



Office of the Auditor General of Nova Scotia

Report on Performance 2014-15

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 Office's results in meeting its goals for the 2014-15 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 2014-15 budget.

Strategic Initiatives and Other Projects

The Office updated its strategic plan in 2009-10. This exercise resulted in seven strategic goals and 21 related initiatives. Three of these initiatives were to be completed in 2014-15. In addition, four other projects were selected by management for completion in 2014-15, focused on our audit and IT security practices. The following table indicates the status of these seven projects as of March 31, 2015.

Strategic Initiatives and Other Projects	Completed in 2014-15	In Progress
Ensure the security and continued availability of Office IT equipment and systems in order to ensure the confidentiality of sensitive information and keep the Office functioning efficiently.		x
Update the Office's performance audit methodology documentation.		x
Complete 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
Implementation of recommendations from a professional standards review conducted on the Office by the Institute of Chartered Accountants of Nova Scotia.	x	
Implementation of recommendations from a peer review of one of our performance audits conducted by the Office of the Auditor General of New Brunswick.	x	
Implementation of recommendations from an internal review of our quality management system and from post-completion inspection of a sample of audits.	x	
Implementation of recommendations from an internal review of the Office's IT security practices.		x

Of the seven initiatives planned for completion in 2014-15, three were concluded and four are still in progress, as described below.

- Significant progress has been made in ensuring our IT equipment and systems are working efficiently and our data is protected, including the implementation of additional important controls. Any remaining work will be incorporated into current initiatives as required.
- We are satisfied that the Office's file templates, forms and checklists are appropriate and ensure auditing standards are met. We recognize the need to update our performance audit manual, which supports our audit processes. This will be completed in conjunction with our implementation of the new Canadian audit standards for performance audits which come into effect in 2017. We plan to leverage the work of other legislative audit offices in Canada who will be undertaking a similar exercise.
- The Office will continue to involve all professional staff in projects designed to make our audits and office operations more efficient and effective. Through our financial and information technology, and performance audit committees, areas for review and improvement will be identified annually, prioritized and addressed as resources permit.
- Most of the 35 recommendations from a 2010 review of the Office's IT security have been implemented. The remaining recommendations will be assessed by the Office's Strategic Operating Committee and incorporated into current initiatives as required.

Performance Measures

Government's rate of implementation of the recommendations from our audits remains low. Only 54% of the performance audit recommendations we made in 2012 had been implemented at the time we did our follow-up review in the fall of 2014. Although this fact regularly receives considerable attention from the media after we release a Report to the House of Assembly, progress in certain departments continues to be slow. We do appreciate that circumstances like the amalgamation of the district health authorities and government's centralization of certain services have impacted management's ability to address some of our recommendations. We are also encouraged by the results in six entities with implementation rates above 70%. Through our discussions with management in these six entities, it became clear that key factors in their success were a commitment to senior leadership, and a robust planning and monitoring process. We have encouraged government organizations that are not doing so well to consider implementing similar processes.

The Office met its reporting target by releasing four Reports to the House of Assembly in 2014-15, including a special report on our audit of the Bluenose II restoration project. As well, all audits scheduled for completion during the year were performed and all performance audits were completed on or before their target dates.

All five of the Office's financial audits met their target release dates.

The Office's 2014-15 business plan listed seven initiatives or projects to be completed during the year. Three were finished (43%); four were not completed, as described earlier in this report.

The Office's survey of MLAs satisfaction with the service of our Office occurs 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 later 2015, we retain 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 slightly in 2014, to 61% from 65% in 2013. This is well below our target rate of 80%. We do note that 92% of staff believe this is an average or above average place to work. The Executive team has studied the results of the anonymous survey, and reported back to staff on ways the Office will try to address the issues described in the survey including more regular communication and engagement of staff in identification and implementation of strategic initiatives.

Performance Indicator	Description	Office Target	2014-15 Result
1. Recommendations addressed	Percentage of recommendations implemented after two years	90% or higher	Performance audit: 57% Financial audit: 70%
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	All five 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 and other projects implemented	Percentage of 2014-15 initiative/projects implemented	90% or higher	43% completed
7. MLA satisfaction (Note 1)	Percentage of MLAs very satisfied or satisfied with services	80% or higher	78%
8. Staff satisfaction (Note 1)	Percentage of staff very satisfied or satisfied with job	80% or higher	61%

Note 1: 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, 2015 and for the year then ended on which we expressed an opinion without reservation in our report dated June 24, 2015.

