
Office of the
Auditor General

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Office of the Auditor General

Compliance with Annual Report Policy

5.1 This section outlines the activities of our Office during the past year. Although we are not required to follow the government's Annual Report Policy, we support it and are actively promoting compliance by departments and agencies. Accordingly we are also working towards our own compliance on a voluntary basis. The self assessment checklist shown below summarizes our progress.

5.2 The format of this section has been changed to reflect the requirements of the policy.

Self Assessment Checklist	
Was a report prepared?	Yes
Is there a discussion of program relevance?	Partial
Are the goals and objectives stated?	Partial
Does the report discuss achievement of plans?	Yes
Are performance indicators presented?	No
Are details available on level of client acceptance?	No
Is actual and budget financial information presented?	Yes
Does the report explain variances from budget?	Yes

Role and Relevance

5.3 The current position of Auditor General was first established in 1967 by the Financial Administration Act. The Auditor General at that time reported through the Minister of Finance. In 1981 the Legislative Assembly increased the independence of the Auditor General by enacting the Auditor General Act. This Act has had subsequent revisions duly debated and enacted up to the latest amendment in April 1995.

5.4 The Act appoints the Auditor General as an officer of the Legislative Assembly. It establishes the duties of the Office and its relationship to the Legislative Assembly. Our role within the public service is unique. We are independent of government. We

carry out our audits and report directly to the Legislative Assembly.

Scope Of Our Work

5.5 The Legislative Assembly approves the financial plans of government. The duties imposed on our Office require us to audit the results of these plans and report our findings to the Legislative Assembly.

5.6 The scope of our audit includes all revenues and expenditures of government. As well, we audit the financial transactions of the pension plans and other trust funds, special purpose funds and agencies where we are appointed auditors. We also review the work of auditors of government agencies where we were not appointed.

Our Report

5.7 Our audits report on government as a whole as well as sectors or programs of government or its agencies.

5.8 We report whether the financial statements prepared by government are fairly presented. We add value to these statements because of our objectivity and independence.

5.9 We report instances where government is not in compliance with legislation, regulations, agreements and government policy.

5.10 We report where expenditures have been made without regard to economy and efficiency.

5.11 We report where government or its agencies have not established procedures to report on the effectiveness of their programs. If procedures have been established, we report if they are not satisfactory.

5.12 Some legislative auditors refer to this mandate as “comprehensive auditing”. We do not evaluate the effectiveness of programs or develop standards to ensure effectiveness. These are management responsibilities.

5.13 Our Act requires that we report to the Legislative Assembly, by 31 December each year.

5.14 The Legislative Assembly has set down in its standing rules a process which governs the distribution of our Report. It provides that our Report, when filed, shall immediately be referred to the Standing Committee on Public Accounts and concurrently released to the people of New Brunswick.

Our Mission

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

Strategic Planning

5.16 Our entire staff has been participating in developing a strategic plan for our office. A draft of the plan was circulated to staff in July 1995 and it will be formally adopted prior to our newly-structured audit year beginning 1 January 1996.

5.17 At a meeting of staff to be held in late November 1995, we will confirm our Vision, Values and Goals and select the specific goals we plan to achieve in 1996.

5.18 During the year working groups were assigned two strategic issues. The first issue dealt with a revised performance management system, which included a requirement to establish personal goals that are linked to the goals for our Office. We have decided on a common anniversary date of 1 January to evaluate the performance of all staff. 1 January 1996 will be the first complete test for this new system.

5.19 The second issue dealt with the organization of our Office. This working group recommended a significant reorganization of audit work. The recommended changes will affect the selection of audits, the assignment of audits to teams, and the process of selecting team members. The group recommended that each audit team have a mix of broad scope and special audits, as well as financial and compliance audits. We expect to begin to implement these changes in the audit year commencing 1 January 1996.

Office Goals

5.20 Through the strategic planning process we have identified key goals for our Office. Each year we will select from these goals, those which we believe should be achieved in the coming year. The remaining goals of a longer term or lower priority will be reviewed each year for possible additions or

deletions, in part or in whole. Both current and long-term goals will be established each year at an annual planning meeting of staff in late November or early December.

Achievement Of Plans

5.21 Beginning in 1996, with the implementation of our strategic plan, we will be able to make a more structured assessment of our achievement of plans.

5.22 During the past year we have carried out the following, as planned:

- We completed our audit of the financial statements of the Province of New Brunswick prior to the required statutory date for submission to the Legislative Assembly.
- We completed our audits of the Crown agencies and certain other entities where we were appointed auditor.
- We received the financial statements and management letters from the auditors of agencies where we were not appointed auditor. We reviewed these and the files of the auditors as we considered necessary.
- We completed and submitted our 1994 Annual Report to the Legislative Assembly by 31 December 1994.
- We drafted a strategic plan for our Office and began the implementation process.
- We continued to upgrade our computer technology and carried out the necessary staff training.
- We continued to employ and train accounting/auditing students who are studying for a professional designation. The New Brunswick Institute of Chartered Accountants has formally approved our Office to train students and we are subjected to a peer review inspection process to maintain this right. We also have Certified Management Accountant (CMA) and Certified

General Accountant (CGA) students employed in our Office.

