

Chapter 5

Performance Report of the Office of the Auditor General

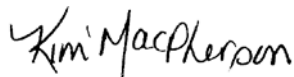
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Performance Report of the Office of the Auditor General

Accountability Statement

- 5.1** This chapter of my Report reflects the performance of my Office for the year ended March 31, 2012. It was prepared under my direction. I am accountable for the results achieved, for the selection of performance indicators and for how performance has been reported.
- 5.2** This chapter presents a comprehensive picture of the Office's actual performance. The chapter includes estimates and interpretive statements that represent the best judgment of management. The performance indicators reported are consistent with the Office's mission, goals and objectives, and focus on aspects critical to understanding the performance of the Office. Refer to Appendix 1 for further information on the Office's mission and values.
- 5.3** I am responsible for ensuring that the Office's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained.
- 5.4** This chapter has been prepared following the guidelines established in the Statement of Recommended Practice 2 (SORP-2) on public performance reporting issued by the Public Sector Accounting Board.



Kim MacPherson, CA
Auditor General

Performance Highlights

- 5.5** We measure our performance annually according to performance targets linked to our strategic plan and to the requirements of our legislation. The details of our targets with linkages to our strategic plan and to the requirements of our legislation are presented in Appendices 2 and 3. The details of our annual performance results are found in Table 5.1.

Table 5.1 - Office performance

Performance indicator	Current Year Results	Last year results calculated	Prior year results	Details
1. MLA perception, as determined by survey	Overall satisfaction rate of 96%.	2009 2008 2004	88% 87% 87%	We periodically survey Members of the Public Accounts and Crown Corporations Committees. The members who responded to our 2012 survey indicated a high degree of satisfaction with the work we do. We converted the responses to a numerical index which produced an overall satisfaction rate of 96%.
2. Auditee perception, as determined by survey	Overall satisfaction rate of 92%.	2009 2007 2006	81% 80% 84%	We periodically survey our auditees on a rotating basis following significant audits. The auditees who responded to our 2012 survey indicated a high degree of satisfaction with the work we do. We converted the responses to a numerical index which produced an overall satisfaction rate of 92%.
3. Percentage of recommendations accepted and 4. Percentage of recommendations implemented	65% of 2008, 2009 and 2010 recommendations implemented	2011	60% of 2007, 2008 and 2009 recommendations implemented	The follow up work we performed in Chapter 6 of Volume 2 of our 2012 Report provides an overview of the recommendations included in our 2008 through 2010 Reports. It summarizes the status of our recommendations and focuses in particular on those recommendations made in 2008 that have not been fully implemented. Our work in 2012 showed 65% of our recommendations from 2008, 2009 and 2010 had been fully implemented. However for 2008, the only year subject to full review by our Office, we noted that only 57% of our recommendations had been fully implemented. Overall, we are encouraged by the improvement in the three year implementation percentage. We also believe the government's recent focus on the status of our recommendations should further encourage departments and agencies to adopt our recommendations on a timely basis.

Table 5.1 - Office performance (continued)

Performance indicator	Current Year Results	Last year results calculated	Prior year results	Details
5. Employee perception, as determined by survey	Overall satisfaction rate of 65%.	2010 2007 2004	69% 70% 66%	In 2012 we conducted an employee satisfaction survey to gain feedback on the quality of work life, communication and career development. We converted the responses into a numerical index which produced an overall satisfaction rate of 65%. Satisfaction with compensation is the weakest survey area. It may be difficult to see improvements in the short term on this item given public sector wage and spending restraints, however we are committed to making improvements where possible to increase staff satisfaction.
6. Completion of audits on time	Overall 78% success rate.	2011	69%	Overall our Office met audit time targets in 78% of circumstances. Our largest audit, the audit of the financial statements of the Province, was completed on time. While we are satisfied with the result, some factors that caused us difficulty in 2012 included the adoption of new standards, lack of staff resources when auditees were ready for audit, and some delays from Crown entities in receiving their financial statements.

