



Report on Performance 2016-2017

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, 2017. 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 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 2016-2017 audited AGNB financial statements are also included in this Report in Appendix Two.

Our Strategic Objectives

Our 2014-2020 strategic plan has the following strategic objectives:

1. *Select a mix of performance and financial audits that deliver greatest value to our stakeholders;*
2. *Provide a rewarding work environment for our team;*
3. *Enhance our support to the Public Accounts and Crown Corporation Committees;*
4. *Increase public awareness of AGNB's role and reports;*
5. *Pilot AGNB independent expert advisory committee; and*
6. *Implement the amended Auditor General Act 2014*

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 2016-2017	Current year results 2016-2017	Prior year results	
1. MLA perception, as determined by survey	Mission SO #1 SO #3	80% or higher	Overall survey satisfaction rate of 95%	2016 2015 2014 2012 2009 2008 2004	92% 90% 100% 96% 88% 87% 87%
2. Auditee perception, as determined by survey	SO #3	80% or higher	Overall satisfaction rate of 88%	2016 2015 2014 2013 2012 2009 2007 2006	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	49% of 2013, 2014 and 2015 recommendations implemented	2016 2015 2014	63% of 2012, 2013 and 2014 recommendations implemented 70% of 2011, 2012 and 2013 recommendations implemented 69% of 2010, 2011 and 2012 recommendations implemented
4. Employee perception, as determined by survey	SO #2	80% or higher	Survey not conducted (survey conducted periodically, not annually).	2016 2012 2010 2007 2004	72% 65% 69% 70% 66%
5. Completion of audits on time	Mission SO #3	All target dates met	Overall 69% success rate	2016 2015 2014 2013 2012 2011	56% 62% 44% 63% 69% 78%

Performance indicator	Link to Strategic Objective (SO)/ Mission	Office target 2016-2017	Current year results 2016-2017	Prior year results	
6. Use of our time, focusing on the percentage of time spent on audit work	SO #1 SO #6	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> • Financial and performance audits - 65% • Professional development and training - 5% • Audit office admin & support activities - 30% 	Allocation of working hours is broken down as follows: <ul style="list-style-type: none"> • Financial and performance audits – 71%* • Professional development and training – 3% • Audit office admin & support activities – 26% <p>*Note: working hours split is as follows: -Financial audit 67% -Performance audit 33%</p>	2016 2015 2014 2013 2012 2011 2010 2009	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 SO #6	\$1,380,000 represents the approximate annual staff cost of significant audit projects split as follows: <ul style="list-style-type: none"> • 35% Performance audit • 25% Province of New Brunswick audit • 25% Crown agencies audit • 5% Cost shared claims • 10% Annual report preparation 	\$1,534,000 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> • 36% Performance audit • 25% Province of New Brunswick audit • 30% Crown agencies audit • 1% Cost shared claims • 8% Annual report preparation 	2016	\$1,299,000 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> • 31% Performance audit • 29% Province of New Brunswick audit • 27% Crown agencies audit • 1% Cost shared claims • 12% Annual report preparation
8. Number of public reports	SO #3 SO #4	N/A-no external target set as strategic plan was still being implemented	Volumes of AG Reports 2016– 4 (for 2016 calendar year)	2015 2014 2013 2012	4 2 2 2
9. Number of independent expert advisory committee meetings	SO #5	N/A-no external target set as strategic plan was still being implemented	1	2016	Due to new strategic plan being implemented, no meetings were held to March 31, 2016.

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 slight increase from the prior year's satisfaction rate of 92%, while being above our target rate of 80%. We did receive feedback in the survey that our briefing on the day of the report release could be more useful, and that we should exercise care in selecting topics to ensure the topics contribute to valuable discussion and debate. Overall, our work appears to meet their needs. We will consider this feedback in our future work and continue to work with the committees using improved strategic communication as outlined in our strategic plan.

Auditee survey

Our auditee satisfaction rate remained constant at 88% and was above our target rate of 80%. Again this year a key theme from our auditee survey is that our auditees would appreciate greater timeliness in completing and reporting our work as well as enhanced communication during our work. While some aspects of these concerns are beyond our control given our financial and human resource constraints, we will continue to address this concern by continuing to report publicly more than once per year.

Prior year recommendations

We are very disappointed our rate of recommendations accepted and implemented fell from 63% in the prior year to 49% (as reported in Volume III, Chapter 3 of our 2017 Report). The rate is far from our goal of 100%. A ["heat map"](#) on our web site at 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 Office work given the constraints inherent in our Office resources and small budget. This year the indicator improved from 56% in the prior year to 69% in the current year, 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. Province of New Brunswick), more rigorous timelines and new audits. While some factors were beyond our control, we remain committed to improving this percentage in future. We continue to request additional budget funds to help us meet this target.

Use of our time

The Office saw time spent on financial and performance audit work increase by 6% over the past year. Most of this increase was due to our average total staff increasing to 28 from 25 in the prior year. As well, the overall staff cost of work increased significantly from the prior year by approximately \$235,000 (\$1,534,000 in the current year, compared to \$1,299,000 in the prior year). Overall, a 5% increase in staff costs was specific to performance audit work. The cost of the performance audit work increased this past year given the number and complexity of performance audits released or in progress, such as Atcon II.

Number of public reports

As a result of stakeholder feedback through surveys and strategic planning, we have increased our frequency of reporting. While we believe we are adding better value to our stakeholders based on the feedback received, the increased frequency of reporting is a challenge for a small office. We remain committed to delivering the best value for our stakeholders and the public and we remain committed to the accelerated reporting schedule. We have attempted to address our constrained resources with regards to reporting by hiring a communications officer, however, even with this additional resource, the increased reporting frequency is still a challenge for our limited resources.

