

1 MESSAGE FROM THE AUDITOR GENERAL

INTRODUCTION

- 1.1 This will be my last Annual Report as Auditor General. I will retire on March 31, 2006 after fourteen years in the position. When I accepted the position in 1992, I had some specific objectives and I believe that for the most part they have been achieved.
- 1.2 Many things have changed over the course of those years. Improvements can still be made and I will discuss those below.

TIMELINESS OF INFORMATION

- 1.3 In 1992, the Provincial Finance Act required the Public Accounts to be tabled by March 31 of the year following the year that they pertained to and they could only be tabled when the House of Assembly was in session. Similarly, under the Auditor General Act, the Annual Report could only be tabled after tabling of the Public Accounts. This was not timely reporting. In fact, in 1993 an election in the spring resulted in a change of government and the House of Assembly did not sit until September. Thus, tabling was delayed until then.
- 1.4 In 1998, the legislation was changed to advance the tabling deadline to December 31 and to permit deemed tabling when the House of Assembly was not in session.
- 1.5 In 2004, the Provincial Finance Act was again amended advancing the deadline for the Public Accounts to September 30, six months after the year end. This is certainly much more timely reporting.

AUDIT OF THE PUBLIC ACCOUNTS

- 1.6 Historically, under a provision of the Provincial Finance Act, a public accounting firm performed an audit of the Public Accounts and issued a report addressed to the Minister of Finance. Both my predecessor and I felt that this was inappropriate and argued publicly that the Auditor General should perform this audit and report to the House of Assembly as is the case in every other jurisdiction.
- 1.7 In 1998, amendments were introduced to both the Provincial Finance Act and the Auditor General Act rectifying this situation and I have been the auditor of the Public Accounts since then.

REVIEW OF THE REVENUE ESTIMATES

- 1.8** In 1993, in response to public concern over the credibility of forecasted revenues contained in the Budget and the Estimates, an amendment was made to the Provincial Finance Act which required the Auditor General to review and report on the reasonableness of the assumptions underlying the estimates of revenue. I have done so every year since then and my Report has been included in the budget document.
- 1.9** Further amendments were made in 1998 and the provision was removed from the Provincial Finance Act and incorporated into the Auditor General Act.

QUALITY OF FINANCIAL REPORTING

- 1.10** Since 1998, government has been striving to improve the quality and completeness of its annual financial statements. This has involved adopting Generally Accepted Accounting Principles including preparing the accounts on a consolidated basis. Thus, the annual statements are now more complete and are prepared on a consistent basis.
- 1.11** Accounting principles are constantly evolving and new developments need to be monitored.

Recommendation 1.1

I urge government to maintain its focus on the quality and completeness of the annual financial statements.

- 1.12** One important area requiring attention is the consistency of budget information with the annual financial statements. The budget is not prepared on the basis of Generally Accepted Accounting Principles and, therefore, comparison of planned results to actual financial performance is not possible.

Recommendation 1.2

I urge government to carry through with its plan to prepare the budget using Generally Accepted Accounting Principles.

THE PUBLIC ACCOUNTS COMMITTEE

- 1.13** In 1992, the Public Accounts Committee meetings were a forum for partisan political debate, not a vehicle to review issues arising from the Public Accounts

or Auditor General reports. Cabinet Ministers represented the government and the leaders of the opposition parties were members and it was not an effective committee. I entered into discussions with the committee members and there was unanimous support to change the membership and its mandate.

- 1.14** An all party sub-committee developed a mandate statement and a set of operating guidelines that were adopted by the full committee. Since then, the committee has been very active, meets regularly, develops agendas on a consensus basis and prepares reports on its activities which are tabled in the House of Assembly. However, these reports do not contain recommendations based on these activities.

Recommendation 1.3

I urge the Public Accounts Committee to consider whether matters it examines warrant recommendations to the House of Assembly or, indeed, government. In some cases, this could simply mean endorsing recommendations made in my Reports on matters it has examined.

INDEPENDENCE OF THE AUDITOR GENERAL

- 1.15** Following my announcement of my retirement plans, members of the Public Accounts Committee approached me regarding possible improvements to the legislation.
- 1.16** I made four suggestions:
- Require approval of the House of Assembly for the appointment of an Auditor General.
 - Establish a ten-year term for the position with no opportunity for reappointment.
 - Establish the basis for compensation.
 - Transfer review and approval of the Office budget from Treasury and Policy Board to a committee of the House of Assembly, possibly the Public Accounts Committee.
- 1.17** All of these recommendations were designed to increase the independence of the position.
- 1.18** Amendments were introduced to address the first two matters but not the remaining two.

Recommendation 1.4

I urge the House of Assembly to reconsider these issues and amend the Auditor General Act accordingly.

FOLLOW-UP OF 2002 AUDIT RECOMMENDATIONS

- 1.19** As part of our business planning process, I undertook to establish a practice of following up and reporting on recommendations three years after they were reported. This is the first year we have done so. Chapter 5 of this report summarizes the results of that review.
- 1.20** In summary, I am concerned with the timeliness of efforts to implement the necessary control improvements. After three years, only 35% have been completed.

Recommendation 1.5

I urge government to proceed with addressing and implementing the remaining recommendations as quickly as practical.

CONCLUDING REMARKS

- 1.21** The remaining chapters of this Report contain many positive findings as well as a number of recommendations. I acknowledge the efforts of public servants to deliver effective programs and I appreciate their cooperation in dealing with my staff. Being audited is not always easy, and some would say it is disruptive, but for the most part public servants recognize the benefits.
- 1.22** In closing, I would like to say that I have enjoyed the fourteen years. I have worked with many fine people both within the Office, across government, and in the Public Accounts Committee. Nothing can be accomplished without dedicated professional staff and there have been many over the years. In particular, I want to sincerely thank my three senior managers, Claude Carter, Elaine Morash and Alan Horgan. They were in the Office when I started and they have remained loyal and dedicated throughout.
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