Table 5.1 - Office performance (continued)

Performance indicator	Current Year Results	Last year results calculated	Prior year results	Details
7. Use of our time, focusing on the percentage of time spent on audit work	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> • Financial and value for money audits - 66% • Professional development and training - 8% • Audit office admin & support activities - 26% 	2011 2010 2009	63%, 7%, 30% 64%, 9%, 27% 65%, 8%, 27%	Overall, we are satisfied with this result.
8. Staff cost of our audits	\$1,140,000 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> * Value for Money Projects \$290,000 * Financial Audits: <ul style="list-style-type: none"> • Province of New Brunswick \$370,000 • Crown agencies \$355,000 • Cost Shared Claims \$45,000 * Annual Report Preparation \$80,000 	2011	\$778,000 \$240,000 \$272,000 \$165,000 \$25,000 \$76,000	Approximate annual costs to perform significant audit projects have increased as expected given the increase in volume of work this year and staff resources. It should be noted that in addition to staff costs there are at times additional external costs incurred to complete audit projects, such as use of specialist and accounting firm resources.

Key Accomplishments

Increase in funds recovered as a result of an audit

5.6 As shown in the data from Table 5.1, it was an overall successful year for our Office. In addition to the data reported in Table 5.1 our other key accomplishments included the following items.

5.7 Although the objective of our work is much broader than identification of monetary recoveries for our clients, at times in the course of carrying out audits we identify such opportunities. In an audit of a federal claim we identified an error which increased the recovery funds available to the Province by approximately \$5 million. In addition we identified a number of other indirect potential recoveries/savings and funding sources throughout our work. We have reported on these items in other chapters of our Annual Report. The total of these other potential amounts may depend, in part, on the future action of government which is difficult to estimate.

Timely delivery

5.8 On-time delivery for significant reports and deadlines was a driving force in our work this year. For the first time in many years, we are publishing our Annual Report in December, in advance of our legislated deadline. We also provided key audit opinions by the dates requested, such as the audit opinion on the Province's financial statements which was delivered on August 9, 2012.

Expansion of our work

5.9 We have increased the scope of the work our Office performs compared to prior years. This was most notably evidenced in the expansion of our value for money follow up work, in expanded financial statement audit work on entities consolidated in the Province's financial statements, as well as examining government information systems. We continue to perform a greater number of audits on federal claims and cost shared agreements as well as performing financial statement audits on newly created Crown agencies, such as Invest New Brunswick.

Audit of the Office's Financial Statements

5.10 For the first time our Office financial statements were audited by an auditor external to government. This is a milestone for our Office and a significant step forward in increasing our transparency and independence. Previously annual internal audits had been performed by the Office of the Comptroller. We are pleased to present our first set of audited financial

statements in Appendix 5.

***Revised Annual Report
chapter format***

5.11 For certain chapters in our Annual Report we have revised the format in an effort to highlight key findings and significant comments. The use of charts and appendices has also increased. We believe the new format will make using our report easier and allow readers to more quickly grasp the key points in each chapter. Feedback on our new report format is welcome.

Stakeholder surveys

5.12 We routinely survey our key stakeholders including legislators, auditees and office staff for feedback. We believe it is important to seek feedback, and consider ways to continuously improve our processes and delivery of our work. The summarized results of the surveys are presented in Table 5.1.

5.13 Overall, while there is room for improvement, we are satisfied with the results and look forward to the challenge of further refining our processes to achieve even greater results in the future.

***Human resource
management***

5.14 Managing a year of many changes in human resources was challenging given our expanded work efforts and loss of important corporate knowledge due to a number of retirements. In the past two years our staff complement has changed by 54%. This is a reflection of demographics and an indication our professional staff are very marketable within government. However, we recognize staff are our most important resource and strive to keep our professionals challenged and motivated. We believe the achievement of increased output under these circumstances is a significant accomplishment and wish to thank our Office staff for their hard work and dedicated efforts to achieve this result. A list of our Office staff is found in Appendix 4.

