



Report on Performance 2017-2018

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, 2018. 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 2017-2018 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 2017-2018	Current year results 2017-2018	Prior year results	
1. MLA perception, as determined by survey	Mission SO #1 SO # 3	80% or higher	Overall survey satisfaction rate of 99%	2016-2017 2015-2016 2014-2015 2013-2014 2011-2012 2008-2009 2007-2008 2003-2004	95% 92% 90% 100% 96% 88% 87% 87%
2. Auditee perception, as determined by survey	SO #3	80% or higher	Overall satisfaction rate of 97%	2016-2017 2015-2016 2014-2015 2013-2014 2012-2013 2011-2012 2008-2009 2006-2007 2005-2006	88% 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 (follow up chapter on 2014, 2015 and 2016 recommendations will be presented in fall 2018)	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).	2015-2016 2011-2012 2009-2010 2006-2007 2003-2004	72% 65% 69% 70% 66%
5. Completion of audits on time	Mission SO #3	All target dates met	Overall 64% success rate	2016-2017 2015-2016 2014-2015 2013-2014 2012-2013 2011-2012 2010-2011	69% 56% 62% 44% 63% 69% 78%

Performance indicator	Link to Strategic Objective (SO)/ Mission	Office target 2017-2018	Current year results 2017-2018	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 – 4% • Audit office admin & support activities – 25% <small>*Of the 71%, working hours are split as follows: -Financial audit 60% -Performance audit 40%</small>	2016-2017 2015-2016 2014-2015 2013-2014 2012-2013 2011-2012 2010-2011 2009-2010 2008-2009	71%, 3%, 26% 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 	\$1,539,000 represents the approximate annual staff cost of significant audit projects as follows: <ul style="list-style-type: none"> • 40% Performance audit • 21% Province of New Brunswick audit • 27% Crown agencies audit • 1% Cost shared claims • 11% Annual report preparation 	2016-2017	\$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
8. Number of public reports	SO #3 SO #4	4 Volumes of the 2017 Auditor General Report published on 3 separate dates	Volumes of AG Reports 2017– 5 (for 2017 calendar year)	2016 2015 2014 2013 2012	4 4 2 2 2
9. Number of independent expert advisory committee meetings	SO #5	2	2	2017	1

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 99% satisfaction rate. This represents a 4% increase from the prior year's satisfaction rate of 95%, while being above our target rate of 80%. We did receive feedback in the survey that our office could be providing more assistance to Public Accounts Committee members and that the committee could make greater use of our report. 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. Overall, our work appears to meet their needs. We note our survey response rate has declined for this indicator compared to prior years. We hope in the future more MLAs choose to respond to our survey request.

Auditee survey

Our auditee satisfaction increased to 97% from 88% in the prior year 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 from us in completing and reporting 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 have not had any new information on this indicator since our last performance report was published six months ago. Next year's performance report will reflect a full 12 months of follow up activity. However, as stated in our last performance report, we are very disappointed our rate of recommendations accepted and implemented fell to 49%. 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 work given the resource and budget constraints we face. This year the indicator fell slightly from 69% in the prior year to 64% 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. Service New Brunswick), more rigorous reporting 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 & staff costs of audits

Our time spent on financial and performance audits was 6% over target. This was due to completing our second Atcon report as well as a special report on Service New Brunswick Residential Property Assessment as requested by government. This also resulted in audit office administration and support activities being 5% below target. The overall staff cost of work remained similar to the prior year. However, performance audit costs were 5% above our target, again mostly due to completing our second Atcon report as well as a report on Service New Brunswick Residential Property Assessment. The Province of New Brunswick financial statement audit and cost shared claims audits were both below target due to less activity than anticipated in these areas.

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 regard 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.

Appendix One

Financial Audits Completed in 2017-2018

Province of New Brunswick – Public Accounts – March 31, 2017

Crown Agency Financial Audits

- Centre communautaire Sainte-Anne - March 31, 2017
- Collège communautaire du Nouveau-Brunswick - March 31, 2017
- Kings Landing Corporation - March 31, 2017
- New Brunswick Agricultural Insurance Commission - March 31, 2017
- New Brunswick Community College - March 31, 2017
- New Brunswick Highway Corporation - March 31, 2016
- New Brunswick Legal Aid Services Commission - March 31, 2017
- New Brunswick Lotteries and Gaming Corporation - March 31, 2016 & March 31, 2017
- New Brunswick Municipal Finance Corporation – December 31, 2016
- Opportunities New Brunswick – March 31, 2017
- Public Trustee - Trusts administered - March 31, 2017
- Regional Development Corporation - March 31, 2017
- Service New Brunswick – March 31, 2017

