

Chapter 9

Office of the Auditor General

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Office of the Auditor General

Background

Exhibit 9.1
Self assessment checklist

9.1 In recent years, our Reports have contained a checklist relating to our assessment of our compliance with the annual report policy of government. A comparative version for 2004 is presented below.

	2004	2003
Was a report prepared?	Yes	Yes
Is there a discussion of program relevance?	Yes	Yes
Are goals and objectives stated?	Yes	Yes
Does the report discuss achievement of plans?	Yes	Yes
Are performance indicators presented?	Yes	Yes
Are details available on level of client acceptance ?	Yes	Yes
Is actual and budget financial information presented?	Yes	Yes
Does the report explain variances from budget?	Yes	Yes

Office role and relevance

Our role

9.2 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 and how services are delivered. We also assist government by providing recommendations to senior officials of the departments and agencies we audit.

Our mission

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

Office relevance

9.4 Volumes 1 and 2 of our 2003 Report generated significant interest. 475 copies of each volume were printed and distributed. Access to our Report is also available through the internet, and we are tracking the number of times our Report is visited. Discussions of our findings in the Legislative Assembly and the Public Accounts and Crown Corporations Committees are evidence of the continuing relevance of our work.

9.5 Each year we include in our Report matters that we believe 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.

9.6 Our service also includes separate audit conclusions on the reliability of financial statements. These conclusions (auditor's reports) are provided to the Legislative Assembly with the financial statements for the Province as well as the Crown agencies and Trust Funds that we audit.

9.7 We see our work remaining relevant and contributing 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.

Strategic plan

9.8 Our 2003-2008 strategic plan can be found on our web site. It identifies three main goals that we are concentrating on over the five years. These are:

- the Legislative Assembly and the public are aware of and value all the work that we do, and have confidence in our ability to provide timely, objective and credible information;
- departments and agencies accept and implement our recommendations; and
- our stakeholders - the Legislative Assembly, the public, auditees and our employees - view us as leading by example.

9.9 We have developed strategies around each of these goals, along with specific objectives and actions. Each year we will develop a business plan that sets targets for each of our objectives. We have identified twelve performance indicators that we are using to measure our progress.

Performance indicators

MLA survey

9.10 This year we surveyed and interviewed Members of the Public Accounts and Crown Corporations Committees in order to measure our effectiveness in meeting their needs.

9.11 The responses to the survey indicate a high degree of satisfaction with the work that we do. We converted the responses

into a numerical index, which produced an overall satisfaction rate of 86.8%.

9.12 Members of the committees were satisfied with our Report, and with the process we follow to communicate its contents to them. They considered the topics chosen for review to be relevant, and our recommendations to be practical and achievable. They believe that our Office provides taxpayers with good value for money.

Auditee survey

9.13 Following the completion of each audit, we survey the department or Crown agency to determine their level of satisfaction with our work.

9.14 The responses to the survey following our 2003 audits indicate a high degree of satisfaction, especially with the financial audits we conducted. We converted all the responses into a numerical index, which produced an overall satisfaction rate of 87.0%.

9.15 Generally, auditees felt that we communicated well with their organization during our work and in the preparation of our reports, and that we dealt with them in a courteous and professional manner. Some concerns were expressed that in our value-for-money and detailed systems audits our knowledge of the organization could be improved. We will take these comments into account in our future work.

Employee survey

9.16 In the fall of 2003 we conducted our first-ever employee satisfaction survey. We wanted to receive feedback on topics such as quality of work life, communication and career development. We converted the responses into a numerical index, which produced an overall satisfaction rate of 62.6%.

9.17 We were not satisfied with this result and have been addressing the issues raised in the survey at the management level, and through the use of staff committees. Significant issues raised include training, timely feedback on performance, resources and recognition.

Acceptance and implementation of recommendations

9.18 Chapter 8 of this Report provides an overview of the recommendations included in our 2000 through 2002 Reports. It details the responses to our recommendations, and our assessment of the acceptance and implementation of these recommendations.

Completion of audits on time and within budget

9.19 In general, we are pleased with the actions taken by departments and Crown agencies in response to our work and reports.