5.15 In addition we are very pleased to report two of our office students, Emilie Chiasson and Chris Mitchell, successfully completed the Uniform Final Examination for Chartered Accountants. We are very proud of their accomplishments. As well, we note we are continuing in the coming year to support other students in the Office as they work toward their professional designations. Given recent challenges in recruiting experienced audit personnel, growing our

own resources is an important strategy to plan for the future.

5.16 As well, we found it challenging in a time of fiscal restraint to support Office professional development activities required to allow staff to maintain their professional designations. The fact that we did achieve this objective is a significant accomplishment for our Office. Through some innovative means, we provided relevant and high quality training for staff. However, on a sober note, we often did not achieve more than the minimum hours required to maintain the designation.

Enhanced involvement in our professional community

5.17 We have followed trends in other legislative auditor offices to increase participation in networks available to us through the Canadian Council of Legislative Auditors (the Council). The Council is comprised of the provincial Auditors General or Provincial Auditors of the Canadian provinces and the federal Auditor General. The Council also has several committees dealing with a variety of topics common to legislative auditor offices in which we encourage our staff to participate. We believe participation, learning and information sharing amongst this group of auditors on a national scale provides exceptional value and is highly relevant to our work. In addition to our involvement in the legislative auditor community, the current New Brunswick Auditor General is a council member of the New Brunswick Institute of Chartered Accountants and also chairs a committee of the Public Sector Accounting Board of Canada.

Immediate Challenges

5.18 Our Office budget constraints remain a growing concern. Although we are grateful for the recent budget increases received, until the fiscal 2012-2013 budget it was not enough to assist in reversing the prior year's losses as shown in Table 5.2.

Table 5.2 Budget and actual expenditures (\$ 000s)

	2013		2012		2011		2010		2009		2008		2007	
	Budget	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
Personnel services	1,692.0	1,569.8	1,573.0	1,564.7	1,498.7	1,637.0	1,565.2	1,647.8	1,639.1	1,679.2	1,510.9	1,637.2	1,480.0	
Other services	387.6	227.5	272.1	200.1	263.6	180.3	412.5	239.5	984.3	147.7	619.0	132.8	140.8	
Materials and supplies	8.9	7.0	6.1	7.0	5.8	8.8	6.0	6.8	7.7	7.9	5.8	8.8	5.1	
Property and equipment	15.5	15.2	33.0	15.2	5.1	15.9	20.6	25.9	22.2	33.2	20.5	33.2	26.7	
Total	2,104.0³	1,819.6¹	1,884.2²	1,787.0	1,773.2	1,842.0	2,004.3	1,920.0	2,653.3⁴	1,868.0	2,156.2⁴	1,812.0	1,652.6	

¹ Original budget was \$1,845,000 however, the Office received an in year spending restraint request from government of \$25,424.

² In 2012, unbudgeted recoveries of the Office were presently separated from expenses. Recoveries totalled \$222,710.

³ Net of \$200,000 of estimated cost recoveries

⁴ Funding was supplemented by central government due to the Caisse populaire de Shippagan report

Budget declines over time and rebuilding the Office

5.19 The impact of the funding decrease to the office over time has been to reduce staff and therefore to reduce discretionary audit projects (mostly value for money work). In addition, in our efforts to rebuild our team, we are finding it increasingly difficult to hire experienced, qualified staff given the condition of the labour market. As well, when we do hire new employees, there is a significant amount of training required by existing staff to address the information and orientation needs. These hidden costs reinforce the importance of maintaining consistent funding and staffing of the Office.

5.20 Further, our funding level lags behind other legislative auditor offices in our region. Table 5.3 provides further details on the disparity across the Atlantic region in legislative auditor offices funding.

