



Report on Performance 2015-2016

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

Statement of Responsibility

This Report reflects the performance of my Office for the year ended March 31, 2016. 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.

My Office is undergoing relevant changes given the 2014 AG Act amendment and 2014-2020 Strategic Plan. Strategic initiatives and other changes resulting from these two events will continue to be implemented over the remainder of my mandate to 2020. However, I remain concerned about constraints imposed upon my Office's operations given its small budget of \$2.1 million.

This Report presents a comprehensive picture of the Office's actual performance. The report 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.

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.

This performance report 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, CPA, CA, ICD.D
Auditor General

Introduction

The Auditor General of New Brunswick (AGNB)'s mission is *to provide objective, reliable and timely information to the Legislative Assembly on government's performance in its delivery of programs and services to the people of New Brunswick.*

This Report measures our performance according to performance indicators linked to our mission, strategic plan and the requirements of our legislation. We believe these indicators should help readers assess the productivity and quality of our work.

Please see Appendix One for a list of audits completed during the year. Our 2015-2016 audited AGNB financial statements are also included in this Report in Appendix Two.

Our Strategic Objectives

Our 2014-2020 strategic plan has the following strategic objectives:

1. *Select a mix of performance and financial audits that deliver greatest value to our stakeholders;*
2. *Provide a rewarding work environment for our team;*
3. *Enhance our support to the Public Accounts and Crown Corporation Committees;*
4. *Increase public awareness of AGNB's role and reports;*
5. *Pilot AGNB independent expert advisory committee; and*
6. *Implement the amended Auditor General Act 2014*

Approach

Our approach in preparing the report on performance involves periodically surveying Members of the Legislative Assembly, our auditees and our staff for their assessment and feedback, as well as preparing key data for presentation in this report on a consistent basis to enhance comparability over years.

This year with the continuing adoption of our new strategic plan, we have linked our performance indicators to our strategic planning objectives and Office mission statement. We have also added two new performance indicators to address items in our strategic plan. The performance indicator chart on the following pages provides details of the performance indicators with comparisons to targets and prior year results. An analysis of results follows the chart.

Performance indicator	Link to Strategic Objective (SO)/ Mission	Office target 2015-2016	Current year results 2015-2016	Prior year results	
1. MLA perception, as determined by survey	Mission SO #1 SO # 3	80% or higher	Overall survey satisfaction rate of 92%	2015 2014 2012 2009 2008 2004	90% 100% 96% 88% 87% 87%
2. Auditee perception, as determined by survey	SO #3	80% or higher	Overall satisfaction rate of 88%	2015 2014 2013 2012 2009 2007 2006	84% 87% 96% 92% 81% 80% 84%
3. Percentage of performance audit recommendations implemented	Mission	Overall 100% of our recommendations implemented for our follow up period	63% of 2012, 2013 and 2014 recommendations implemented	2015 2014	70% of 2011, 2012 and 2013 recommendations implemented 69% of 2010, 2011 and 2012 recommendations implemented
4. Employee perception, as determined by survey	SO #2	80% or higher	Overall satisfaction rate of 72%.	2012 2010 2007 2004	65% 69% 70% 66%
5. Completion of audits on time	Mission SO #3	All target dates met	Overall 56% success rate	2015 2014 2013 2012 2011	62% 44% 63% 69% 78%
6. Use of our time, focusing on the percentage of time spent on audit work	SO #1 SO #6	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> • Financial and performance audits - 65% • Professional development and training - 5% • Audit office admin & support activities - 30% 	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> • Financial and performance audits – 71%* • Professional development and training – 5% • Audit office admin & support activities – 24% <p>*Note: working hours split is as follows: -Financial audit 69% -Performance audit 31%</p>	2015 2014 2013 2012 2011 2010 2009	68%, 5%, 27% 69%, 6%, 25% 68%, 9%, 23% 66%, 8%, 26% 63%, 7%, 30% 64%, 9%, 27% 65%, 8%, 27%

Performance indicator	Link to Strategic Objective (SO)/ Mission	Office target 2015-2016	Current year results 2015-2016	Prior year results	
				2015	2014
7. Staff cost of our audits	SO #1 SO #6	\$1,380,000 represents the approximate annual staff cost of significant audit projects split as follows: <ul style="list-style-type: none"> • 35% Performance audit • 25% Province of New Brunswick audit • 25% Crown agencies audit • 5% Cost shared claims • 10% Annual report preparation 	\$1,299,000 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> • 31% Performance audit • 29% Province of New Brunswick audit • 27% Crown agencies audit • 1% Cost shared claims • 12% Annual report preparation 	2015	\$1,321,000 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> • 32% Performance audit • 30% Province of New Brunswick audit • 27% Crown agencies audit • 4% Cost shared claims • 7% Annual report preparation
8. Number of public reports	SO #3 SO #4	N/A-no external target set for 2015-2016 as strategic plan was still being newly implemented	Volumes of AG Reports 2016 – 4	2015 2014 2013 2012	4 2 2 2
9. Number of independent expert advisory committee meetings	SO #5	N/A-no external target set for 2015-2016 as strategic plan was still being newly implemented	Due to new strategic plan being implemented in this time frame, no meetings were held to March 31, 2016.		None

Performance Measures - Highlights

MLA survey

The results from our survey of MLAs who sit on the Public Accounts Committee and Crown Corporations Committee indicate a 92% satisfaction rate. Overall, our work appears to meet their needs and seems useful in their role of holding departments and Crown agencies accountable. This represents a slight increase from the prior year's satisfaction rate of 90%, while being above our target rate of 80%. We will continue our work with the committees and focus on improved strategic communication strategies as outlined in our strategic plan.

