

OFFICE OF THE AUDITOR GENERAL OF NOVA SCOTIA

FINANCIAL STATEMENTS

MARCH 31, 2012

**Office of the Auditor General of Nova Scotia
Financial Statements
March 31, 2012**

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Hunter Tellier Belgrave Adamson

CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

INDEPENDENT AUDITOR'S REPORT

To the Speaker of the Nova Scotia House of Assembly and the Members of the Public Accounts Committee

We have audited the statement of financial position of The Office of the Auditor General of Nova Scotia as at March 31, 2012 and the statement of operations for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for government not-for-profit organizations, 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 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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2012, and the results of its operations for the year then ended in accordance with Canadian accounting standards for government not-for-profit organizations.

AC Hunter Tellier Belgrave Adamson

Dartmouth, Nova Scotia
June 20, 2012

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

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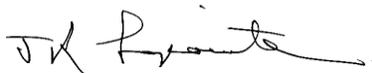
**Office of the Auditor General of Nova Scotia
Statement of Financial Position
As at March 31, 2012**

	2012	2011 Restated – see Note 8
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable	--	21,000
Due from government	56,217	231,132
	56,467	252,382
 Liabilities		
Accounts payable	--	112,245
Accrued liabilities	12,000	12,000
Accrued salaries, benefits and vacation	150,188	203,763
Due to government	45,965	102,435
	208,153	430,443
 Net debt	 151,686	 178,061
 Non-financial Assets		
Prepaid expenses	37,235	42,852
Fixed assets (note 3)	114,451	135,209
	151,686	178,061
 Accumulated Surplus	 \$ nil	 \$ nil

Commitments (note 4)

See accompanying notes to financial statements

APPROVED ON BEHALF OF THE OFFICE:



Auditor General

Office of the Auditor General of Nova Scotia
Statement of Operations
Year Ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual Restated – see Note 8
Revenues			
Professional fees	\$ 59,300	\$ 127,013	\$ 136,253
Expenses			
Advertising	--	930	519
Amortization (note 2)	--	36,530	41,708
Books and subscriptions	4,500	3,821	4,672
Conference hosting	--	28,522	--
Data centre charges	7,500	7,016	7,579
Equipment rental	2,800	2,494	2,688
Equipment repairs	2,000	310	1,183
Insurance	700	926	339
Membership dues	50,000	54,291	56,207
Miscellaneous	14,000	5,519	17,369
Office lease and taxes	111,700	106,943	106,943
Office supplies	19,100	12,669	14,983
Other services	4,000	585	2,020
Parking	4,000	4,980	4,233
Postage	3,000	3,521	3,101
Printing	15,000	17,429	14,205
Professional services	58,000	77,849	192,272
Salaries and benefits	3,129,400	3,094,873	2,932,115
Software licensing	5,000	4,604	5,426
Staff training	50,000	48,748	65,669
Storage	800	875	763
Telecommunications	21,000	19,299	22,138
Travel	47,500	49,265	63,976
	<u>3,550,000</u>	<u>3,581,999</u>	<u>3,560,108</u>
Net Expenses Before Government Contributions	<u>\$ 3,490,700</u>	3,454,986	3,423,855
Government contributions (note 5)		<u>3,398,516</u>	<u>3,410,911</u>
Contributions Short of Net Expenses		<u>56,470</u>	<u>12,944</u>
Due to Government – beginning of year, as previously reported		166,310	173,541
Prior period adjustment (note 8)		<u>(63,875)</u>	<u>(58,162)</u>
Due to Government – beginning of year, as restated		<u>102,435</u>	<u>115,379</u>
Due to Government – end of year		<u>\$ 45,965</u>	<u>\$ 102,435</u>

See accompanying notes to the financial statements

Office of the Auditor General of Nova Scotia
Statement of Changes in Net Debt
March 31, 2012

	2012	2011
Acquisition of tangible capital assets	\$ (15,772)	\$ (29,588)
Amortization of tangible capital assets	<u>36,530</u>	<u>41,708</u>
	<u>20,758</u>	<u>12,120</u>
Acquisition of prepaid assets	(37,235)	(42,852)
Use of prepaid assets	<u>42,852</u>	<u>42,404</u>
	<u>5,617</u>	<u>(448)</u>
(Increase) Decrease in Net Debt	26,375	11,672
Net debt, beginning of the year	<u>(178,061)</u>	<u>(189,733)</u>
Net Debt, end of the year	<u>\$ (151,686)</u>	<u>\$ (178,061)</u>

See accompanying notes to the financial statements

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2012

1. Purpose

The Office of the Auditor General is an office of the Nova Scotia House of Assembly which serves to help the House keep government accountable for its collection, expenditure and stewardship of public funds. 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. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for public-sector entities. The following are significant accounting policies adopted by the Office.

