

# Chapter 6

## Performance Report of the Office of the Auditor General

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# Performance Report of the Office of the Auditor General

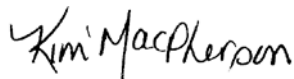
## Accountability Statement

**6.1** This chapter of my Report reflects the performance of my Office for the year ended March 31, 2013. 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.

**6.2** This chapter presents a comprehensive picture of the Office's actual performance. The chapter 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. Refer to Appendix I for further information on the Office's mission and values.

**6.3** 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.

**6.4** This chapter 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, CA  
Auditor General

## Performance Highlights

**6.5** We measure our performance annually according to performance targets linked to our strategic plan and to the requirements of our legislation. The details of our targets with linkages to our strategic plan and to the requirements of our legislation are presented in Appendices II and III. The details of our performance results are found in Exhibit 6.1.

Exhibit 6.1 - Office performance

Performance indicator	Current year results 2013	Prior year	Prior year results	Details
1. MLA perception, as determined by survey	Survey not conducted in 2013.	2012 2009 2008 2004	96% 88% 87% 87%	We periodically survey Members of the Public Accounts and Crown Corporations Committees. The members who responded to our 2012 survey indicated a high degree of satisfaction with the work we do. We converted the responses to a numerical index which produced an overall satisfaction rate of 96%.
2. Auditee perception, as determined by survey	Overall satisfaction rate of 96%.	2012 2009 2007 2006	92% 81% 80% 84%	We periodically survey our auditees on a rotating basis following significant audits. The auditees who responded to our 2013 survey indicated a high degree of satisfaction with the work we do. We converted the responses to a numerical index which produced an overall satisfaction rate of 96%.
3. Percentage of recommendations accepted  and  4. Percentage of recommendations implemented	72% of 2009, 2010 and 2011 recommendations implemented	2012	65% of 2008, 2009 and 2010 recommendations implemented	The follow up work we performed in Chapter 8 of Volume II of our 2013 Report provides an overview of the recommendations included in our 2009 through 2011 Reports. It summarizes the status of our recommendations and focuses in particular on those recommendations made in 2009 that have not been fully implemented. Our work in 2013 showed 72% of our recommendations from 2009, 2010 and 2011 had been fully implemented. For 2009, the only year subject to full review by our Office, we noted that 74% of our recommendations had been fully implemented. Overall, we are encouraged by the improvement in the three year implementation percentage. We also believe the government's recent focus on the status of our recommendations should further encourage departments and agencies to adopt our recommendations on a timely basis.

Exhibit 6.1 - Office performance (continued)

Performance indicator	Current year results 2013	Prior year	Prior year results	Details
5. Employee perception, as determined by survey	Survey not conducted in 2013.	2012 2010 2007 2004	65% 69% 70% 66%	In 2012 we conducted an employee satisfaction survey to gain feedback on the quality of work life, communication and career development. We converted the responses into a numerical index which produced an overall satisfaction rate of 65%. Satisfaction with compensation is the weakest survey area. It may be difficult to see improvements in the short term on this item given public sector wage and spending restraints, however we are committed to making improvements where possible to increase staff satisfaction.
6. Completion of audits on time	Overall 63% success rate.	2012 2011	69% 78%	Overall our Office met audit time targets in 63% of circumstances. Our largest audit, the audit of the financial statements of the Province, was delayed in its completion due to the resolution of complex accounting issues. This had a corresponding impact on the timing of completion of other audits. As well, some factors that caused us difficulty in 2013 included the adoption of new standards, lack of staff resources when auditees were ready for audit, and some delays from Crown entities in receiving their financial statements.

Exhibit 6.1 - Office performance (continued)

Performance indicator	Current year results 2013	Prior year	Prior year results	Details
7. Use of our time, focusing on the percentage of time spent on audit work	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> <li>• Financial and value for money audits - 68%</li> <li>• Professional development and training - 9%</li> <li>• Audit office admin &amp; support activities - 23%</li> </ul>	2012 2011 2010 2009	66%, 8%, 26% 63%, 7%, 30% 64%, 9%, 27% 65%, 8%, 27%	Overall, we are satisfied with these results.
8. Staff cost of our audits	\$1,270,000 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> <li>* Value for Money Projects \$365,000</li> <li>* Financial Audits:                             <ul style="list-style-type: none"> <li>• Province of New Brunswick \$329,000</li> <li>• Crown agencies \$403,000</li> <li>• Cost Shared Claims \$80,000</li> </ul> </li> <li>* Annual Report Preparation \$93,000</li> </ul>	2012	\$1,140,000  \$290,000  \$370,000 \$355,000 \$45,000  \$80,000	Approximate annual costs to perform significant audit projects have increased as expected given the increase in volume of work this year and staff resources.  It should be noted that in addition to staff costs there are at times additional external costs incurred to complete audit projects, such as use of specialist and accounting firm resources.

