



Office of the Auditor General of Nova Scotia

Report on Performance 2010-11

Introduction

The Office of the Auditor General serves the House of Assembly of Nova Scotia by conducting and reporting upon audits that provide members of the Legislature with the information they need to hold the government accountable for its management of public funds, programs and services. The Auditor General is an officer of, and fully accountable to, the House of Assembly. To help fulfill this accountability, our Office prepares annual business plans and performance reports.

This performance report illustrates the level of success our Office has had in meeting its goals for the 2010-11 fiscal year. It presents our progress in completing various

strategic projects and outlines several performance indicators that help assess the productivity and quality of our work. It also summarizes our audited financial statements and comments upon financial performance in comparison to our 2010-11 budget.

Strategic Initiatives

Last year the Office engaged its entire staff in the completion of an update of its strategic plan. This exercise resulted in seven strategic goals and twenty-one related initiatives. Ten of the initiatives were scheduled for completion in 2010-11. The following table indicates the status of these projects as of March 31, 2011.

	Completed in 2010-11	In Progress
<p>Strategic Goal 1 – Modernize and strengthen the Auditor General Act to improve the Office’s mandate, authorities and independence.</p> <ul style="list-style-type: none"> Work with the House of Assembly and government in the drafting and tabling of a new Auditor General Act which will address the needs of a modern and effective legislative audit office. 	x	
<p>Strategic Goal 2 – Significantly improve the rate of implementation of our recommendations to increase the Office’s value to the House of Assembly and government.</p> <ul style="list-style-type: none"> Perform more thorough and effective follow-up of audit recommendations. Change the way we present the results of follow-up assignments to strengthen the message that our recommendations need to be implemented on a timely basis. 	x x	
<p>Strategic Goal 3 – Strengthen our auditing of government information technology (IT) operations to meet our stakeholders’ need for assurance and recommendations for improvement.</p> <ul style="list-style-type: none"> Conduct audits of IT systems and associated support and control functions that address areas of higher risk to government and the public. Provide timely, high-quality IT audit services to audit teams in the performance of their audit engagements. 		x x
<p>Strategic Goal 4 – Optimize our knowledge and use of technology to ensure it supports the audit, administrative and confidentiality needs of the Office.</p> <ul style="list-style-type: none"> Ensure the security and continued availability of Office equipment and systems in order to ensure the confidentiality of sensitive information and keep the Office functioning efficiently. 		x
<p>Strategic Goal 5 – Enhance communications to strengthen stakeholder understanding of the Office and to meet the information needs of Office staff and external stakeholders.</p> <ul style="list-style-type: none"> Provide specific communications to auditee staff at all levels on the role and authorities of the Office, and the processes involved in the performance of our audits. Provide more communication to staff on matters of importance to them. 	x	x
<p>Strategic Goal 7 – Improve the standardization, communication and consistent use of Office policies and methodologies.</p> <ul style="list-style-type: none"> Implement the new Canadian Auditing Standards. Improve staff’s understanding of and access to Office policies, processes, plans, terms of references, methodologies and administrative forms. 	x	x

The Office was not able to complete five of the strategic initiatives planned for 2010-11. In hindsight, we were likely too ambitious in planning to complete almost half of our slate of strategic initiatives in just one year. Each of these projects is being carried forward and should be completed by March 31, 2012.

The strategic plan update and 2010-11 business plan are available from the Office's website at: www.oag-ns.ca.

Performance Measures

A number of performance indicators and targets were selected at the beginning of the year to help the Office assess its performance. The table below presents our results during the year in each of these areas.

Last year we indicated that we were not satisfied with the rate of government's implementation of the recommendations we make in the conduct of our audits. We noted that special efforts were being made to increase implementation rates. This year the percentage of recommendations addressed increased from 39% to 46%. While this indicator is heading in the right direction, it is still a long way from our goal of 90% or higher. The Office will continue to give attention to this matter through additional examination and reporting, and through increased communication with central government and the Public Accounts Committee of the Legislature.

The Office was successful this year in meeting its goals relating to the number of reports published, planned

audits completed, and financial and performance audits completed by their target dates.

The Office was subject to a review of its financial statement audit practices during the year, including an examination of its quality assurance policies and procedures. The review was conducted by the Institute of Chartered Accountants of Nova Scotia as part of its normal cycle of practice reviews of entities which train Chartered Accounting students. The review of our Office resulted in no recommendations for changes to our policies and practices, but some deficiencies were reported with respect to disclosure issues (i.e., notes to financial statements) in certain 2009-10 financial statements we audited. These deficiencies will be rectified in the conduct of our 2011 audits.

An anonymous survey of all Members of the Legislative Assembly was conducted for the first time. The goal of the survey was to measure their level of satisfaction with our services, and to gather any suggestions for improving our operations. The reported overall level of satisfaction of 78% was very close to our target of 80%. Comments made by Members in completing the survey will be reviewed to determine if any changes should be made in the way we deliver our services.

Staff satisfaction increased marginally from 74% in 2009-10 to 75% this year. Staff concerns over government delays in settling position reclassifications that impact our Office put a downward pressure on employee satisfaction.