Table 5.3 Budget and Staff Comparison for the Atlantic Provinces

Province	2013	2012		2011		2010	
	Budget	Number of Staff	Budget	Number of Staff	Budget	Number of Staff	Budget
New Brunswick	\$2,104,000	22	\$1,819,600 ¹	20	\$1,787,000	20	\$1,842,000
Nova Scotia	\$3,634,000	33.9	\$3,550,000	34.6	\$3,421,000	34	\$3,334,000
Prince Edward Island	\$1,770,100	18	\$1,707,100	18	\$1,682,100	18	\$1,682,100
Newfoundland and Labrador	\$3,722,000	39	\$3,825,400	38	\$3,735,700	40	\$3,654,300

¹ Original budget was \$1,845,000 however, the Office received an in year spending restraint request from government of \$25,424.

**Professional Standards
Changes**

5.21 The impact of ongoing changes to accounting and auditing standards remains at an intense pace. Our ability to address these new demands depends on an adequate budget for training and acquiring skilled staff resources. In particular we find our work has increased regarding auditing the application of new accounting frameworks and auditing of various Crown agencies consolidated in the Province of New Brunswick financial statements. As well, standards are in the process of changing for our value for money projects.

5.22 In general, we expect continued impacts from changes in professional standards both from the perspective of our increased staff time requirements and the requirements of our office budget to ensure adequate training. This again highlights the need for a long term funding approach for the Office, with a commitment to a base level of sustained funding.

5.23 Through discussions, we understand the government is committed to providing adequate funding over time to allow the Office to rebuild and remain a reasonable size relative to our Atlantic counterparts. The budget increase of \$190,000 (excluding wage adjustment) for fiscal 2012-13 was appreciated to start our rebuilding initiative. We look forward to continued discussions and support for this initiative in the year ahead.

**Looking to the Year
Ahead**

**Update the Auditor
General Act**

5.24 We are faced with the daunting task of updating the *Auditor General Act* which is over thirty years old and greatly in need of modernization. The Act was drafted in 1981 long before some of the situations we are now faced with were envisioned. Our proposed changes, if approved, will allow the Office to fulfill its mandate within the current day environment.

**Highlights of Proposed Act
Changes**

5.25 Many aspects of the proposed changes coincide and address recommendations made by Bernard Richard in his December 2011 report *Fine-tuning Parliamentary Machinery: a Review of the Mandates and Operations of New Brunswick's Legislative Officers*.

5.26 The majority of the proposed changes also mirror the *Nova Scotia Auditor General Act* which received Royal Assent on December 10, 2010. The Act was re-

written at the Nova Scotia Auditor General's request after researching both Canadian and Australian jurisdictions, selecting best practices and preparing an initial draft for government's consideration. Although there are differences from province to province, many of the proposed changes will bring the New Brunswick *Auditor General Act* in line with existing Auditor General legislation and operating practises in other Canadian jurisdictions.

Strengthen the Independence of the Auditor General

5.27 Many aspects of the Office of the Auditor General independence are proposed to be updated including a more comprehensive appointment process of the Auditor General. It is proposed future Auditor General appointments require the adoption of a legislative resolution by vote in the Legislative Assembly.

5.28 Also, it is proposed that a committee of the legislature approve the annual Office of the Auditor General budget. Current legislation states the Board of Management determines the Office of the Auditor General's budget. This change would eliminate an apparent conflict inherent in the Auditor General negotiating budgetary funding with the organization the Office of the Auditor General audits.

Clearly define who is subject to audit

5.29 In addition, our proposed amendment more broadly defines who is subject to audit and adds new definitions to fully describe the entities including government auditable entities, public contractors and funding recipients.

5.30 It is believed that the 1981 *Auditor General Act* was intended to give the Auditor General authority to audit all aspects of government or the "public purse." Over the last 30 years the delivery of many components of government services has been outsourced to non-government organizations. In addition, many current day government programs include forms of financial assistance such as grants, subsidies, loans and guarantees.

5.31 The fundamental concept is to give authority to the Office of the Auditor General to follow taxpayers' dollars through to the end point in order to determine if the funding achieved intended outcomes.