## **Key Accomplishments**

### ***Auditing Complex Accounting Changes***

**6.6** As shown in the data from Exhibit 6.1, it was an overall successful year for our Office. In addition to the data reported in Exhibit 6.1 our other key accomplishments included the following items.

**6.7** A number of accounting changes were required in auditing March 31, 2013 financial statements for the Province and Crown entities. The key accounting changes included the transition of certain provincial pension plans to shared risk plans, auditing the Province's Oracle upgrade to R12 and adoption of the new government transfers accounting standard. We resolved all audit issues encountered regarding these changes, however, the time invested in resolving these issues was significant. It should be noted our budget, available staff resources and work plan did not change to accommodate the increased requirements of the Office.

### ***Timely Delivery of our Annual Report***

**6.8** On-time delivery for our annual report was again a driving force in our work this year. For the second time in many years, we are publishing our Annual Report in December, in advance of our legislated deadline. We also were able to accomplish this objective with our 2012 annual report. We believe this December reporting timeline provides more timely information for legislators and the public, and we will continue to strive to achieve this delivery date for future reports.

### ***Continued Expansion of our Work***

**6.9** We have increased the scope of the work our Office performs compared to prior years. This was most notably evidenced in the expansion of our value for money work, in expanded financial statement audit work on entities consolidated in the Province's financial statements, as well as examining government information systems. We continue to perform a greater number of audits on federal claims and cost shared agreements as well as financial statement audits of Crown agencies.

### ***Audit of the Office's Financial Statements***

**6.10** For the second consecutive year our Office's financial statements were audited by an auditor external to government. This year the audit was completed three months earlier than in 2012. Previously, annual internal audits had been performed by the Office of the Comptroller. We are pleased to present our audited

financial statements in Appendix V.

***Quality Assurance,  
Practice Inspection and  
Peer Reviews***

**6.11** Our office maintains a robust quality assurance program. In 2013 this included participating in the Canadian Council of Legislative Auditors (CCOLA) Peer Review Committee and participating in the CCOLA peer review process. This represents a valuable learning experience for our office. In 2013, our Office was also subject to a practice inspection by the New Brunswick Institute of Chartered Accountants with successful results achieved. We welcome all feedback on our Office audit processes and look forward to these opportunities to learn and grow.

***Stakeholder Surveys***

**6.12** We periodically survey our key stakeholders including legislators, auditees and office staff for feedback. We believe it is important to seek feedback, and consider ways to continuously improve our processes and delivery of our work. The summarized results of the surveys are presented in Exhibit 6.1.

**6.13** Overall, while there is room for improvement, we are satisfied with the results and look forward to the challenge of further refining our processes to achieve even greater results in the future.

***Human Resource  
Management***

**6.14** We recognize staff are our most important resource and strive to keep our professionals challenged and motivated. One of our key challenges is long term staff retention. This continues to present a significant challenge in a time when expert resources within government are shrinking as retirements occur and more senior positions become available. We believe the achievement of completing our work plan given resource challenges is a significant accomplishment and wish to thank our Office staff for their hard work and dedicated efforts to achieve this result. A list of our Office staff is found in Appendix IV.

**6.15** In addition we are very pleased to report one of our office students, Kathleen Gagnon, successfully completed the Uniform Final Evaluation for Chartered Accountants. We are very proud of her accomplishment. As well, we note we are continuing in the coming year to support other students in the Office as they work toward their professional designations. Given recent challenges in recruiting experienced audit personnel, growing our own resources is an important

strategy to plan for the future.

**6.16** As well, we found it challenging in a time of fiscal restraint to support Office professional development activities required to allow staff to maintain their professional designations. The fact that we did achieve this objective is a significant accomplishment for our Office. Through some innovative means, we provided relevant and high quality training for staff. However, we often did not exceed more than the minimum hours required to maintain the designation.

