the federal *Commission of Inquiry into the Sponsorship Program and Advertising Activities* (Gomery commission) entitled *Restoring Accountability: Recommendations*; and
- the document entitled *Parliamentary Oversight – Committees and Relationships: A Guide to Strengthening Public Accounts Committees* produced by CCAF-FCVI Inc., a research and education foundation that focuses on the public sector.

8.19 Our suggestions for ways to strengthen the authority of the Auditor General, in addition to the specific items mentioned in the *Response* document, are as follows:

- The *Auditor General Act* should be updated, to add clarity and to legislate the measures that would strengthen our authority and independence.
- There needs to be an independent method for us to put proposed changes to the *Auditor General Act* in front of the Legislative Assembly.
- An audit committee comprised of members of the Executive Council should be established. The purpose of this committee would be to receive a briefing from the Auditor General about the audit of the Province's financial statements, including
 - any issues that arose and how they were resolved;
 - any issues identified that will affect the next year's audit; and
 - comments about the variance analysis and other discussions and analysis attached to the financial statements.

- On the occasion of a change in government, there should not be an external party brought in to examine accounting issues. Operating policies, management, or operational issues could be the subject of an external review, however financial statement policies and issues should only be handled by our Office, since we are the independent auditor of the financial statements.
- We should have the right to attend any meeting of the board or any committee of the board of any Crown corporation for which we are not the financial statement auditor, if the external auditor of the corporation will be attending that meeting.
- We should have the legal right to cease the audit of a government agency, board or commission for which we have been appointed auditor by legislation if we feel that there is no longer reason to perform an audit.
- Before being appointed in legislation as the auditor of a government agency, board, commission or Crown corporation, or before being legally required to audit any other statement, we should have the right to refuse the appointment.
- We should have a clear right to follow grant payments to the recipient and ensure the proper usage of those grant payments. This would not be something we would do for every grant payment, but we should have clear legal authority to do so.
- There should be a simple mechanism for us to access additional one time funds in situations where it is necessary to properly complete an audit, either because the scope of the audit is large, or we believe the audit requires expertise we do not have on staff. For example, the investigation of misappropriation of funds can be complex and time consuming, and if such a situation arose, we would not be able to complete it within our existing budget.

8.20 These are, of course, suggestions, and we would welcome the opportunity to discuss each of them.

8.21 Instituting changes to strengthen the authority of the Auditor General is only one way to enhance the accountability and effectiveness of government. The government should also look at other ways to strengthen the management of the resources entrusted to the government. For example, the work prepared by CCAF-FCVI Inc. concerning public accounts committees is a source of good information to improve the effectiveness of public accounts

committees. Also, the Gomery commission made recommendations to the federal government about improving accountability; these should all be considered to determine their applicability to New Brunswick. And finally, strengthening the internal control and internal audit roles in government is at least as important as strengthening the role of the Auditor General.