



Office of the Auditor General of Nova Scotia

Report on Performance 2013-14

Introduction

The Office of the Auditor General serves the House of Assembly 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, the 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 2013-14 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 2013-14 budget.

Strategic Initiatives

The Office updated its strategic plan in 2009-10. This exercise resulted in seven strategic goals and 21 related initiatives. Four of the initiatives remained to be completed in 2013-14. The following table indicates the status of these projects as of March 31, 2014.

	Completed in 2013-14	In Progress
Significantly improve the rate of implementation of our recommendations to increase the Office's value to the House of Assembly and government. <ul style="list-style-type: none"> Continue to work with other stakeholders – such as the Public Accounts Committee and Treasury Board – to encourage and expand their efforts in following up on government's progress in implementing recommendations. 	x	
Optimize our knowledge and use of technology to ensure it supports the audit, administrative and confidentiality needs of the Office. <ul style="list-style-type: none"> Ensure the security and continued availability of Office equipment and systems in order to safeguard the confidentiality of sensitive information and keep the Office functioning efficiently. 		x
Enhance communications to strengthen stakeholder understanding of the Office and to meet the information needs of Office staff and external stakeholders. <ul style="list-style-type: none"> Enhance communications through the Office's use of the internet. 	x	
Improve the standardization, communication and consistent use of Office policies and methodologies. <ul style="list-style-type: none"> Renew the Office's performance audit methodology and documentation. 		x

Office management selected three additional projects for completion in 2013-14. The table below provides the status of each of these.

	Completed in 2013-14	In Progress
Through consultation and other risk-based analysis, prepare a three-year schedule of audits to be conducted by the Office.	x	
Conduct a comprehensive analysis of the impact of the Office's work and identify areas of potential improvement to ensure such impact is maximized.	x	
Conduct a comprehensive analysis of whether we are as efficient and productive as we can be in the conduct of audits, as well as in the other operations of the Office, and identify areas for improvement.		x

Of the seven initiatives planned for completion in 2013-14, four were concluded and three are still in progress, as described below.

- Most of the 35 recommendations from a 2010 review of the Office's IT security have been implemented. However, a few remain to be completed.
- We have updated the Office's performance audit file templates, forms and checklists to ensure they are appropriate and auditing standards are met. We need to update our performance audit methodology manual which supports our audit process.
- The Office involved all professional staff in a project to explore ways to make our audits more efficient. The results of this exercise were very promising as many good recommendations for improvement were developed. Recommendations accepted for implementation have been assigned to a working group.

These three initiatives have been scheduled for completion in 2014-15 and are included in our current business plan, which is 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 in each of these areas.

Government's rate of implementation of our audit recommendations remains unacceptably low. Only 45% of the performance audit recommendations we made in 2011 had been implemented at the time we did our follow-up review in the fall of 2013. Although this fact regularly receives considerable attention from the media after we release a Report to the House of Assembly, little improvement results. We were encouraged that the Public Accounts Committee elected to assist us by passing a motion on February 19, 2014 to have the Committee:

- formally accept and endorse our audit recommendations, if they were accepted by government; and
- request that the Deputy Ministers' Audit Committee assume responsibility for the ongoing monitoring and oversight of recommendation implementation.

The Office exceeded its reporting target by releasing four reports to the House of Assembly in 2013-14; one was a special report on our review of MLA Samson's entitlement to benefits as an outside member. As well, all audits scheduled for completion during the year were performed and all performance audits were completed on or before their target dates.

Five of the ten financial audits and reviews were not finished by their legislated completion date. The financial statements of two auditees required additional, more accurate disclosure and were not ready for approval by management by the target date. The remaining three audits were completed by the target date, but the financial statements were not approved by management on a timely basis which resulted in a considerable delay in completing the audits.

The Office's 2013-14 business plan listed seven strategic initiatives to be completed during the year. Four of these were finished (57%). Three were not completed, as described earlier in this report.

We survey MLAs' satisfaction with the services of our Office every two years. We reported a 78% satisfaction rate in last year's performance report and, since we will not be conducting another survey until 2015, we maintain this measure as reported last year. It is very close to our 80% target rate.

We continue to conduct employee surveys every year. The overall rate of employee satisfaction decreased significantly in 2013, to 65%. This is well below our target rate of 80%. Senior management studied the results of the anonymous survey and reported back to staff on ways management will try to address the issues identified in the survey.

Performance Indicator	Description	Office Target	2013-14 Result
1. Recommendations addressed	Percentage of recommendations implemented after two years	90% or higher	Performance audit: 45% Financial audit: (Note 1)
2. Published reports	Auditor General Reports released during year	Three or more	Four
3. Planned audits completed	Whether audits planned for the year were performed	All audits completed	All audits were completed
4. Financial audits on target	Financial audits completed by applicable target dates	All target dates met	Five of ten target dates were met
5. Performance audits on target	Performance audits completed by applicable target dates	All target dates met	All target dates were met
6. Strategic initiatives implemented	Percentage of 2013-14 initiatives implemented	90% or higher	57% completed
7. MLA satisfaction (Note 2)	Percentage of MLAs very satisfied or satisfied with services	80% or higher	78%
8. Staff satisfaction (Note 2)	Percentage of staff very satisfied or satisfied with job	80% or higher	65%

Note 1: A change in the timing of our reporting on financial audits resulted in no recommendations being made in 2011 for follow-up in 2013.