***Enhanced Involvement in  
our Professional  
Community***

**6.17** We have followed trends in other legislative auditor offices to increase participation in networks available to us through the Canadian Council of Legislative Auditors (the Council). The Council is comprised of the provincial Auditors General or Provincial Auditors of the Canadian provinces and the federal Auditor General. The Council also has several committees dealing with a variety of topics common to legislative auditor offices in which we encourage our staff to participate. We believe participation, learning and information sharing amongst this group of auditors on a national scale provides exceptional value and is highly relevant to our work. In addition to our involvement in the legislative auditor community, the current New Brunswick Auditor General chairs a committee of the Public Sector Accounting Board of Canada and serves on the CCAF (Canadian Comprehensive Auditing Foundation) Board of Governors.

**Immediate  
Challenges**

**6.18** Our Office budget constraints remain a growing concern. We feel our value to the Legislative Assembly and our ability to adequately fulfill the legislative mandate is impeded given our budget of only \$2 million. Our budget and actual expenditures are shown in Exhibit 6.2.



## Exhibit 6.2 - Budget and actual expenditures (\$ 000s)

	2014		2013		2012		2011		2010		2009		2008		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Net Budget	2,078.0	2,076.6 <sup>1</sup>	1,986.1	1,819.6 <sup>2</sup>	1,661.5	1,787.0	1,773.2	1,842.0	2,004.3	1,920.0 <sup>3</sup>	2,653.3 <sup>3</sup>	1,868.0	2,156.2 <sup>3</sup>	1,812.0	1,652.6	

<sup>1</sup> Office budget was \$2,104,000 however the Office received an in year spending restraint request from government of \$27,426.

<sup>2</sup> Office budget was \$1,845,000 however the Office received an in year spending restraint request from government of \$25,424.

<sup>3</sup> Funding was supplemented by central government due to the Caisse populaire de Shippagan report

### Budget Declines Over Time and Rebuilding the Office

**6.19** The impact of funding decreases to the office over time has been to reduce staff and therefore reduce discretionary audit projects (mostly value for money work). In addition, in our efforts to rebuild our team, we are finding it increasingly difficult to hire experienced, qualified staff given the condition of the labour market. As well, when we do hire new employees, there is a significant amount of training required by existing staff. These hidden costs reinforce the importance of maintaining consistent funding and staffing of the Office.

**6.20** Further, our funding level lags behind other legislative auditor offices in our region. Exhibit 6.3 provides further details on the disparity across the Atlantic region in legislative auditor offices funding.

### Exhibit 6.3 - Budget and Staff Comparison for Legislative Auditor Offices in the Atlantic Provinces

Province	2014	2013		2012		2011		2010	
	Budget	Number of Staff	Budget	Number of Staff	Budget	Number of Staff	Budget	Number of Staff	Budget
New Brunswick	\$2,078,000	25	\$2,076,574 <sup>1</sup>	22	\$1,819,600 <sup>2</sup>	20	\$1,787,000	20	\$1,842,000
Nova Scotia	\$3,634,000	33.6	\$3,634,000	33.9	\$3,550,000	34.6	\$3,421,000	34	\$3,334,000
Prince Edward Island	\$1,799,100	18	\$1,770,100	18	\$1,707,100	18	\$1,682,100	18	\$1,682,100
Newfoundland and Labrador	\$3,375,100	40	\$3,722,000	39	\$3,825,400	38	\$3,735,700	40	\$3,654,300

<sup>1</sup> Original budget was \$2,104,000 however, the Office received an in year spending restraint request from government of \$27,426.

<sup>2</sup> Original budget was \$1,845,000 however, the Office received an in year spending restraint request from government of \$25,424.

### Professional Standards Changes

**6.21** The impact of ongoing changes to accounting and auditing standards remains at an intense pace. Our ability to address these new demands depends on an adequate budget for training and acquiring skilled staff resources. In particular we find our work has increased regarding auditing of new accounting

frameworks and auditing of various Crown agencies consolidated in the Province of New Brunswick financial statements. As well, standards are in the process of changing for our value for money projects.