Performance Indicator	Description	Office Target	2010-11 Measure
1. Addressing of Recommendations	Percentage of audit recommendations implemented by government after two years.	90% or higher	46%
2. Published Reports	Auditor General Reports released during year.	Two or more	Two
3. Planned Audits Completed	Whether audits planned for the year were performed.	All audits completed	All 19 planned audits were completed
4. Financial Audits on Target	Financial audits completed by applicable target dates.	All target dates met	All 7 financial audits on target
5. Performance Audits on Target	Performance audits completed by applicable target dates.	All target dates met	All 9 performance audits on target
6. Review of Office Audits	Institute or peer review conducted during the year.	One	One
7. MLA Satisfaction	Percentage of MLAs who believe we almost always or often provided them with the information they needed.	80% or higher	78%
8. Staff Satisfaction	Percentage of staff very satisfied or satisfied with job.	80% or higher	75%

Financial Performance

The following summarizes the complete set of audited financial statements which is available from our website at www.oag-ns.ca

Independent Auditor's Report

To the Speaker of the Nova Scotia House of Assembly

The accompanying summarized statements of financial position and operations are derived from the complete financial statements of the Office of the Auditor General of Nova Scotia as at March 31, 2011 and for the year then ended on which we expressed an opinion without reservation in our report dated June 29, 2011.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair summarization of the complete financial statements in accordance with Canadian generally accepted accounting principles, 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 summarized 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 judgment, 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

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position and results of operations, reference should be made to the related complete financial statements.

Dartmouth, Nova Scotia

June 29, 2011



AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

Statement of Financial Position As at March 31, 2011

Assets		
	2011	2010
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable	21,000	--
Due from government	231,132	83,575
	<u>252,382</u>	<u>83,825</u>
Liabilities		
Accounts payable	112,245	--
Accrued liabilities	12,000	16,443
Accrued salary and benefits	139,888	83,574
Due to government	166,310	173,541
	<u>430,443</u>	<u>273,558</u>
Net debt	<u>178,061</u>	<u>189,733</u>
Non-financial Assets		
Prepaid expenses	42,852	42,404
Fixed assets	135,209	147,329
	<u>178,061</u>	<u>189,733</u>
Accumulated Surplus	\$ nil	\$ nil

Statement of Operations Year ended March 31, 2011

	2011 Budget	2011 Actual	2010 Actual
Revenues			
Professional fees	\$ 65,400	\$136,253	\$121,534
Expenses			
Advertising	--	519	--
Amortization	--	41,708	45,916
Books and subscriptions	4,500	4,672	6,169
Data centre charges	6,000	7,579	5,890
Equipment rental	--	2,688	2,120
Equipment repairs	2,000	1,183	913
Insurance	700	339	329
Membership dues	50,000	56,207	46,030
Miscellaneous	15,600	17,369	13,704
Municipal taxes	2,000	--	1,952
Office lease	108,000	106,943	106,943
Office supplies	18,000	14,983	16,546
Other services	5,000	2,020	4,320
Parking	3,600	4,233	3,584
Postage	2,500	3,101	2,649
Printing	15,000	14,205	14,651
Professional services	123,300	192,272	191,135
Salaries and benefits	2,903,000	2,926,402	2,633,930
Software licensing	5,000	5,426	4,338
Staff training	70,000	65,669	84,616
Storage	800	763	763
Telecommunications	21,000	22,138	21,222
Travel	65,000	63,976	70,988
	<u>3,421,000</u>	<u>3,554,395</u>	<u>3,278,708</u>
Net Expenses before Government Contributions	<u>\$3,355,600</u>	<u>3,418,142</u>	<u>3,157,174</u>
Government Contributions		3,410,911	3,125,123
Contributions Short of Net Expenses		7,231	32,051
Due to Government - beginning of year		173,541	205,592
Due to Government - end of year		<u>\$166,310</u>	<u>\$173,541</u>

Significant budget variances – The Office overspent its net budget of \$3,355,600 by \$64,542 (2%). This was mainly due to the expensing of \$41,708 for amortization which is not included in our budget because our capital asset purchases do not meet government’s cost thresholds for capitalizing leasehold improvements, furniture and equipment.

Professional fee revenues were \$70,853 higher than budgeted, primarily because of two unexpected requests for audit work for which we billed \$61,000. Similarly, our professional services expenses were \$68,972 greater than budgeted due to us engaging private sector companies to assist in or perform this audit work, and because we engaged a Chartered Accounting firm to conduct an audit that we had originally planned to conduct with our own staff.

Other Accomplishments

In addition to the above noted matters, the Office had other significant accomplishments during the year.

- A major revision of the Auditor General Act during the year provides the Office with greater independence from government and improved access to documents needed to conduct our audits. It also clarifies the mandate and authority of the Auditor General and modernizes the wording of the legislation.
- The Office continued to provide assistance to the Office of the Director of Audit of St. Lucia to aid in its development of legislative audit capacity and skills.
- The Office continued to function as a training office for professional accounting and auditing student programs. During the year, two staff members were successful in passing the final exams leading to the professional designation of Chartered Accountant.
- The Auditor General sat as a member of the Board of Governors of CCAF-FCVI, a Canadian research and educational foundation which serves to strengthen public sector governance, accountability, management and audit.

Additional Information

Additional information about the Office of the Auditor General can be obtained by visiting our website at www.oag-ns.ca or by contacting us at:

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