Clarify Auditor General's access to information

5.32 Another key aspect to the legislation update involves our access to auditee information. The 1981 Act states the Auditor General is entitled to free access to information that relates to the fulfillment of the Auditor General's responsibilities as he/she considers necessary. We believe the original intent was to provide the Auditor General unrestricted access in order to fulfill the mandate. The wording clarification we intend to propose is that the Auditor General will have unrestricted access to all auditee information, including privileged documents. This will avoid unnecessary delays and also clarify the Auditor General's authority when dealing with departments and crown agencies.

5.33 The proposed amendment will align the *Auditor General Act* with legislation in those jurisdictions in Canada in which the statutory mandate of the Auditor General has recently been revised (including Ontario, Nova Scotia and federally).

5.34 These are but a few of the Act changes we will be seeking in the year ahead.

Legislative Officer Review

5.35 Bernard Richard's report, *Fine-tuning Parliamentary Machinery: A review of the Mandates and Operations of New Brunswick's Legislative Officers*, was released earlier this year. We intend to work cooperatively with the Legislative Assembly committees and staff to implement the recommendations pertaining to our Office.

Peer Review

5.36 Our Office will continue to seek regular peer reviews. While we have not had one completed within the last year, we will be arranging to have at least one completed within the next year. The peer review process is a valuable process to receive feedback and critique on our file approach as well as to seek new opportunities for efficiency or audit quality enhancement.

Provincial systems upgrades

5.37 We expect a number of provincial information systems may be upgraded or significantly changed in the coming year. Depending on the extent of change, significant work may be required to audit the impact of these changes and become familiar with the

functioning of new systems in order to design appropriate audit testing. Working cooperatively with departments to perform our audit testing as early as possible will assist in alleviating time and staff resource pressures.

Appendix 1: Mission and Values

5.38 Our mission is:

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

5.39 Our values are:

- *accountability, credibility and objectivity in our work;*
- *open communication with ourselves and our stakeholders while maintaining confidentiality;*
- *respect for our client, our auditees and each other;*
- *an enjoyable workplace that fosters a learning culture, continuing professional development and an honest work ethic;*
- *skilled, efficient and effective staff working in an environment that encourages personal responsibility for their work and for their careers; and*
- *a commitment to independence that merits the trust of the public and our colleagues.*

5.40 Our mandate is set out in the *Auditor General Act*.

The Act provides the Auditor General with the independence needed to carry out her work in a fair and objective manner. The Act requires the Auditor General to audit the Province's financial statements, and the financial statements of certain Crown agencies. It also requires the Auditor General to report annually on the results of her work, including whether money has been expended without due regard to economy or efficiency, and whether procedures have been established to measure and report on the effectiveness of programs.

5.41 Appendix 2 sets out the specific auditing and reporting requirements of our legislation, and indicates how we address each one.

Appendix 2: Requirements of the Legislation and How They are Addressed

Requirements of the legislation	How they are addressed
Audit the accounts of the Province as the Auditor General considers necessary.	Financial audit and VFM project work done in departments each year; evidenced by the comments in our Reports.
Audit the accounts of certain Crown agencies.	Annual audits of financial statements; evidenced by our auditor's reports attached to the financial statements.
Examine the financial statements included in the Public Accounts and express an opinion on them.	Evidenced by our auditor's report attached to the Province's financial statements.
Report annually to the Legislative Assembly on the work of the Office.	Evidenced by the production of our Annual Report.
Report annually on whether, in carrying on the work of the Office, the Auditor General received all the information and explanations required.	We do this in our annual reports, referring to instances where we did not receive information.
Report anything the Auditor General considers to be of significance and of a nature that should be brought to the attention of the Legislative Assembly.	Evidenced by the production of our Annual Report.
Report any cases observed where: <ul style="list-style-type: none"> (a) any person wilfully or negligently failed to collect or receive money belonging to the Province; (b) public money was not accounted for and paid into the Consolidated Fund; (c) an appropriation was exceeded or applied to a purpose or in a manner not authorized by the Legislature; (d) an expenditure was made without authority or without being properly vouched or certified; (e) there has been a deficiency or loss through fraud, default or mistake of any person; (f) money has been expended without due regard to economy or efficiency; (g) procedures have not been established to measure and report on the effectiveness of programs, where, in the opinion of the Auditor General, the procedures could appropriately and reasonably be used; or (h) procedures established to measure and report on the effectiveness of programs were not, in the opinion of the Auditor General, satisfactory. 	We report those matters that come to our attention. We address section (e) each year. Our value-for-money chapters address sections (f) and (g) and, where appropriate, section (h).