**6.22** In general, we expect continued impacts from changes in professional standards both from the perspective of our increased staff time requirements and the requirements of our Office budget to ensure adequate training. This again highlights the need for a long term funding approach for the Office, with a commitment to a base level of sustained funding.

### ***Office Budget Decrease***

**6.23** Through discussions, we understand the government is committed to providing adequate funding over time to allow the Office to rebuild and remain a reasonable size relative to our Atlantic counterparts, however, our Office's 2013-2014 budget was cut by \$26,000. We are concerned at this circumstance and hope this will not be a continued trend given the significant cuts already sustained by our Office, and given our lack of government funding compared to other Auditor General offices of a similar size. We look forward to continued discussions and support for this initiative in the year ahead.

### **Looking to the Year Ahead**

#### ***Update the Auditor General Act***

**6.24** We continue to work with government to update the *Auditor General Act* which is over thirty years old and greatly in need of modernization. The Act was drafted in 1981 long before some of the situations we are now faced with were envisioned. Our proposed changes, if approved, will allow the Office to fulfill its mandate within the current day environment.

#### ***Highlights of Proposed Act Changes***

**6.25** Many aspects of the proposed changes coincide and address recommendations made by Bernard Richard in his December 2011 report *Fine-tuning Parliamentary Machinery: a Review of the Mandates and Operations of New Brunswick's Legislative Officers*.

**6.26** The majority of the proposed changes also mirror the Nova Scotia *Auditor General Act* which received Royal Assent on December 10, 2010. The Act was re-written at the Nova Scotia Auditor General's request after researching both Canadian and Australian jurisdictions, selecting best practices and

preparing an initial draft for government's consideration. Although there are differences from province to province, many of the proposed changes will bring the New Brunswick *Auditor General Act* in line with existing Auditor General legislation and operating practises in other Canadian jurisdictions.

***Strengthen the Independence of the Office of the Auditor General***

**6.27** Many aspects of the Office of the Auditor General independence are proposed to be updated.

**6.28** It is proposed that a committee of the legislature approve the annual Office of the Auditor General budget. Current legislation states the Board of Management determines the Office of the Auditor General's budget. This change would eliminate an apparent conflict inherent in the Auditor General negotiating budgetary funding with the organization the Office of the Auditor General audits.

***Clearly Define who is Subject to Audit***

**6.29** In addition, our proposed amendment more broadly defines who is subject to audit and adds new definitions to fully describe the entities including government auditable entities, public contractors and funding recipients.

**6.30** It is believed the 1981 *Auditor General Act* was intended to give the Auditor General authority to audit all aspects of government or the "public purse." Over the last 30 years the delivery of many components of government services has been outsourced to non-government organizations. In addition, many current day government programs include forms of financial assistance such as grants, subsidies, loans and guarantees.

**6.31** The fundamental concept is to give authority to the Office of the Auditor General to follow taxpayers' dollars through to the end point in order to determine if the funding achieved intended outcomes.

***Clarify Auditor General's Access to Information***

**6.32** Another key aspect to the legislation update involves our access to auditee information. The 1981 Act states the Auditor General is entitled to free access to information that relates to the fulfillment of the Auditor General's responsibilities as he/she considers necessary. We believe the original intent was to provide the Auditor General unrestricted access in order to fulfill the mandate. Clarification is

needed so that the Auditor General will have discretion to access necessary auditee information, including privileged documents in order to express an opinion. This will avoid unnecessary delays and also clarify the Auditor General's authority when dealing with departments and crown agencies.

**6.33** An improved process will align the Auditor General access with that of other Auditor Generals' in Canada .

**6.34** We are optimistic our new *Auditor General Act* will be tabled in the upcoming session of the legislature.

***New Strategic Plan***

**6.35** In 2013 and early 2014 we will be developing a new seven year strategic plan for the Office. We are involving our key stakeholders and staff in this process. We aim to have a strategic plan to guide the remaining term of office of the current Auditor General that will integrate measures to assess the completion or progress of key strategic goals.

