

# Chapter 15

## Office of the Auditor General

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# Office of the Auditor General

## Background

15.1 Our 1995 Report contained a checklist relating to our assessment of our compliance with the Annual Report Policy of government. A comparative version for 1996 is presented below.

## Exhibit 15.1

### Self assessment checklist

	1996	1995
Was a report prepared?	Yes	Yes
Is there a discussion of program relevance?	Yes	Partial
Are goals and objectives stated?	Yes	Partial
Does the report discuss achievement of plans?	Yes	Yes
Are performance indicators presented?	Partial	No
Are details available on level of client acceptance?	No	No
Is actual and budget financial information presented?	Yes	Yes
Does the report explain variances from budget?	Yes	Yes

15.2 It is our intention to continually improve the information available in our annual Report on the performance of our Office. The above checklist sets out our assessment of progress over the last two years. Our assessment indicates that we have made some progress in the development of performance indicators but we acknowledge there is more to be done. This area of audit office performance is currently under study by a task force representing all legislative audit offices in Canada. We believe that project will provide recommendations for indicators that can be used to compare similar legislative audit organizations.

## Office role and relevance

15.3 Our role within the provincial public service is unique. We are independent of the government of the day and provide information directly to the Legislative Assembly. The Legislative Assembly uses our information to help fulfil its role of holding the government accountable for how public monies are managed.

## Rde

## *Our vision*

15.4 **We are committed to making a difference for the people of New Brunswick by promoting, in all our work for the Legislative Assembly, productive, open and answerable government.**

*Our mission*

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

*Values*

15.6 Our values impact our performance. We are committed to:

- *Independence and objectivity* - Being independent and objective, in fact and appearance.
- *Accountability* - Being accountable ourselves, and promoting accountability through example and reporting. In doing so, we strive to be a key influence for effective government.
- *Adding value* - Focusing our resources on areas of government where value can be added.
- *Learning* - Enhancing quality by placing emphasis on staff learning and development.
- *Improvement* - Improving our work through innovative thinking and the use of technology.
- *Fairness and respect* - Developing and maintaining professional relationships by treating our own staff and those we contact with fairness and respect.

*Legal status*

15.7 The Financial Administration Act established the current position of Auditor General in 1967. At that time, the Auditor General reported to the Legislative Assembly through the Minister of Finance. In 1981 the Legislative Assembly increased the independence of the Auditor General by enacting the Auditor General Act and making the Auditor General an Officer of the Legislative Assembly. The Act establishes the duties of the Office and its relationship to the Legislative Assembly. The Auditor General Act now requires the annual Auditor General's Report to be tabled by the Speaker of the House.

*Relevance*

15.8 Our 1995 Report generated significant interest. Debates in both the Legislative Assembly and Public Accounts Committee are evidence of the continuing relevance of our work. In addition we were invited for the first time to discuss our Report with the Standing Committee on Crown Corporations. Again significant interest was expressed by Members of the Committee during our appearance there. Public interest in our 1995 Report was significantly higher than in past years.

15.9 Each year we include in our Report matters which we think are significant to the Legislative Assembly and the public. These include our findings, conclusions and recommendations arising out of our audit work during the year.

15.10 In addition, we provide separate audit conclusions on the reliability of financial statements. These conclusions (audit reports) are provided to the Legislative Assembly with the financial statements for the Province as well as the Agencies and Trusts that we audit.

15.11 Our work and reports contribute to:

- public confidence in our system of government;
- the Legislative Assembly's ability to carry out its responsibility of holding the government to account; and
- the government's ability to carry out its responsibilities using sound management systems and practices.

## Goals and objectives

15.12 We developed the vision, mission and values statements, outlined earlier in this chapter of the Report, through our strategic planning process carried out last year. In addition to this, we identified key goals that we will be focusing on to improve the results of our work. These goals are:

- Promoting sound accountability frameworks and management processes for public sector organizations; and
- Continually improving the quality and effectiveness of our own service.

15.13 Some specific objectives we are focusing on include:

- Encouraging government departments and agencies to improve the performance information presented in their annual reports;
- Developing a better understanding of the needs of users of the material we produce;
- Improving the service we provide to the Legislative Assembly;
- Developing and implementing a new performance appraisal system;
- Identifying needed changes to the Auditor General Act and proposing the appropriate changes to the Legislative Assembly;
- Continuing to develop meaningful quantitative and qualitative indicators of staff and office performance; and
- Continuing to improve our use of technology.