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 24, 2015



AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

Statement of Financial Position As at March 31, 2015

	2015	2014
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable	3,580	3,580
Due from government	111,577	82,324
	<u>115,407</u>	<u>86,154</u>
Liabilities		
Accounts payable	75,776	6,098
Accrued liabilities	12,000	12,000
Accrued salaries, benefits and vacation	153,664	194,984
Due to (from) government (from Statement of Operations)	(34,491)	(12,315)
	<u>206,949</u>	<u>200,767</u>
Net debt	<u>91,542</u>	<u>114,613</u>
Non-financial Assets		
Prepaid expenses	25,856	28,759
Fixed assets	65,686	85,854
	<u>91,542</u>	<u>114,613</u>
Accumulated Surplus	\$ nil	\$ nil

Statement of Operations Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Revenues			
Professional fees	\$ 104,000	\$100,770	\$109,413
Expenses			
Amortization (Note 2)	--	43,436	29,320
Books and subscriptions	3,500	3,041	3,942
Data centre charges	6,000	8,869	10,969
Equipment rental	4,000	1,254	2,702
Equipment repairs	1,000	148	733
Health services	--	1,063	--
Insurance	1,000	339	339
Membership dues	55,000	54,298	53,817
Miscellaneous	15,000	9,696	7,916
Office lease and taxes	114,000	115,569	113,636
Office supplies	22,000	15,637	14,971
Other services	1,000	464	872
Parking	5,000	4,586	4,520
Photocopy charges and supplies	--	1,440	--
Postage	3,500	1,644	1,180
Printing	15,000	14,429	16,734
Professional services	53,400	26,065	59,798
Relocation expense	--	7,889	--
Salaries and benefits	3,378,600	3,258,814	3,248,999
Software licensing	5,000	5,388	10,111
Staff training	60,000	49,501	58,130
Storage	1,000	875	875
Telecommunications	20,000	21,015	20,916
Travel	56,000	53,502	47,386
	<u>3,820,000</u>	<u>3,698,962</u>	<u>3,707,866</u>
Net Expenses before Government Contributions	<u>\$3,716,000</u>	<u>3,598,192</u>	<u>3,598,453</u>
Government Contributions		<u>3,576,016</u>	<u>3,578,308</u>
Contributions Short of Net Expenses		<u>22,176</u>	<u>20,145</u>
Due to Government - beginning of year		<u>(12,315)</u>	<u>7,830</u>
Due to (from) Government - end of year		<u>\$ (34,491)</u>	<u>\$ (12,315)</u>

Financial Performance Variances

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

Significant budget variances – In 2014-15, the Office underspent its \$3,716,000 budget by \$117,808 (3%). The causes of significant variances from budget, those over \$10,000 on a line-by-line basis, are provided below.

- Actual expenses include \$43,436 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 to our Office.
- The Office's \$53,400 budget for professional services was underspent by \$27,335. The Office budgets for hiring professional services necessary to assist us with certain audits and the operations of the Office. The Office's need for these external resources was less than expected.
- The salaries and benefits budget was underspent by \$119,786 (3.5%), primarily due to the unexpected passing of a staff member and longer-duration vacancies in a couple of staff positions.
- The staff training budget of \$60,000 was underspent by \$10,499. Training costs associated with our staff enrolled in professional programs were less than expected in 2014-15.

Other Accomplishments and Events

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.

The Office continued to be a training office for staff members seeking to become professional accountants. One member of our staff was successful in passing all the requirements to become a Certified General Accountant.

The Office is an active member of the Canadian Council of Legislative Auditors; an organization dedicated to improving the conduct of legislative auditing through the provision of training, sharing experiences, and collaborating on audits.

During the year, the Office hosted delegations from the national audit offices of Tanzania and Vietnam. At the request of the Canadian Comprehensive Audit Foundation, we discussed various aspects of our performance audit practice and our reporting relationship to government.

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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