## Appendix I: Mission and Values

**6.36** Our mission is:

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

**6.37** Our values are:

- *accountability, credibility and objectivity in our work;*
- *open communication with ourselves and our stakeholders while maintaining confidentiality;*
- *respect for our client, our auditees and each other;*
- *an enjoyable workplace that fosters a learning culture, continuing professional development and an honest work ethic;*
- *skilled, efficient and effective staff working in an environment that encourages personal responsibility for their work and for their careers; and*
- *a commitment to independence that merits the trust of the public and our colleagues.*

**6.38** Our mandate is set out in the *Auditor General Act*.

The Act provides the Auditor General with the independence needed to carry out her work in a fair and objective manner. The Act requires the Auditor General to audit the Province's financial statements, and the financial statements of certain Crown agencies. It also requires the Auditor General to report annually on the results of her work, including whether money has been expended without due regard to economy or efficiency, and whether procedures have been established to measure and report on the effectiveness of programs.

**6.39** Appendix II sets out the specific auditing and reporting requirements of our legislation, and indicates how we address each one.

## Appendix II: Requirements of the Legislation and How They are Addressed

Requirements of the legislation	How they are addressed
Audit the accounts of the Province as the Auditor General considers necessary.	Financial audit and VFM project work done in departments each year; evidenced by the comments in our Reports.
Audit the accounts of certain Crown agencies.	Annual audits of financial statements; evidenced by our auditor's reports attached to the financial statements.
Examine the financial statements included in the Public Accounts and express an opinion on them.	Evidenced by our auditor's report attached to the Province's financial statements.
Report annually to the Legislative Assembly on the work of the Office.	Evidenced by the production of our Annual Report.
Report annually on whether, in carrying on the work of the Office, the Auditor General received all the information and explanations required.	We do this in our annual reports, referring to instances where we did not receive information.
Report anything the Auditor General considers to be of significance and of a nature that should be brought to the attention of the Legislative Assembly.	Evidenced by the production of our Annual Report.
Report any cases observed where: <ul style="list-style-type: none"> <li>(a) any person wilfully or negligently failed to collect or receive money belonging to the Province;</li> <li>(b) public money was not accounted for and paid into the Consolidated Fund;</li> <li>(c) an appropriation was exceeded or applied to a purpose or in a manner not authorized by the Legislature;</li> <li>(d) an expenditure was made without authority or without being properly vouched or certified;</li> <li>(e) there has been a deficiency or loss through fraud, default or mistake of any person;</li> <li>(f) money has been expended without due regard to economy or efficiency;</li> <li>(g) procedures have not been established to measure and report on the effectiveness of programs, where, in the opinion of the Auditor General, the procedures could appropriately and reasonably be used; or</li> <li>(h) procedures established to measure and report on the effectiveness of programs were not, in the opinion of the Auditor General, satisfactory.</li> </ul>	We report those matters that come to our attention. We address section (e) each year. Our value-for-money chapters address sections (f) and (g) and, where appropriate, section (h).

## Appendix III: Measurement Framework

Goal	Performance indicator	Performance indicator #
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.	• MLA perception, as determined by survey.	1
	• Audits are delivered on time.	6
	• Auditee perception, as determined by survey.	2
Departments and agencies accept and implement our recommendations.	• % of recommendations accepted.	3
	• % of recommendations implemented.	4
In carrying out our work we will use sound management practices.	• MLA perception, as determine by survey.	1
	• Employee perception, as determined by survey.	5
	• Auditee perception, as determined by survey.	2
	• % of staff time spent on audit work.	7
	• Office cost of audits.	8
We will provide an attractive work environment that allows opportunities for professional growth.	• Employee perception, as determined by survey.	5

*Performance indicators are numbered according to data presented in Exhibit 6.1.*

## Appendix IV: List of Staff Members at 31 March 2013

Émilie Chiasson, CA	Loriann Keough, CA	Susan McIsaac, CA
Cathy Connors Kennedy, CA	Teena Laagland <sup>1</sup>	Audra McKnight, CA
Kim Embleton, CGA	Janice Leahy, CA	Chris Mitchell, CA
Kathleen Gagnon, CA	Adele Levesque, CA	Rebecca Stanley, CGA
Nick Hoben, CA	Peter MacLeod <sup>2</sup>	Yanjun Wang, CA
Eric Hopper, CA	Kim MacPherson, CA	Heather Webb <sup>1</sup>
Peggy Isnor, CA	Steve Martin <sup>2</sup>	Scott Weeks <sup>2</sup>
Bill Ivey, CGA	Jeff Marson, CA	Tania Wood-Sussey, CA
Leanne Jeffries <sup>2</sup>		

(1) Administrative support

(2) Student enrolled in a professional accounting program



## Appendix V: Financial Statements

# Office of the Auditor General of New Brunswick

## *Financial Statements*

*March 31, 2013*



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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, 2013 and the statement 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, 2013 and the results of its operations, for the year then ended in accordance with Canadian public sector accounting standards.