Appendix 3: Measurement Framework

Goal	Performance indicator	Performance indicator #
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.	• MLA perception, as determined by survey.	1
	• Audits are delivered on time.	6
	• Auditee perception, as determined by survey.	2
Departments and agencies accept and implement our recommendations.	• % of recommendations accepted.	3
	• % of recommendations implemented.	4
In carrying out our work we will use sound management practices.	• MLA perception, as determine by survey.	1
	• Employee perception, as determined by survey.	5
	• Auditee perception, as determined by survey.	2
	• % of staff time spent on audit work.	7
	• Office cost of audits.	8
We will provide an attractive work environment that allows opportunities for professional growth.	• Employee perception, as determined by survey.	5

Performance indicators are numbered according to data presented in Table 5.1.

Appendix 4: List of Staff Members at 31 March 2012

Émilie Chiasson ²	Leanne Jeffries ²	Steve Martin ²
Cathy Connors Kennedy, CA	Loriann Keough, CA	Chris Mitchell ²
Kim Embleton, CGA	Teena Laagland ¹	Caroline Paquin, CGA
Kate Gagnon ²	Janice Leahy, CA	Rebecca Stanley, CGA
Nick Hoben, CA	Kim MacPherson, CA	Yanjun Wang, CA
Eric Hopper, CA	Adele McGee, CA	Heather Webb ¹
Peggy Isnor, CA	Susan Mclsaac, CA	Tania Wood-Sussey, CA
Bill Ivey, CGA		

(1) Administrative support

(2) Student enrolled in a professional accounting program

Appendix 5: Financial Statements

Office of the Auditor General of New Brunswick

Financial Statements

March 31, 2012



328 King Street
PO Box 1051
Fredericton, NB
E3B 5C2

Nicholson & Beaumont
Chartered Accountants

Phone (506) 458-9815
(506) 458-1599
(506) 459-7575

INDEPENDENT AUDITOR'S REPORT

To the Speaker of the Legislative Assembly

Report on the financial statements

We have audited the accompanying financial statements of the Office of the Auditor General of New Brunswick, which comprise the statement of financial position as at March 31, 2012 and the statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of New Brunswick as at March 31, 2012, the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Fredericton, NB
October 9, 2012

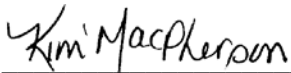

Chartered Accountants

Office of the Auditor General of New Brunswick
Statement of Financial Position
March 31, 2012

	2012
Financial Assets	
Petty cash	\$ 50
Due from Government of New Brunswick	112,394
Accrued recoveries receivable	53,024
	165,468
 Liabilities	
Working capital advance (Note 4)	65,123
Payables and accrued liabilities	60,919
Accrued salary and benefits	48,888
	174,930
 Net Debt	9,462
 Non-financial Assets	
Prepaid expenses	9,462
	-
 Accumulated Surplus	\$ -

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE OFFICE:



Auditor General

Office of the Auditor General of New Brunswick
Statement of Operations
Year ended March 31, 2012

	2012 Budget	2012 Actual
Expenses		
Personnel services	\$ 1,569,836	\$ 1,573,044
Other services	227,540	272,081
Materials and supplies	7,000	6,053
Property and equipment	15,200	33,025
	\$ 1,819,576	1,884,203
Recoveries		(222,710)
Government contributions (Note 3)		(1,661,493)
Surplus/deficit		\$ -

