



# Report on Performance 2019-2020

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, 2020. 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.

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 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 Adair-MacPherson, FCPA, 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 required by 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 2019-2020 audited AGNB financial statements are also included in this Report in Appendix Two.

## Our Strategic Objectives

Our 2014-2020 strategic plan (updated in June 2019) has the following strategic objectives:

1. Select a quality mix of performance and financial audits that deliver greatest value to the Legislative Assembly and the people of New Brunswick;
2. Provide a rewarding work environment for our team;
3. Enhance our support to the Public Accounts and Crown Corporation Committees;
4. Maintain public awareness of AGNB's role, reports and authority under the AG Act; and
5. Maintain our Risk Management and Professional Standards Accountability.

## 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.

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 2019-2020	Current year results 2019-2020	Prior year results	
1. MLA perception, as determined by survey	Mission SO #1 SO # 3	80% or higher	Overall survey satisfaction rate of 95%	2018-2019 2017-2018 2016-2017 2015-2016 2014-2015 2013-2014 2011-2012 2008-2009 2007-2008 2003-2004	92% 99% 95% 92% 90% 100% 96% 88% 87% 87%
2. Auditee perception, as determined by survey	SO #3	80% or higher	Overall satisfaction rate of 90%	2018-2019 2017-2018 2016-2017 2015-2016 2014-2015 2013-2014 2012-2013 2011-2012 2008-2009 2006-2007 2005-2006	88% 97% 88% 88% 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	83% of 2015, 2016 and 2017 recommendations implemented (as <i>self-reported</i> from departments and agencies for 2019 follow up work)	2018  2017  2016	66% of 2014, 2015 and 2016 recommendations implemented  49% of 2013, 2014 and 2015 recommendations implemented  63% of 2012, 2013 and 2014 recommendations implemented
4. Employee perception, as determined by survey	SO #2	80% or higher	Survey not conducted (survey conducted periodically, not annually).	2015-2016 2011-2012 2009-2010 2006-2007 2003-2004	72% 65% 69% 70% 66%
5. Completion of audits on time	Mission SO #3	All target dates met	Overall 63% success rate	2018-2019 2017-2018 2016-2017 2015-2016 2014-2015 2013-2014 2012-2013 2011-2012 2010-2011	65% 64% 69% 56% 62% 44% 63% 69% 78%

Performance indicator	Link to Strategic Objective (SO)/ Mission	Office target 2019-2020	Current year results 2019-2020	Prior year results	
6. Use of our time, focusing on the percentage of time spent on audit work	SO #1	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> <li>• Financial and performance audits - 65%</li> <li>• Professional development and training - 5%</li> <li>• Audit office admin &amp; support activities - 30%</li> </ul>	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> <li>• Financial and performance audits – 70%*</li> <li>• Professional development and training – 4%</li> <li>• Audit office admin &amp; support activities – 26%</li> </ul> *Of the 70%, working hours are split as follows: <ul style="list-style-type: none"> <li>-Financial audit 54%</li> <li>-Performance audit 46%</li> </ul>	2018-2019 2017-2018 2016-2017 2015-2016 2014-2015 2013-2014 2012-2013 2011-2012 2010-2011 2009-2010 2008-2009	70%, 3%, 27% 71%, 4%, 25% 71%, 3%, 26% 71%, 5%, 24% 68%, 5%, 27% 69%, 6%, 25% 68%, 9%, 23% 66%, 8%, 26% 63%, 7%, 30% 64%, 9%, 27% 65%, 8%, 27%
7. Staff cost of our audits	SO #1	\$1,566,000 represents the approximate annual staff cost of significant audit projects split as follows: <ul style="list-style-type: none"> <li>• 35% Performance audit</li> <li>• 25% Province of New Brunswick audit</li> <li>• 25% Crown agencies audit</li> <li>• 5% Cost shared claims</li> <li>• 10% Annual report preparation</li> </ul>	\$1,543,758 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> <li>• 48% Performance audit</li> <li>• 21% Province of New Brunswick audit</li> <li>• 17% Crown agencies audit</li> <li>• 1% Cost shared claims</li> <li>• 13% Annual report preparation</li> </ul>	2018-2019	\$1,414,324 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> <li>• 41% Performance audit</li> <li>• 22% Province of New Brunswick audit</li> <li>• 21% Crown agencies audit</li> <li>• 1% Cost shared claims</li> <li>• 15% Annual report preparation</li> </ul>
8. Number of public reports	SO #3 SO #4	3 Volumes of the 2019 Auditor General Report published on 2 separate dates	Volumes of AG Reports 2019– 3 (for 2019 calendar year)	2018 2017 2016 2015 2014 2013 2012	3 5 4 4 2 2 2
9. Internal Quality Monitoring Reviews Completed	SO #5	At least one financial audit review and one performance audit review completed each year	Completed		New indicator this year - see comments below

# 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 95% satisfaction rate. This represents a 3% increase from the prior year's satisfaction rate of 92%, while being well above our target rate of 80%. We received feedback in the survey that we could increase the usefulness of our report briefing to committee members, as well as choosing more relevant topics for reports. We will consider this in our future work. Overall, our work appears to meet their needs.