(a) *Use of Estimates* – The presentation of financial statements in conformity with Canadian generally accepted accounting principles 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) *Cash* – consists of a petty cash float provided by the Province of Nova Scotia.

(c) *Revenue Recognition* – The Office recognizes revenues when they are earned; specifically when all of the following conditions are met:

- services are provided or products are delivered;
- there is clear evidence that an arrangement exist;
- 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 Nova Scotia, and the provincial portion of HST is not levied by the Province on its own entities.

(e) *Amortization* – Furniture, equipment and leasehold improvements are stated at cost and amortized on a straight-line basis over their estimated useful lives:

Furniture and equipment	10% per year
Computer equipment	33.3% per year
Leasehold improvements	over term of lease

(f) *Statement of Cash Flows* – A statement of cash flows is not provided in these financial statements as disclosures in the statements of financial position and operations are considered adequate.

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2012

3. Fixed Assets

	-----2012-----			---2011---
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 159,537	\$ 75,505	\$ 84,032	\$ 99,985
Computer equipment	56,710	38,002	18,708	21,840
Leasehold improvements	18,283	6,572	11,711	13,384
	\$ 234,530	\$ 120,079	\$ 114,451	\$ 135,209
	\$ 234,530	\$ 120,079	\$ 114,451	\$ 135,209

4. Commitments

The Government of Nova Scotia has entered into a lease agreement on the Office's behalf for office space. The agreement expires in 2015-16 and commitments for lease payments and associated operating costs for the next four fiscal years are estimated to be:

2012-13	\$ 106,900
2013-14	\$ 108,100
2014-15	\$ 109,400
2015-16	\$ 9,200

The Office has entered into an operating lease for office equipment of \$1,824 per year, with the lease ending in December 2012.

5. Government Contributions

The Office is funded through annual budgetary appropriations approved by the House of Assembly. Government contributions are comprised of expenses of the Office charged against the appropriation, in addition to reimbursements from government for certain computer equipment purchases and payroll-related costs. In 2010-11, certain professional fees charged by the Office were not available for offsetting its expenditures and, accordingly, were returned to government. Changes to the Auditor General Act permit all fees invoiced by the Office in 2011-12 and future periods to be retained for spending by the Office.

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2012

5. Government Contributions (continued)

	2012	2011
Expenses charged against annual appropriation	\$ 3,398,516	\$ 3,291,958
Reimbursement for computer equipment purchases	--	17,755
Reimbursement for certain payroll-related costs	--	176,451
Professional fees returned to government	--	(75,253)
	<u>\$ 3,398,516</u>	<u>\$ 3,410,911</u>
	<u>\$ 3,398,516</u>	<u>\$ 3,410,911</u>

6. Pensions

Pursuant to Sections 4, 6 and 8 of the Auditor General Act, all permanent staff members of the Office are entitled to receive pension benefits under the Nova Scotia Public Service Superannuation Plan. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Office's operating expenses in the amount of \$250,487 (2011 - \$246,030). The Office is not responsible for any unfunded liability with respect to the superannuation fund.

7. Related Party Transactions

The Office of the Auditor General is related to the Government of Nova Scotia. The Office's sources of funding are through payment of its expenses by the government and the billing of certain audit work performed. The Office billed professional services to and made certain purchases through other government departments and agencies in the normal course of its business.

8. Prior Period Adjustments

During the year, management commenced the practice of accruing the cost of employees carrying over vacation entitlements to future fiscal years. Management also decided to apply this change retroactively. The following table illustrates the impact of these transactions on amounts previously reported, as at and for the year ended March 31, 2011.

**Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2012**

8. Prior Period Adjustments (continued)

	Before Adjustment	After Adjustment	Change
Statement of Financial Position			
Accrued salary, benefits and vacation	\$ 139,888	\$ 203,763	\$ 63,875
Due to government	166,310	102,435	(63,875)
Statement of Operations			
Salaries and benefits	2,926,402	2,932,115	5,713
Net expenses before government contributions	3,418,142	3,423,855	5,713
Contributions short of net expenses	7,231	12,944	5,713
Due to government – end of year	166,310	102,435	(63,875)