Note 2: The Office surveys its staff annually. It surveys members of the Legislative Assembly every two years. The last MLA survey was conducted in April 2013.

Summary Financial Statements

Independent Auditor's Report

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

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, 2014 and for the year then ended on which we expressed an opinion without reservation in our report dated June 26, 2014.

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 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 summarized financial statements based on our audit of the complete financial statements. 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 26, 2014

AC Hunter Tellier Belgrave Adamson

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

Statement of Financial Position As at March 31, 2014

	2014	2013
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable	3,580	--
Due from government	82,324	90,245
	<u>86,154</u>	<u>90,495</u>
Liabilities		
Accounts payable	6,098	28,258
Accrued liabilities	12,000	12,000
Accrued salaries, benefits and vacation	194,984	182,487
Due to (from) government (from Statement of Operations)	(12,315)	7,830
	<u>200,767</u>	<u>230,575</u>
Net debt	<u>114,613</u>	<u>140,080</u>
Non-financial Assets		
Prepaid expenses	28,759	35,387
Fixed assets	85,854	104,693
	<u>114,613</u>	<u>140,080</u>
Accumulated Surplus	<u>\$ nil</u>	<u>\$ nil</u>

Statement of Operations Year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenues			
Professional fees	\$ 104,500	\$109,413	\$132,980
Expenses			
Amortization	--	29,320	41,506
Books and subscriptions	3,000	3,942	3,888
Conference hosting	--	--	8,403
Data centre charges	7,500	10,969	12,051
Equipment rental	2,500	2,702	2,091
Equipment repairs	2,000	733	554
Insurance	1,000	339	868
Membership dues	55,000	53,817	45,887
Miscellaneous	18,000	7,916	6,529
Office lease and taxes	112,600	113,636	116,502
Office supplies	27,000	14,971	21,201
Other services	1,500	872	659
Parking	5,000	4,520	4,653
Postage	4,000	1,180	3,395
Printing	18,000	16,734	13,407
Professional services	71,800	59,798	135,723
Salaries and benefits	3,276,600	3,248,999	3,133,478
Software licensing	5,000	10,111	11,208
Staff training	50,000	58,130	75,019
Storage	1,000	875	875
Telecommunications	21,000	20,916	20,413
Travel	56,000	47,386	66,803
	<u>3,738,500</u>	<u>3,707,866</u>	<u>3,725,113</u>
Net Expenses before Government Contributions	<u>\$3,634,000</u>	<u>3,598,453</u>	<u>3,592,133</u>
Government Contributions		3,578,308	3,553,998
Contributions Short of Net Expenses		20,145	38,135
Due to Government - beginning of year		7,830	45,965
Due to (from) Government - end of year		<u>\$ (12,315)</u>	<u>\$ 7,830</u>

Financial Performance

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

Significant budget variances – The Office underspent its \$3,634,000 budget by \$35,547 (1%). The causes of significant variances from budget, those over \$10,000 on a line-by-line basis, are provided below.

- Actual expenses include \$29,320 of amortization which is not included in our annual budget. Whereas amortization is material to our financial statements, it is not significant enough in comparison to total government expenditures to include in government's budget for our Office.
- The Office's \$18,000 budget for miscellaneous expenses was set too high, and was underspent by \$10,084.
- The \$27,000 budget for office supplies included funding needed to purchase fixed assets. However, under generally accepted accounting principles, purchases of fixed assets are capital in nature and recorded in the balance sheet; not in the statement of operations.
- The \$71,800 budgeted for professional services was underspent by \$12,002. The Office budgets for hiring contractors to help on certain audits throughout the year. The Office did not require as much assistance as budgeted with its audits during 2013-14.
- The salaries and benefits budget was underspent by \$27,601 (1%) due to short-duration vacancies in a couple of staff positions.

Other Accomplishments and Events

The Office bid a fond farewell in January to Jacques Lapointe as he retired from his position as Auditor General of Nova Scotia. This completed a very productive eight years for the Office that resulted in a new Auditor General Act, as well as significant changes to how the administration of the House of Assembly operates following work done by the Office in examining MLA expenses. Jacques will be missed by all. We await the arrival of Michael Pickup as the new Auditor General, effective July 2, 2014.

Two members of the Office participated on task forces of the Chartered Professional Accountants of Canada's Public Sector Accounting Board, examining accounting standards for assets and revenues. This included making a presentation on status at the Board's 2013 conference in Ottawa.

The Office continued to be a training office for staff members seeking to become professional accountants. Three members of our staff were successful in passing the Uniform Evaluation of the Chartered Accounting profession and will receive their professional designations upon meeting the profession's experience requirements.

The Office is a member of the Canadian Council of Legislative Auditors; an organization dedicated to improving the conduct of legislative auditing through the provision of training, sharing of experiences, and collaborating on audits. The Office provided leadership by chairing two of the organization's sub-committees during the year.

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:

Phone (902) 424-5907
Fax (902) 424-4350
Email oaginfo@gov.ns.ca
Mail 1888 Brunswick St., Suite 302, Halifax, NS, B3J 3J8