9.20 Our long-term goal is to complete the audit of the Province's financial statements by 30 June and to complete all Crown agency and Trust Fund audits by 30 September.

9.21 Our ability to achieve this objective is not totally within our control, because it really depends on when our auditees close their books for the year and are ready for us to do our work. Notwithstanding this, we believe the indicator is important because it results in us encouraging our auditees to close their books as quickly as possible. We support timely reporting of financial information. The indicator also places a discipline on our Office to complete the audit work by a specific date.

9.22 The audit of the Province of New Brunswick was not completed by 30 June. Our auditor's report on the Province's financial statements was dated 1 September.

9.23 We are the auditors of twenty Crown agencies, six pension plans and the Fiscal Stabilization Fund. We completed thirteen of the Crown agency audits and three of the pension plan audits by 30 September. For the seven Crown agency audits that were not completed there were delays related to a lack of available resources in our Office to do the work. However, all seven were completed and reports issued by 9 November. We did not have the resources to complete the audits of the Fiscal Stabilization Fund and three of the pension plans in time to meet our 30 September target.

9.24 We establish detailed time budgets for each of our audits. During the audit, we monitor the time spent by staff members on individual sections of the work. At the end of each audit, we summarize the total time spent, compare it to the total budgeted hours and analyze major fluctuations. For our financial audits, we use the results of this analysis to help us prepare the budget for the following year's work.

9.25 The actual time spent on our audit of the Province's financial statements exceeded the budgeted time by 570 hours. The excess is mainly attributable to extra time spent on the audit of NBCase, the social assistance payment and case management system in the Department of Family and Community Services. The results of that

audit are reported in chapter 7 of this Report. The significance of the system, and its complexity, were factors in our selection of this computer application for audit, and also contributed to the audit taking more time than we had anticipated.

9.26 All of the sixteen Crown agency and pension plan audits we completed by 30 September were carried out within or close to budget, with the exceptions of Algonquin Properties Limited and Algonquin Golf Limited. The time spent on these two audits, which are closely linked and carried out concurrently, greatly exceeded the budget. There were a number of reasons for this, including a significant internal control matter that had to be resolved, and a large amount of time spent dealing with accounting issues rather than auditing.

9.27 We undertook four major value-for-money audits during the past year that led to chapters in our 2004 Report. Only one took significantly more time than we had budgeted. This was our audit of salmon aquaculture, where we underestimated the amount of time that would be incurred as a result of working cooperatively with two other legislative audit offices. We believe the extra time was a sound investment, and that our final report benefited greatly from the interaction with the other offices.

***Interest in, and discussion of,
our work***

9.28 Four of our performance indicators attempt to assess the relevance of the work we do by tracking the interest in our work and Reports.

9.29 As mentioned earlier, we monitor the number of times our web site is visited to access our Report. In the period from December 2003 to June 2004, covering the release of volumes 1 and 2 of our 2003 Report and the subsequent four months, there were over 7,000 visits to the complete Reports. In addition to this there were specific visits to individual chapters. On 9 December 2003, the day we released volume 1, there were over 2,500 visits, or “hits”, to our web site. On 18 February 2004, the day we released volume 2, there were over 3,700 hits.

9.30 We would also like to track the number of times our work is mentioned in the Legislative Assembly, and in meetings of the Public Accounts Committee and the Crown Corporations Committee. However, this has proven to be an impossible task. The official record of proceedings in the Legislative Assembly (Hansard) is at

least two years behind, and minutes of committee meetings are no longer routinely prepared.

9.31 Nevertheless, we believe that our relevance is demonstrated by the fact that the Public Accounts and Crown Corporations Committees continue to make use of our Reports in carrying out their work. We also offer our services to the committees to provide them with opportunities to explore topics in greater depth. For example, we have made presentations to the Crown Corporations Committee on Crown agency governance and the Public Accounts Committee on departmental annual reports. We also provide orientation sessions for new committee members.

Use of time

9.32 An important indicator for us is the percentage of time we spend directly on audit work. Our goal is to reach a target of 60% of all professional paid time in our Office being spent directly on financial statement audits or value-for-money audits.