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2012

1. Nature of Operations

The Office of the Auditor General is an office of the New Brunswick Legislative Assembly. The Office is not subject to income taxes because it is a public sector entity. The mandate and authorities of the Office are provided by the *Auditor General Act*.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

- (a) *Use of Estimates* – The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.
- (b) *Recoveries* – The Office recognizes recoveries of professional costs when they are earned; specifically when all of the following conditions are met:
- Services are provided;
 - There is clear evidence that an arrangement exists;
 - Amounts are fixed or can be determined; and
 - The ability to collect is reasonably assured.
- (c) *Harmonized Sales Tax* – The Office does not record Harmonized Sales Tax (HST) in its financial statements because the Federal portion of all HST paid is reimbursed to the Province of New Brunswick, and the provincial portion of HST is not levied by the Province on its own entities.
- (d) *Tangible capital assets* – The Office has adopted the policy of expensing assets acquired with an individual value of \$10,000 or less. Accordingly, there are no tangible capital assets to record or amortize.
- (e) *Statement of Cash Flows and Statement of Changes in Net Debt* – A statement of cash flows and a statement of changes in net debt are not provided in these financial statements as disclosures in the statements of financial position and operations are considered adequate.
- (a) *Cash* – Cash consists of the office petty cash float.

3. Government Contributions

The Office is funded through annual budgetary appropriations approved by the Legislative Assembly. The appropriation represents the government contributions which are applied to expenses of the Office. In addition, there are reimbursements from government for certain payroll-related costs. Any unused appropriation cannot be carried forward for use in subsequent years. The budget figures presented in the Statement of Operations have not been audited.

Budget 2011-12 as approved	\$1,845,000
In year spending restraint as requested by government	<u>(25,424)</u>
Revised 2011-12 budget	1,819,576
Unused appropriation	<u>(158,083)</u>
Net government contributions 2011-12	<u><u>\$1,661,493</u></u>

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2012

4. Working capital advance

The Office, similar to many Crown entities maintains no separate bank account and uses instead the Province's bank account to receive funds and pay invoices. The working capital figure represents the net balance of the Office's assets less liabilities. As described in note 3 the year end surplus or deficit lapses and is not carried forward to subsequent years.

applied as the Office has insufficient information to apply defined benefit plan accounting for the Office's employees. The plan is funded by employee and government contributions. The Office is not responsible for any unfunded liability with respect to the superannuation fund. The Office's costs and liability related to this plan are not included as part of the Office budget and are recorded by government in its financial statements.

5. Related Party Transactions

The Office of the Auditor General is related to the Government of New Brunswick and its departments and agencies. The Office's sources of funding are through payment of its expenses by the government and the recovery of certain audit work performed. The Office recovered professional costs and made certain purchases through other government departments and agencies in the normal course of its business.

Retirement Allowance Plan – Certain long serving employees receive a retirement allowance upon retirement from public service. The plan is funded by the government. The Office's costs and liability related to this plan are not included as part of the Office budget and are recorded by government in its financial statements.

Translation, printing, and certain information technology services are provided by the government to the Office in the normal course of operations and are accounted for within these financial statements at arm's length amounts. However, government provides office space, funds the OAG external auditor fee and absorbs the Office's employer cost of various retirement benefit plans, the effect of which has not been calculated or recorded in these financial statements.

7. Comparative Figures

2011-12 is the first fiscal year for which a complete set of financial statements have been prepared for the Office. Accordingly, there are no comparative figures for the year ended March 31, 2011.

6. Employee Future Benefit Plans

Pension Plan - All permanent employees of the Office of the Auditor General are entitled to receive pension benefits under the New Brunswick Public Service Superannuation Plan, a multi-employer defined benefit pension plan. Defined contribution plan accounting has been