15.14 We discuss our results during the past year in the following paragraphs.

### *Encouraging performance reporting by government*

15.15 Our 1990 audit of the annual reports of government departments and agencies resulted in government establishing an annual report policy. One requirement of this policy was to establish performance indicators. Our follow up surveys in our 1993 and 1994 Reports revealed that compliance with this aspect of the Annual Report Policy had not been achieved. We believe that our reporting on this issue has had some effect on the initiative of government in 1995 which required each department to focus on providing specific indicators of performance. Departments have been given instructions and deadlines for providing performance indicators with their budgets. They will be expected to report fully on these indicators in future annual reports.

15.16 We also believe that there may be a place for an audit of these results to ensure they are reasonable and based on consistent and reliable data.

15.17 We also have made several suggestions in recent Reports which we believe have improved the presentation of financial information. Encouraging the presentation of budget information with the financial statements of Crown agencies is a specific initiative of our Office.

*Improving service to the  
Legislative Assembly*

15.18 We were invited in 1996, for the first time, to appear before the Standing Committee on Crown Corporations to discuss our Report comments relating to certain Crown agencies. We accepted the invitation and spent the better part of one day discussing various issues with Committee members.

15.19 We were also asked to prepare a special report on purchasing of computer hardware and software for a major systems development project undertaken by the Department of Human Resources Development. This work was carried out by a senior member of our staff. A separate report will be issued to the Standing Committee on Public Accounts.

*Developing a better  
understanding of the needs of  
users of our Report*

15.20 We have found it difficult to obtain consistent and direct feedback from the people we serve. We try to make changes to things like the structure and readability of our Report but most changes are ad hoc and not the result of any well designed survey of our users. We want to concentrate on a more formal system of feedback from users in 1997.

*Developing and implementing  
a staff appraisal system  
capable of supporting  
performance pay*

15.21 A task force of Office personnel was used to research and recommend a staff evaluation system for our Office. Most of the work was completed by the end of 1995 and the system has now been used for one round of staff evaluations. We have carried out a review of the results of the first year and plan a few minor changes for the 1996 evaluations.

*Identifying and proposing  
needed changes to the  
Auditor General Act*

15.22 We are preparing a list of needed changes to our legislation. The work is in a preliminary stage but we would like to present these changes prior to the end of the term of the current Auditor General.

*Improving our use of  
technology*

15.23 Computer technology available to the Office continues to change and progress rapidly. At the same time our staff complement is decreasing. We must make the most economical, efficient and effective use of technology available to us. Our auditees are moving quickly toward a paperless accounting environment, so our audit practices must adapt to that situation.

15.24 While we have made significant advances in our practice via the use of a local area network, E-mail, Internet connections etc., we still have significant challenges ahead. We need to acquire the technology to carry us into auditing in the year 2000 and beyond.

*Continuing to develop meaningful performance indicators*

15.25 We are committed to set up an office task force capable of addressing our requirements and proposing strategies to fulfil our needs.

15.26 The Board of Management has embarked on a very positive initiative to improve the indicators of performance being reported by departments. While we are not covered by the requirement we certainly feel obligated to conform with the spirit of the directive. The detail which follows sets out some preliminary indicators which we have developed.

15.27 As mentioned earlier in this Report, performance indicators for legislative audit offices across Canada is the subject of a national study group at this time. We would hope to be able to use indicators from that study to compare ourselves with colleagues in other legislative audit offices.

15.28 There are two indicators that we consider to be the most meaningful.

15.29 First, a comparative analysis of the audit hours and cost of audits for:

- the Province of New Brunswick financial audit;
- the audit of Crown agencies and Trust Funds; and
- our broad scope legislative audit projects.

15.30 Second, the recommendations that we make to departments and agencies as a result of our audit work.

15.31 Last year, in our Report, we discussed recommendations as an indicator and said they should be weighted for significance.

15.32 Two legislative audit offices have begun to categorize their recommendations. We have adapted the categories used by one of these offices, and will classify the recommendations as follows:

- information systems, processes and controls;
- improved use of resources;
- measuring the cost and effects of outputs; and
- compliance with authorities.

15.33 We intend to present this information in a comparative form each year.

15.34 We will identify the status of the recommendations as to whether they are:

- accepted;
- accepted in principle;
- under review;
- no longer applicable; or
- rejected.