## Auditee survey

Our auditee satisfaction rate showed a slight increase from 88% to 90%. The indicator remained above our target rate of 80%. This year auditees indicated they would like us to have a deeper understanding of their operations and information systems as well as add greater value to their organization through further advice and recommendations. Overall departments and Crown agencies appear to find our work of assistance to them, and we will consider this feedback in our future work.

## Prior year recommendations

The rate of our recommendations accepted and implemented increased this year to 83% from 66% in the prior year. The indicator at 83% this year is measured differently than prior years. In 2019, we did not do traditional follow up verification work as in past years, and only used self-reported totals to calculate the implementation rate. We will resume follow up verification work in 2020. A heat map on our web site at [www.agnb-vgnb.ca](http://www.agnb-vgnb.ca) shows the urgency with which departments respond to our recommendations. Please consult our web site for further information on implementation of prior year recommendations.

## Completion of audits on time

On time audit completion remains a challenging aspect of our work given the resource and budget constraints we faced. This year the indicator remained very stable, however, it 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. Service New Brunswick) and more rigorous reporting timelines. While some factors were beyond our control, we remain committed to improving this percentage in future.

## Use of our time & staff costs of audits

Our use of time and staff costs on audits is similar to prior years except for an increase in staff time spent on performance audit and a decrease in staff time spent on Crown agency audits. The Province of New Brunswick, Crown agency financial statement audits and cost shared claims audits were all below target due to less activity than anticipated in these areas. Time spent on performance audit was above target due to focused efforts to increase our work in performance audit.

## Number of public reports

As a result of stakeholder feedback through surveys and strategic planning, we have maintained our increased reporting frequency with at least two AG report releases per year in the last five years. The increased frequency of reporting continues to be a challenge for a small office. However, we remain committed to delivering the best value for our stakeholders and the public, and thus we are also committed to a more frequent reporting schedule.

## Internal quality monitoring reviews

To help address our new strategic objective (maintain our risk management and professional standards accountability) added in the June 2019 strategic plan update, we have included a new performance indicator this year. Our Office remains committed to the highest level of quality and accountability in our work and we perform several quality steps throughout our audit processes. The new indicator is a reflection of our Office's enduring commitment to quality and risk management. All internal quality monitoring reviews this year were completed as planned.

## Appendix One

### Financial Audits Completed in 2019-2020

Province of New Brunswick – Public Accounts – March 31, 2019

#### Crown Agency Financial Audits

- Kings Landing Corporation - March 31, 2019
- New Brunswick Agricultural Insurance Commission - March 31, 2018
- New Brunswick Legal Aid Services Commission - March 31, 2019
- New Brunswick Lotteries and Gaming Corporation – March 31, 2019
- New Brunswick Municipal Finance Corporation – December 31, 2018
- Opportunities New Brunswick – March 31, 2019
- Regional Development Corporation - March 31, 2019
- Service New Brunswick – March 31, 2019

#### Claims Audits

- New Brunswick Legal Aid Services Commission - Agreement Respecting Legal Aid and Court-Ordered Counsel

### Performance Audits Completed in 2019-2020

2019 Auditor General Report – Published June 11, 2019

- Medicare Cards – Department of Health
- Outsourcing of Highway Maintenance and Construction Work – Department of Transportation and Infrastructure
- Overdue Property Tax Collections and Forgiveness – Department of Finance
- City of Saint John Funding Agreement – Special Review - Executive Council Office

2019 Auditor General Report – Published December 3, 2019

- Provincial Funding to Universities and Maritime College of Forest Technology – Department of Post-Secondary Education, Training and Labour
- Group Homes and Specialized Placements – Department of Social Development
- Follow-up Work and Financial Assistance Case Studies (Blueberries and Naval Centre)

## Appendix Two

### Independent Auditor's Report of the Office Financial Statements

**Nicholson & Beaumont**  
Chartered Professional Accountants  
INDEPENDENT AUDITOR'S REPORT

#### To the Speaker of the Legislative Assembly

#### Opinion

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, 2020 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.