Expert advisory committee

As part our strategic plan, we committed to piloting an independent expert advisory committee. The goal of this committee is to discuss issues of strategic importance to our Office or provide advice to the Auditor General from expert resources as requested. The first meeting of this committee occurred in January 2017. Regular semiannual meetings have occurred since. We value the input and advice of this group and will be continuing committee meetings in a routine manner in future.

Appendix One

Financial Audits Completed in 2016-2017

Province of New Brunswick – Public Accounts – March 31, 2016

Crown Agency Financial Audits

- Centre communautaire Sainte-Anne - March 31, 2016
- Collège communautaire du Nouveau-Brunswick - March 31, 2016
- Kings Landing Corporation - March 31, 2016
- New Brunswick Agricultural Insurance Commission - March 31, 2016
- New Brunswick Community College - March 31, 2016
- New Brunswick Highway Corporation - March 31, 2015
- New Brunswick Legal Aid Services Commission - March 31, 2016
- New Brunswick Lotteries and Gaming Corporation - March 31, 2014 & March 31, 2015
- New Brunswick Municipal Finance Corporation – December 31, 2015
- Opportunities New Brunswick – March 31, 2016
- Premier’s Council on the Status of Disabled Persons – March 31, 2016
- Public Trustee - Trusts administered - March 31, 2016
- Regional Development Corporation - March 31, 2016
- Service New Brunswick – March 31, 2016

Claims Audits

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

Performance Audits Completed in 2016-2017

2016 Auditor General Report – Published June 15, 2016

- Nursing Homes – Department of Social Development
- Public Trustee Services – Legal Aid Services Commission
- Agricultural Fair Associations – Department of Agriculture, Aquaculture and Fisheries

2016 Auditor General Report – Published October 26, 2016

- Joint Audit of Atlantic Lottery Corporation

2016 Auditor General Report – Published November 29, 2016

- Meat Safety – Food Premises Program – Department of Health
- Follow-up on Recommendations from Prior Years’ Performance Audit Chapters

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

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, 2017 and the statements 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, 2017, the results of its operations, for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants

Fredericton, NB
June 7, 2017

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

	2017	2016
Financial Assets		
Petty Cash	\$ 200	\$ 200
Working Capital Advance (Note 4)	62,798	-
Accounts receivables	12,447	42,589
Accrued recoveries receivable	32,498	33,789
	<u>107,943</u>	<u>76,578</u>
Liabilities		
Working Capital Advance (Note 4)	-	1,660
Payables and accrued liabilities	37,158	40,509
Accrued salary and benefits	100,642	84,351
	<u>137,800</u>	<u>126,520</u>
Net debt	<u>(29,857)</u>	<u>(49,942)</u>
Non-financial Assets		
Prepaid expenses	29,857	49,942
Accumulated Surplus	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE OFFICE:



Auditor General

**Statement of Operations
Year ended March 31**

	2017 Budget	2017 Actual	2016 Actual
Expenses			
Personnel services	\$ 2,090,830	\$ 2,086,295	\$ 1,878,993
Other services	271,470	426,567	264,291
Materials and supplies	8,200	10,668	13,253
Property and equipment	13,500	17,751	30,735
	<hr/>	<hr/>	<hr/>
	\$ 2,384,000	\$ 2,541,281	\$ 2,187,272
Recoveries	<u>(275,000)</u>	<u>(231,357)</u>	<u>(183,328)</u>
	\$ 2,109,000	\$ 2,309,924	\$ 2,003,944
Government contributions (Note 3)	<u>(2,109,000)</u>	<u>(2,309,924)</u>	<u>(2,003,944)</u>
Annual (Deficit) Surplus	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to the financial statements

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

	2017	2016
Cash and Cash Equivalents Generated by (Used In):		
Operating Activities		
Annual (Deficit) Surplus	\$ -	\$ -
Changes in Non-Cash Working Capital		
Decrease (increase) in accounts receivable	30,142	63,352
Decrease (increase) in prepaid expenses	20,085	(40,526)
(Increase) decrease in accrued recoveries receivable	1,291	2,589
(Decrease) in payables and accrued liabilities	(3,351)	(106,756)
Increase in accrued salary and benefits	16,291	15,464
	<hr/>	<hr/>
Increase (decrease) in Cash and Cash Equivalents	64,458	(65,877)
Cash and Cash Equivalents, Beginning of Year	(1,460)	64,417
Cash and Cash Equivalents, End of Year	<hr/> <u>62,998</u>	<hr/> <u>(1,460)</u>

Cash and Cash Equivalents is represented by:

Petty Cash	200	200
Working Capital Advance	62,798	(1,660)
	<hr/>	<hr/>
	\$ 62,998	\$ (1,460)

See accompanying notes to the financial statements

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

	2017	2016
Net Debt, Beginning of the Year	\$ (49,942)	\$ (9,416)
Annual (Deficit) Surplus	-	-
Net Change in Prepaid Expenses	<u>20,085</u>	<u>(40,526)</u>
Net Debt, End of the Year	\$ <u>(29,857)</u>	\$ <u>(49,942)</u>

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2017

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.
- (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.

Budget 2016-2017 as approved	\$ 2,109,000
Appropriation excess	200,924
Net government contributions 2016-2017	\$ 2,309,924

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	2017	2016
Petty Cash	\$ 200	\$ 200
Working Capital Advance	62,798	(1,660)
	<u>\$62,998</u>	<u>\$(1,460)</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, Public Service Shared Risk Plan (PSSRP). 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, 2017 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.