9.33 A detailed analysis of staff time for 2003 indicates that 58.88% of the total paid time of all staff, with the exception of our administrative support staff, was spent directly on audit work (including work on our annual Report). Approximately half of this time is spent on value-for-money audits. Non-audit time includes statutory holidays, vacations, courses for accounting students and professional staff, sick leave and administrative duties not chargeable to a specific audit.

Cost of our audits

9.34 We have always budgeted and tracked the number of hours for each of our audits. However, in an effort to be as economical and efficient as we can be in the work that we do, we are also beginning to track the cost of each audit. In the broadest sense, the cost of our audits can be said to be the cost of operating our Office, represented by our total expenditures set out later in this chapter.

9.35 The data we have compiled to date is relatively unsophisticated, and will be further refined in the years to come. It shows that the cost of the audit of the Province of New Brunswick's financial statements is approximately \$200,000. The total cost of the sixteen Crown agency and pension plan audits we completed by 30 September was approximately \$115,000. The total cost of the four major value-for-money audits included in this Report was \$273,000. The cost of preparing our 2003 Report, including the work we do to

follow up on recommendations made in previous Reports, was approximately \$100,000.

Financial information

9.36 Budget and actual expenditure for 2002-03 and 2003-04 by primary classification is shown in Exhibit 9.2. The approved budget for the 2004-05 year is presented for comparative purposes.

9.37 As we indicated in our 2003 Report, in our budget submission for 2004-05 we requested an increase in funding of \$200,000. This would have enabled us to hire two additional senior auditors and increase our investment in training, technology and other support services. This request for additional funds was rejected by the Board of Management.

9.38 Staff costs continue to account for approximately 90% of our budget and were underspent by \$58,200 for the year ended 31 March 2004. This was the result of staff turnover, and the inevitable delays in filling vacant positions.

9.39 Other services were underspent by \$19,600 and property and equipment costs were underspent by \$26,800. These savings were largely due to restrictions in expenditures in response to a request from Board of Management to institute an in-year budget reduction of 5%.

Exhibit 9.2

Budget and actual expenditure (thousands of dollars)

	2005	2004	Actual	2003	
	Budget	Budget		Budget	Actual
Wages and benefits	1,513.8	1,473.8	1,415.6	1,446.5	1,382.2
Other services	135.6	138.2	118.6	124.2	169.5
Materials and supplies	9.0	8.4	10.9	8.1	7.8
Property and equipment	32.6	52.6	25.8	76.2	93.2
	1,691.0	1,673.0	1,570.9	1,655.0	1,652.7

9.40 Our legislation requires an annual audit of our accounts by a qualified auditor, appointed by the Speaker of the Legislative Assembly on the advice of the Board of Management. This audit is conducted by the Office of the Comptroller and their audit report is tabled before the Legislative Assembly.

Staff resources

9.41 Our Office continues to provide experience and training to our employees. 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.

9.42 Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, four staff members left the Office. We were pleased to see that three of these individuals remained within the public sector.

9.43 Our staff complement, based on our available budget, was reduced during the year from 24 to 23. Brent White, CA, Paul Jewett, CA and Phil Vessey, CA are the directors for our three audit teams. At 31 March 2004 there were fourteen professional staff with accounting designations. Our staff also included five students enrolled in accounting programs. Two other members of our staff provide administrative support services. Two positions were vacant, and have subsequently been filled. The following is a list of staff members at 31 March 2004:

Lorna Bailey ⁽¹⁾	Nick McCarthy ⁽²⁾
Mylène Chiasson ⁽²⁾	Bill Phemister, CA
Cathy Connors Kennedy, CA	Ken Robinson, CA
Duane Dickinson ⁽²⁾	Al Thomas, CA
Kim Embleton ⁽²⁾	Phil Vessey, CA
Debbie Graye ⁽²⁾	Brent White, CA
Deidre Green, CA	Darlene Wield ⁽¹⁾
Eric Hopper, CA	Daryl Wilson, FCA
Peggy Isnor, CA	Tania Wood-Sussey, CA
Paul Jewett, CA	Shauna Woodside, CA
Cecil Jones, CA	

⁽¹⁾ Administrative support

⁽²⁾ Student enrolled in a professional accounting program