Fredericton, NB  
June 28, 2013

  
Chartered Accountants

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

	2013	2012
<b>Financial Assets</b>		
Petty cash	\$ 50	\$ 50
Working capital advance (Note 4)	157,782	-
Due from Government of New Brunswick	-	112,394
Accrued recoveries receivable	81,944	53,024
	<u>239,776</u>	<u>165,468</u>
<b>Liabilities</b>		
Working capital advance (Note 4)	-	65,123
Payables and accrued liabilities	200,839	60,919
Accrued salary and benefits	55,719	48,888
	<u>256,558</u>	<u>174,930</u>
<b>Net debt</b>	<u>(16,782)</u>	<u>(9,462)</u>
<b>Non-financial Assets</b>		
Prepaid expenses	<u>16,782</u>	<u>9,462</u>
<b>Accumulated Surplus</b>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

**APPROVED ON BEHALF OF THE OFFICE:**

*Kim MacPherson*

\_\_\_\_\_  
Auditor General

Office of the Auditor General of New Brunswick  
Statement of Operations  
Year ended March 31

	2013 Budget	2013 Actual	2012 Actual
Expenses			
Personnel services	\$ 1,864,574	\$ 1,690,749	\$ 1,573,044
Other services	387,650	446,934	272,081
Materials and supplies	8,850	8,708	6,053
Property and equipment	15,500	32,185	33,025
	<hr/>	<hr/>	<hr/>
	\$ 2,276,574	\$ 2,178,576	\$ 1,884,203
Recoveries	(200,000)	(192,485)	(222,710)
	<hr/>	<hr/>	<hr/>
	\$ 2,076,574	\$ 1,986,091	\$ 1,661,493
Government contributions (Note 3)		<u>(1,986,091)</u>	<u>(1,661,493)</u>
Surplus/deficit		<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick  
Notes to the Financial Statements  
March 31, 2013

### 1. Nature of Operations

The Office of the Auditor General is an office of the New Brunswick Legislative Assembly. The Office is not subject to income taxes because it is a public sector entity. 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 in accordance with Canadian public sector accounting standards.

- (a) *Use of Estimates* – 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.
- (b) *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 exist;
  - Amounts are fixed or can be determined; and
  - The ability to collect is reasonably assured.
- (c) *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.
- (d) *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.
- (e) *Statement of Cash Flows and Statement of Changes in Net Debt* – A statement of cash flows and a statement of changes in net debt are not provided in these financial statements as disclosures in the statements of financial position and operations are considered adequate.
- (f) *Cash* – Cash consists of the office petty cash float.

### 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. The budget figures presented in the Statement of Operations have not been audited.

Budget 2012-13 as approved	\$2,104,000
In year spending restraint as requested by government	(27,426)
Revised 2012-13 budget	2,076,574
Unused appropriation	(90,483)
Net government contributions 2012-13	\$1,986,091

Office of the Auditor General of New Brunswick  
Notes to the Financial Statements  
March 31, 2013

**4. 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.

applied as the Office has insufficient information to apply defined benefit plan accounting for the Office's employees. The plan is funded by employee and government contributions. The Office is not responsible for any unfunded liability with respect to the superannuation fund. The Office's costs and liability related to this plan are not included as part of the Office budget and are recorded by government in its financial statements.

**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.

- (b) *Retirement Allowance Plan* – Certain long serving employees receive a retirement allowance upon retirement from public service. The plan is funded by the government. The Office's costs and liability related to this plan are not included as part of the Office budget and are recorded by government in its financial statements.

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 OAG external auditor fee and absorbs the Office's employer cost of various retirement benefit plans, the effect of which has not been calculated or recorded in these financial statements.

**6. Employee Future Benefit Plans**

- (a) *Pension Plan* - All permanent employees of the Office of the Auditor General are entitled to receive pension benefits under the New Brunswick Public Service Superannuation Plan, a multi-employer defined benefit pension plan. Defined contribution plan accounting has been