- We continued to participate in and support a variety of professional organizations. Related organizations like the Canadian Comprehensive Auditing Foundation and the Conferences of Legislative Auditors of Canada and of the Atlantic Provinces are invaluable to us. These organizations provide an opportunity to meet with our peers to share ideas, common concerns and information. We benefit tremendously from the willingness to help and the openness of all the legislative audit offices in Canada.

Performance Indicators

5.23 The development of performance indicators for our Office will be challenging but worthwhile. Some performance indicators that have been identified might not of themselves give a valid assessment of our work. For instance, some might measure our success by asking, how many of our recommendations were adopted? Raw numbers will give one impression but we are debating whether our recommendations should be weighted for significance.

5.24 Another indicator could be the number of audits performed. This too should be subjected to some weighted analysis or this information will not have much meaning. Another factor to consider in this regard would be the timing of their completion.

5.25 The time spent on each audit and the related cost would also seem to be reasonable performance indicators.

5.26 We believe the choice of appropriate indicators requires further input and discussion from both our staff and others outside our Office. In our opinion the number of indicators should be few. They must, however, be significant and be able to be measured and understood.

Client Acceptance

5.27 We have broadly identified our client to be the people of New Brunswick. Our specific client is the Legislative Assembly, which created our Office. The members of the Legislative

Assembly are elected by the people and you will note our mission is framed to reflect this fact.

5.28 In addition to the Standing Committee on Public Accounts, some legislative assemblies have established audit committees. Saskatchewan has an audit committee of five persons who are not members of the Legislative Assembly while Prince Edward Island has appointed three specific members of their legislative body (the Minister of Finance, the Speaker of the House and the Leader of the Opposition). New Brunswick does not have such a committee and we believe an audit committee would provide a link or liaison between our Office and the Legislative Assembly. Such a link could provide important feedback to help us assess the level of acceptance of our work and recommendations.

5.29 We have attempted to obtain opinions on the content and format of our Report directly from the public and members of government with limited success. This is an important aspect of measuring our performance and we will continue to work towards developing a meaningful methodology to determine the level of client acceptance.

Office Expenditure

5.30 The following compares our actual costs and budget allocation by primary classification and identifies the budget for the 1995-96 fiscal year.

(Thousands of dollars)

	31 Mar 1996		31 Mar 1995		31 Mar 1994	
	Budget	Actual	Budget	Actual	Budget	Actual
Wages and benefits	1,384.8	1,423.1	1,316.0	1,414.5	1,314.7	
Other services	120.5	100.5	92.9	105.1	88.0	
Materials and supplies	10.5	10.5	6.7	10.5	8.7	
Property and equipment	44.5	24.5	53.7	24.5	32.0	
	<u>1,560.3</u>	<u>1,558.6</u>	<u>1,469.3</u>	<u>1,554.6</u>	<u>1,443.4</u>	

5.31 Ninety percent of our expenditures are related to staff costs. Staff turnover provides some flexibility to help manage our expenditures. We usually fill vacancies at the entry level and sometimes hold positions vacant until replacement becomes essential. Saving in staff costs in 1994-95 allowed us to achieve

our goal in getting our computer information systems and hardware to a uniform level for all staff.

5.32 Other services expenditures were kept below budget by \$7,600. While business meeting expenses for our strategic planning process and for a meeting of the Atlantic Provinces Legislative Auditors was overspent (\$1,600), other savings in travel (\$1,800), telephone (\$1,300), data processing (\$2,400), inspection (\$1,300), postage (\$700), and rentals (\$1,900), allowed us to achieve an overall saving of \$7,600.

5.33 Materials and supplies were under budget (\$3,800), almost entirely accounted for by \$3,600 saving in stationery, forms, etc.

5.34 Computer hardware costs of \$29,500 accounted for the over expenditure in property and equipment of \$29,200. We used a portion of the savings in wages and benefits to support these important expenditures. Computers are essential in our audit work. By making good use of our information technology we can expand our audit coverage without increasing our staff.

Staff Resources

5.35 The audit staff is organized in teams with Murray Gill, CMA, Paul Jewett, CA and Phil Vessey, CA as directors. There are fifteen professional staff with accounting designations. Our staff also includes eight students who hold a university degree which is a prerequisite for both enrolment in an accounting program and employment at our Office. The remaining three members of our staff provide administrative support services. There are twenty-six staff members compared to twenty-eight the previous year.

Lorna Bailey (1)	Bill Phemister, CA
Ralph Black, FCA	Guy Richard (2)
Keith Boudreau (2)	Ken Robinson, CA
Cathy Connors Kennedy, CA	Brian Soeler (2)
Jane Edgett (2)	Nathalie St.-Pierre Frenette (2)
Murray Gill, CMA	Diane Swan (1)
Janice Hicks (2)	Al Thomas, CA
Eric Hopper, CA	Phil Vessey, CA
Peggy Isnor, CA	Tim Walker (2)
Paul Jewett, CA	Deborah Whalen, CMA
Cecil Jones, CA	Brent White, CA
Chad King, CA	Darlene Wield (1)
Greg Mignault, CMA	Jennifer Young (2)

(1) Administrative support

(2) Student enrolled in a professional accounting program

5.36 With the adoption of our strategic plan in January 1996, we will produce an organizational chart that demonstrates the changes we are making in our structure.