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, 2020, and the results of its operations, for the year then ended in accordance with Canadian public accounting standards.

#### Basics of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit 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.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

Fredericton, NB  
July 23, 2020

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

	2020	2019
<b>Financial Assets</b>		
Petty Cash	\$ 200	\$ 200
Working Capital Advance (Note 4)	233,795	
Accounts receivables	11,645	422,337
Accrued recoveries receivable	<u>52,426</u>	<u>32,304</u>
	288,066	454,841
<b>Liabilities</b>		
Working Capital (Note 4)	-	198,895
Payables and accrued liabilities	201,640	180,696
Accrued salary and benefits	<u>147,551</u>	<u>117,592</u>
	<u>349,191</u>	<u>497,183</u>
<b>Net debt</b>	<u>(61,125)</u>	<u>(42,342)</u>
<b>Non-financial Assets</b>		
Prepaid expenses	<u>61,125</u>	<u>42,342</u>
<b>Accumulated Surplus</b>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

**APPROVED ON BEHALF OF THE OFFICE:**

*Kimi Adair-MacPherson*

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Auditor General



**Statement of Operations  
Year ended March 31**

	2020 Budget	2020 Actual	2019 Actual
Expenses			
Personnel services	\$ 2,988,000	\$ 2,283,408	\$ 2,107,320
Other services	457,300	510,100	441,027
Materials and supplies	8,200	10,531	10,639
Property and equipment	13,500	103,265	41,732
	<u>\$ 3,467,000</u>	<u>\$ 2,907,304</u>	<u>\$ 2,600,718</u>
Recoveries	<u>(145,000)</u>	<u>(173,518)</u>	<u>(336,719)</u>
	\$ 3,322,000	\$ 2,733,786	\$ 2,263,998
Government contributions (Note 3)	<u>3,322,000</u>	<u>(2,733,786)</u>	<u>(2,263,998)</u>
Annual (Deficit) Surplus	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to the financial statements

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

	2020	2019
Net Debt, Beginning of the Year	\$ (42,342)	\$ (33,248)
Annual (Deficit) Surplus	-	-
Net Change in Prepaid Expense	<u>(18,783)</u>	<u>(9,094)</u>
Net Debt, End of the Year	\$ <u>(61,125)</u>	\$ <u>(42,342)</u>

See accompanying notes to the financial statements

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

	2020	2019
<b>Cash and Cash Equivalents Generated by (Used In):</b>		
<b>Operating Activities</b>		
Annual (Deficit) Surplus	\$ <u>-</u>	\$ <u>-</u>
Changes in Non-Cash Working Capital		
(Increase) decrease in accounts receivable	410,692	(401,433)
(Increase) decrease in prepaid expenses	(18,783)	(9,094)
(Increase) decrease in accrued recoveries receivable	(20,122)	192,333
Increase (decrease) in payables and accrued liabilities	20,944	(51,697)
Increase in accrued salary and benefits	<u>29,959</u>	<u>3,546</u>
<b>Increase (decrease) in Cash and Cash Equivalents</b>	422,690	(266,345)
Cash and Cash Equivalents, Beginning of Year	<u>(198,695)</u>	<u>67,650</u>
<b>Cash and Cash Equivalents, End of Year</b>	\$ <u>233,995</u>	\$ <u>(198,695)</u>
<b>Cash and Cash Equivalents is represented by:</b>		
Petty Cash	\$ 200	\$ 200
Working Capital Advance	<u>233,795</u>	<u>(198,895)</u>
	\$ <u>233,995</u>	\$ <u>(198,695)</u>

See accompanying notes to the financial statements

**Office of the Auditor General of New Brunswick**  
**Notes to the Financial Statements**  
**March 31, 2020**

**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. As mentioned in Note 5, government provides office space at no cost to the Office. The Office does not record any assets, obligation or expense for this space leased by government. Accordingly, any betterments to the leased space which are funded by the Office are expensed in the year they occur as a transfer/contribution to government. For 2019-2020 such amounts expensed total \$59,319 (2018-2019 = \$0).

(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.

	2020	2019
Budget as approved	\$ 3,322,000	\$ 2,275,000
Unused appropriation	588,214	11,002
Net government contributions	\$ 2,733,786	\$ 2,263,998

**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	2020	2019
Petty Cash	\$ 200	\$ 200
Working Capital Advance	233,795	(198,895)
	<u>\$ 233,995</u>	<u>\$ (198,695)</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, 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, 2020 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.