Auditee survey

Our auditee satisfaction rate increased slightly from 84% in 2015 to 88% in 2016 and was above our target rate of 80%. A key theme from our auditee survey is that our auditees would appreciate greater timeliness in our work completion and reporting as well as enhanced communication during our work. While some aspects of these concerns are beyond our control given our financial and human resource constraints, we will continue to address this concern by continuing to report publicly more than once per year.

Prior year recommendations accepted and implemented

Our rate of recommendations accepted and implemented fell somewhat from 70% in our 2015 Report to 63% in 2016. While we are disappointed the implementation rate has declined, the rate is relatively stable overall, however, it is far from our goal of 100%. Please refer to Volume III, Chapter 3 of our 2016 Report for further information on implementation of prior year recommendations or consult our web site at www.agnb-vgnb.ca. To facilitate work of the Committees, we have added a "heat map" to our web site to be able to show the urgency with which departments respond to our recommendations.

Employee perception survey

We periodically conduct our employee perception survey to gain employee feedback on the quality of work life, communication and career development. We performed this survey in 2016 and our staff satisfaction rate of 72% was improved from the prior survey of 65%, however, it is still short of our goal of 80%. In the year ahead we will be further engaging staff and analyzing results to isolate specific areas where we can make further improvements.

Completion of audits on time

On time audit completion remains a challenging aspect of our Office work given the constraints inherent in our office resources and small office budget. This year the indicator declined to 56% from 62% in the prior year, and was well short of our target of 100%. One of our Office strengths is being a low cost audit service provider for government, however, our small office has been challenged by ever growing demands of complex issues on large audits (i.e. Province of New Brunswick), more rigorous timelines and new audits. While some factors were beyond our control, we are committed to improving this percentage in future. We hope with reduced staff turnover and fewer vacant positions we will have greater staffing stability in the year ahead to allow for meaningful progress on this indicator. We continue to request additional budget funds to help us meet this target.

Use of our time and staff cost of our audits

The Office experienced very stable trends in 2015-2016 for allocation of work hours. There was no significant variance amongst any of the categories. The overall cost of work was less than in the prior year due to the staffing vacancies experienced in this timeframe. Overall we see the Office's hours deployed for the most part according to targets and in a similar manner as the prior year. Notably though, financial audit is consuming an increasing amount of office resources as complex issues are faced routinely. This continues to remain a challenge for our Office given our limited resources.

Number of public reports

As a result of stakeholder feedback through surveys and strategic planning, we have increased our frequency of reporting. While we believe we are adding better value to our stakeholders based on the feedback received, the increased frequency of reporting is a challenge for a small office. We remain committed to delivering the best value for our stakeholders and the public and we remain committed to the accelerated reporting schedule. We have attempted to address our constrained resources with regards to reporting by hiring a communications officer, however, even with this additional resource, the increased reporting frequency is still a challenge for our limited resources.

Number of independent expert advisory committee meetings

As part our strategic plan, we committed to piloting an independent expert advisory committee. The goal of this committee is to discuss issues of strategic importance to our Office or provide advice to the Auditor General from expert resources as requested. The first meeting of this committee was scheduled for November 2016, but was deferred until January 2017 to better accommodate committee members. We value the input and advice of this group and will be continuing with this meeting in a routine manner in future.

Appendix One

Financial Audits Completed in 2015-2016

Province of New Brunswick – Public Accounts

Crown Agency Financial Audits *

- Centre communautaire Sainte-Anne - March 31, 2014
- Collège communautaire du Nouveau-Brunswick - March 31, 2015
- Invest New Brunswick - March 31, 2015
- Kings Landing Corporation - March 31, 2014
- New Brunswick Agricultural Insurance Commission - March 31, 2014
- New Brunswick Community College - March 31, 2015
- New Brunswick Highway Corporation - March 31, 2014
- New Brunswick Immigrant Investor Fund (2009) Ltd. - March 31, 2014
- New Brunswick Internal Services Agency - March 31, 2015
- New Brunswick Legal Aid Services Commission - March 31, 2015
- New Brunswick Lotteries and Gaming Corporation - March 31, 2013
- New Brunswick Municipal Finance Corporation – March 31, 2015**
- New Brunswick Research and Productivity Council - March 31, 2014
- Premier's Council on the Status of Disabled Persons - March 31, 2014 and 2015
- Public Trustee - Trusts administered - March 31, 2013 and 2014
- Regional Development Corporation - March 31, 2014

