

**Office of the Auditor General of
New Brunswick**

Financial Statements

March 31, 2018



Office of the Auditor General of New Brunswick
Financial Statements
March 31, 2018

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NICHOLSON & BEAUMONT
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2018 and the statements of operations, cash flows and changes in net debt 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, 2018, the results of its operations, for the year then ended in accordance with Canadian public sector accounting standards.

Fredericton, NB
June 22, 2018

Chartered Professional Accountants

Independent member of Porter Héту International, professional services group.

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

	2018	2017
Financial Assets		
Petty Cash	\$ 200	\$ 200
Working Capital Advance (Note 4)	67,450	62,798
Accounts receivables	20,904	12,447
Accrued recoveries receivable	<u>224,637</u>	<u>32,498</u>
	313,191	107,943
Liabilities		
Payables and accrued liabilities	232,393	37,158
Accrued salary and benefits	<u>114,046</u>	<u>100,642</u>
	<u>346,439</u>	<u>137,800</u>
Net debt	<u>(33,248)</u>	<u>(29,857)</u>
Non-financial Assets		
Prepaid expenses	<u>33,248</u>	<u>29,857</u>
Accumulated Surplus	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE OFFICE:

Kimi MacPherson

Auditor General

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

	2018 Budget	2018 Actual	2017 Actual
Expenses			
Personnel services	\$ 2,075,225	\$ 2,140,405	\$ 2,086,295
Other services	238,497	567,298	426,567
Materials and supplies	8,200	13,038	10,668
Property and equipment	13,500	61,850	17,751
	<u> </u>	<u> </u>	<u> </u>
	\$ 2,335,422	\$ 2,782,591	\$ 2,541,281
Recoveries	<u>(200,000)</u>	<u>(667,314)</u>	<u>(231,357)</u>
	\$ 2,135,422	\$ 2,115,277	\$ 2,309,924
Government contributions (Note 3)	<u>(2,135,422)</u>	<u>(2,115,277)</u>	<u>(2,309,924)</u>
Annual (Deficit) Surplus	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick
Statement of Cash Flows
Year Ended March 31

	2018	2017
Cash and Cash Equivalents Generated by (Used In):		
Operating Activities		
Annual (Deficit) Surplus	\$ <u> -</u>	\$ <u> -</u>
Changes in Non-Cash Working Capital		
(Increase) decrease in accounts receivable	(8,457)	30,142
(Increase) decrease in prepaid expenses	(3,391)	20,085
(Increase) decrease in accrued recoveries receivable	(192,139)	1,291
Increase (decrease) in payables and accrued liabilities	195,235	(3,351)
Increase in accrued salary and benefits	<u>13,404</u>	<u>16,291</u>
Increase in Cash and Cash Equivalents	4,652	64,458
Cash and Cash Equivalents, Beginning of Year	<u>62,998</u>	<u>(1,460)</u>
Cash and Cash Equivalents, End of Year	<u><u>67,650</u></u>	<u><u>62,998</u></u>
 Cash and Cash Equivalents is represented by:		
Petty Cash	200	200
Working Capital Advance	<u>67,450</u>	<u>62,798</u>
	\$ <u><u>67,650</u></u>	\$ <u><u>62,998</u></u>

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick
Statement of Change in Net Debt
Year Ended March 31

	2018	2017
Net Debt, Beginning of the Year	\$ (29,857)	\$ (49,942)
Annual (Deficit) Surplus	-	-
Net Change in Prepaid Expenses	<u>(3,391)</u>	<u>20,085</u>
Net Debt, End of the Year	<u>\$ (33,248)</u>	<u>\$ (29,857)</u>

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2018

1. Nature of Operations

The Office of the Auditor General is an office of the New Brunswick Legislative Assembly. The Office is a public sector entity, therefore it is not subject to income taxes. 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 by management in accordance with Canadian public sector accounting standards.

- (a) *Asset Classification* – Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver services, may be consumed in normal operations and are not for resale.
- (b) *Measurement Uncertainty* – 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.
- (c) *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.
- (d) *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.
- (e) *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.

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2018

(f) *Cash and cash equivalents* – Cash and cash equivalents consists of the office petty cash float and the working capital advance.

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.

Budget 2017-2018 as approved	\$ 2,129,000	
In year budget adjustment	6,422	
Unused appropriation	(20,145)	
Net government contributions 2017-2018	\$ 2,115,277	

4. Cash and Cash Equivalents (including 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.

	2018	2017
Cash and Cash Equivalents		
Petty Cash	\$ 200	\$ 200
Working Capital Advance	67,450	62,798
	\$ 67,650	\$ 62,998

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2018

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.

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 Office's external auditor fee and absorbs the Office's employer cost of various employee benefit plans, the effect of which has not been calculated or recorded in these financial statements.

6. Employee Future Benefit Plans

(a) *Pension Plan*- The Province of New Brunswick made changes to the New Brunswick Public Service Superannuation Plan in 2014. The previous multi-employer defined benefit pension plan has since changed to a shared risk plan, New Brunswick Public Service Pension Plan (NBPSPP). Effective January 1, 2014, all permanent employees of the Office of the Auditor General are required to participate in this new plan. The plan is funded by the employee and government contributions. The Office is not responsible for any unfunded liability with respect to its employee pensions. The Office's costs and any assets or liabilities related to employee pensions are not included as part of the Office budget and are accounted for by government in its financial statements.

(b) *Retirement Allowance Plan* –In prior years the Province of New Brunswick made changes to its retirement allowance program whereby management and non-union employees of the Office no longer accumulate retirement allowance credits. Employees who were participating in this program were offered a choice of pay-out in lieu of a retirement allowance or, for those with more than five years of service, an option to defer the pay-out until retirement. The Office's costs and liability associated with the plan at March 31, 2018 are limited to employees who opted to defer the pay-out to retirement. These amounts are not included as part of the Office budget and are recorded by government in its financial statements.

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
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7. Financial Instruments

The Office's financial instruments consist of accounts receivable, accrued recoveries receivable, working capital advance and payables and accrued liabilities. It is management's opinion that the Office is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short term to maturity.