Claims Audits

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

Other

- New Brunswick Combat Sports Commission

Performance Audits Completed in 2017-2018

2017 Auditor General Report – Published June 20, 2017

- Advisory Services Contract – Department of Social Development
- Climate Change – Department of Environment and Local Government & NB Power

2017 Auditor General Report – Published October 3, 2017

- Financial Assistance to Atcon: Unanswered Questions

2017 Auditor General Report – Published November 23, 2017

- Service New Brunswick Residential Property Assessment – Special Examination
- School District Purchase Cards
- 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, 2018 and the statements of operations, cash flows and changes in net debt 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, 2018, and the results of its operations, for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants

Fredericton, NB
June 22, 2018

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

	2018	2017
Financial Assets		
Petty Cash	\$ 200	\$ 200
Working Capital	67,450	62,798
Advance (Note 4)		
Accounts receivables	20,904	12,447
Accrued recoveries receivable	224,637	32,498
	<u>313,191</u>	<u>107,943</u>
Liabilities		
Payables and accrued liabilities	232,393	37,158
Accrued salary and benefits	114,046	100,642
	<u>346,439</u>	<u>137,800</u>
Net debt	<u>(33,248)</u>	<u>(29,857)</u>
Non-financial Assets		
Prepaid expenses	33,248	29,857
	<u>33,248</u>	<u>29,857</u>
Accumulated Surplus	\$ -	\$ -

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE OFFICE:



Auditor General

Statement of Operations
Year ended March 31

	2018 Budget	2018 Actual	2017 Actual
Expenses			
Personnel services	\$ 2,075,225	\$ 2,140,405	\$ 2,086,295
Other services	238,497	567,298	426,567
Materials and supplies	8,200	13,038	10,668
Property and equipment	13,500	61,850	17,751
	<u>\$ 2,335,422</u>	<u>\$ 2,782,591</u>	<u>\$ 2,541,281</u>
Recoveries	<u>(200,000)</u>	<u>(667,314)</u>	<u>(231,357)</u>
	\$ 2,135,422	\$ 2,115,277	\$ 2,309,924
Government contributions (Note 3)	<u>(2,135,422)</u>	<u>(2,115,277)</u>	<u>(2,309,924)</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

	2018	2017
Cash and Cash Equivalents Generated by (Used In):		
Operating Activities		
Annual (Deficit) Surplus	\$ -	\$ -
Changes in Non-Cash Working Capital		
(Increase) decrease in accounts receivable	(8,457)	30,142
(Increase) decrease in prepaid expenses	(3,391)	20,085
(Increase) decrease in accrued recoveries receivable	(192,139)	1,291
Increase (decrease) in payables and accrued liabilities	195,235	(3,351)
Increase in accrued salary and benefits	13,404	16,291
Increase (decrease) in Cash and Cash Equivalents	<u>4,652</u>	<u>64,458</u>
Cash and Cash Equivalents, Beginning of Year	62,998	(1,460)
Cash and Cash Equivalents, End of Year	<u>\$ 67,650</u>	<u>\$ 62,998</u>
Cash and Cash Equivalents is represented by:		
Petty Cash	200	200
Working Capital Advance	67,450	62,798
	<u>\$ 67,650</u>	<u>\$ 62,998</u>

See accompanying notes to the financial statements

Statement of Change in Net Debt
Year Ended March 31

	2018	2017
Net Debt, Beginning of the Year	\$ (29,857)	\$ (49,942)
Annual (Deficit) Surplus	-	-
Net Change in Prepaid Expense	<u>(3,391)</u>	<u>20,085</u>
Net Debt, End of the Year	<u>\$ (33,248)</u>	<u>\$ (29,857)</u>

See accompanying notes to the financial statements

Office of the Auditor General of New Brunswick
Notes to the Financial Statements
March 31, 2018

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 2017-2018 as approved	\$ 2,129,000
In year budget adjustment	6,422
Unused appropriation	(20,145)
Net government contributions 2017-2018	\$ 2,115,277

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	2018	2017
Petty Cash	\$ 200	\$ 200
Working Capital Advance	67,450	62,798
	<u>\$ 67,650</u>	<u>\$ 62,998</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, New Brunswick Public Service Pension Plan (NBPSPP). 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, 2018 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.