Claims Audits

- Regional Development Corporation – Agreement on the Transfer of Federal Gas Tax Revenues
- New Brunswick Legal Aid Services Commission - Agreement Respecting Legal Aid and Court-Ordered Counsel

**As reported in our December 2015 Volume III Auditor General's Report Exhibit 7.1*

***Not included in Exhibit 7.1 as there were no audit findings for this entity, however audit was completed in 2015-2016*

Performance Audits Completed in 2015-2016

2015 Auditor General Report – Published June 23, 2015

- Infection Prevention and Control in Hospitals - Horizon and Vitalité Health Networks and the Department of Health
- Silviculture - Department of Natural Resources
- Private Wood Supply - Department of Natural Resources

2015 Auditor General Report – Published December 15, 2015

- Public Debt - Department of Finance
- Centennial Building - Department of Transportation and Infrastructure
- Follow-up on Recommendations from Prior Years' Performance Audit Chapters

Appendix Two

Independent Auditor's Report of the Office Financial Statements

Nicholson & Beaumont Chartered Accountants

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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, 2016 and the statements 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, 2016, the results of its operations, for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants

Fredericton, NB
June 17, 2016

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

	2016	2015
Financial Assets		
Petty Cash	\$ 200	\$ 50
Working Capital Advance (Note 4)	-	64,367
Accounts receivables	42,589	105,941
Accrued recoveries receivable	<u>33,789</u>	<u>36,378</u>
	76,578	206,736
Liabilities		
Working Capital Advance (Note 4)	1,660	-
Payables and accrued liabilities	40,509	147,265
Accrued salary and benefits	<u>84,351</u>	<u>68,887</u>
	126,520	216,152
Net debt	<u>(49,942)</u>	<u>(9,416)</u>
Non-financial Assets		
Prepaid expenses	<u>49,942</u>	<u>9,416</u>
Accumulated Surplus	\$ -	\$ -

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE OFFICE:



Auditor General

**Statement of Operations
Year ended March 31**

	2016 Budget	2016 Actual	2015 Actual
Expenses			
Personnel services	\$ 1,987,720	\$ 1,878,993	\$ 1,771,460
Other services	280,330	264,291	361,204
Materials and supplies	9,450	13,253	17,333
Property and equipment	15,500	30,735	43,026
	<u>2,293,000</u>	<u>2,187,272</u>	<u>2,193,023</u>
Recoveries	<u>(200,000)</u>	<u>(183,328)</u>	<u>(187,187)</u>
	\$ 2,093,000	\$ 2,003,944	\$ 2,005,836
Government contributions (Note 3)	<u>(2,093,000)</u>	<u>(2,003,944)</u>	<u>(2,005,836)</u>
Annual (Deficit) Surplus	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to the financial statements

**Statement of Cash Flows
Year Ended March 31**

	2016	2015
Cash and Cash Equivalents Generated by (Used In):		
Operating Activities		
Annual (Deficit) Surplus	\$ -	\$ -
Changes in Non-Cash Working Capital		
Decrease (increase) in accounts receivable	63,352	(103,920)
(Increase) decrease in prepaid expenses	(40,526)	3,199
Decrease in accrued recoveries receivable	2,589	35,306
(Decrease) in payables and accrued liabilities	(106,756)	(80,339)
Increase in accrued salary and benefits	15,464	7,498
	<u>(65,877)</u>	<u>(138,256)</u>
(Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	64,417	202,673
Cash and Cash Equivalents, End of Year	<u>(1,460)</u>	<u>64,417</u>

Cash and Cash Equivalents is represented by:

Petty Cash	200	50
Working Capital Advance	(1,660)	64,367
	<u>\$ (1,460)</u>	<u>\$ 64,417</u>

See accompanying notes to the financial statements

**Statement of Change in Net Debt
Year Ended March 31**

	2016	2015
Net Debt, Beginning of the Year	\$ (9,416)	\$ (12,615)
Annual (Deficit) Surplus	-	-
Net Change in Prepaid Expenses	<u>(40,526)</u>	<u>3,199</u>
Net Debt, End of the Year	<u>\$ (49,942)</u>	<u>\$ (9,416)</u>

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2016

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.
- (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 2015-2016 as approved	\$ 2,078,000
Economic increase 2015-2016	<u>15,000</u>
	<u>\$ 2,093,000</u>
Unused appropriation	<u>(89,056)</u>
Net government contributions 2015-2016	<u><u>\$ 2,003,944</u></u>

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.

Cash and Cash Equivalents	2016	2015
	<u> </u>	<u> </u>
Petty Cash	\$ 200	\$ 50
Working Capital Advance	(1,660)	64,367
	<u>\$ (1,460)</u>	<u>\$ 64,417</u>

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, Public Service Shared Risk Plan (PSSRP). 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, 2016 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.

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.