**Timeliness of audits**

15.35 All our 1996 audits are now complete. The following exhibit summarizes the completion dates for the significant aspects of our work.

Exhibit 15.2

Audit completion dates

	Date completed	
	1996	1995
Audit of provincial financial statements	20 September 1996	30 November 1995
Crown agency audits completed	8 November 1996 <sup>1</sup>	22 January 1996 <sup>1</sup>
Release of Auditor General Report	31 December 1996	19 February 1996

<sup>1</sup> Date of audit report of last Crown agency completed.

**The Office is a trainer**

15.36 Our Office provides experience and training to staff when they join our office. New employees must enrol in a professional accounting program, namely CA (Chartered Accountant), CMA (Certified Management Accountant) or CGA (Certified General Accountant). Before staff begin this professional training they must have, as a minimum, one university degree at the Bachelor level.

15.37 In the past five years nine people in our Office have received their CA designation. Five of these people have moved to important financial positions in government. One person moved to a government position in another province, another to a quasi regulatory organization in New Brunswick; one person has remained in our Office and only one has joined the private sector. The feedback that we have received on the quality of our staff is favourable. We consider our contribution of qualified staff to other government organization to be a positive indicator for our Office.

**Office expenditure**

15.38 Budget and actual expenditure for 1994-95 and 1995-96 by primary classification is shown in the exhibit below. The approved budget for the 1996-97 year is presented for comparative purposes.

## Exhibit 15.3

*Budget and actual expenditure  
(thousands of dollars)*

	1997	1996		1995	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,380.7	1384.8	1,309.5	1,423.1	1,316.0
Other services	107.2	120.5	95.8	100.5	92.9
Materials and supplies	8.6	10.5	7.3	10.5	6.7
Property and equipment	24.5	44.5	83.1	24.5	53.7
	<b>1,521.0</b>	<b>1,560.3</b>	<b>1,495.7</b>	<b>1,558.6</b>	<b>1,469.3</b>

15.39 Staff costs continue to account for approximately 90% of our budget and were underspent by \$75,300. Salary savings were \$66,700 while benefits accounted for the balance of \$8,600.

15.40 Other services were underspent by \$24,700. Professional services not utilized in the year resulted in a saving of \$19,400. We also saved \$8,200 in course and conference fees. We overspent instructional services by \$9,000 in order to provide computer training in Microsoft Office for the entire staff. Travel was underspent and accounted for the remaining \$6,100.

15.41 Materials and supplies were under budget by \$3,200, totally accounted for by reduced stationery, forms and computer supplies.

15.42 Property and equipment was overspent by \$38,600. We again used a portion of the savings in staff costs to support additional costs for computer software and hardware. Our server needed to be replaced as well as two of our printers. We purchased Microsoft Office software and provided training to our staff as discussed earlier in this section.

**Staff resources**

15.43 Total staff in our Office has remained constant at twenty-six for the past two years. Murray Gill CMA, Paul Jewett CA and Phil Vessey CA are the directors for our three audit teams. At 31 March 1996 there were seventeen professional staff with accounting designations. Our staff also included six students who hold a university degree which is a prerequisite for both enrolment in an accounting program and employment at our Office. The three remaining members of our staff provide administrative support services. The following is a list of staff members at 31 March 1996:

Lorna Bailey<sup>1</sup>  
Ralph Black FCA

Bill Phemister CA  
Ken Robinson CA

Keith Boudreau <sup>2</sup>  
Cathy Connors Kennedy CA  
Jane Edgett CA  
Murray Gill CMA  
Janice Hicks <sup>2</sup>  
Eric Hopper CA  
Peggy Isnor CA  
Paul Jewett CA  
Cecil Jones CA  
Chad King CA  
Greg Mignault CMA

Brian Soeler <sup>2</sup>  
Tammy Sterling <sup>2</sup>  
Nathalie St-Pierre Frenette <sup>2</sup>  
Diane Swan <sup>1</sup>  
Al Thomas CA  
Phil Vessey CA  
Tim Walker <sup>2</sup>  
Deborah Whalen CMA  
Brent White CA  
Darlene Wield <sup>1</sup>  
Jennifer Young CA

<sup>1</sup> *Administrative support*

<sup>2</sup> *Student enrolled in a professional accounting program.*