

OFFICE OF THE AUDITOR GENERAL OF NOVA SCOTIA

FINANCIAL STATEMENTS

MARCH 31, 2016

**Office of the Auditor General of Nova Scotia
Financial Statements
March 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of The Office of the Auditor General of Nova Scotia

We have audited the accompanying financial statements of Office of the Auditor General of Nova Scotia, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information and schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian accounting standards for 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 of 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 Office of the Auditor General of Nova Scotia as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of the Office of the Auditor General of Nova Scotia for the year ended March 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on June 24, 2015.

BDO Canada LLP

CHARTERED ACCOUNTANTS

Bedford, Nova Scotia
July 4, 2016

Office of the Auditor General of Nova Scotia
Statement of Financial Position
As at March 31, 2016

	2016	2015
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable	147,630	3,580
Due from government (Note 3)	-	111,577
	147,880	115,407
 Liabilities		
Accounts payable	16,765	75,776
Accrued liabilities	2,100	12,000
Accrued salaries, benefits and vacation	129,746	153,664
Due to government (Note 3)	23,742	-
Due to (from) government (Note 7)	62,093	(34,491)
	234,446	206,949
 Net debt	 86,566	 91,542
 Non-financial Assets		
Prepaid expenses	8,397	25,856
Tangible capital assets (Note 4)	78,169	65,686
	86,566	91,542
 Accumulated Surplus	 \$ nil	 \$ nil
Commitments (Note 5)		

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE OFFICE:



Auditor General of Nova Scotia

Office of the Auditor General of Nova Scotia
Statement of Operations
Year Ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenues			
Professional fees	\$ 134,700	\$ 262,130	\$ 100,770
Expenses			
Amortization (Note 2)	-	36,876	32,503
Books and subscriptions	3,100	2,555	3,041
Data centre charges	11,550	4,752	8,869
Equipment rental	1,000	540	1,254
Equipment repairs	1,000	282	148
Health Services	-	3,428	1,063
Insurance	500	339	339
Membership dues	56,650	50,425	54,298
Miscellaneous	10,300	13,158	9,695
Office lease and taxes	202,600	201,294	115,569
Office supplies	12,500	9,719	15,637
Other services	20,300	16,422	464
Parking	5,150	4,225	4,586
Photocopy charges and supplies	3,100	3,465	1,440
Postage	1,100	862	1,644
Printing	20,200	8,645	14,429
Professional services	53,400	43,814	26,065
Relocation expenses	-	7,414	7,889
Salaries and benefits	3,463,100	3,090,482	3,258,814
Software licensing	5,000	5,546	5,388
Staff training	50,000	48,688	49,501
Storage	1,000	749	875
Telecommunications	24,600	14,678	21,015
Travel	56,000	70,537	53,502
	<u>4,002,150</u>	<u>3,638,895</u>	<u>3,688,028</u>
Net Expenses from Operations	3,867,450	3,376,765	3,587,258
Loss on disposal of tangible capital assets (Note 4)	-	549	10,934
Net Expenses before Government Transfers	3,867,450	3,377,314	3,598,192
Government transfers (Note 6)	3,867,450	3,473,898	3,576,016
Annual Surplus (Deficit)	<u>\$ nil</u>	96,584	(22,176)
Accumulated Surplus (Deficit), beginning of year		-	-
		96,584	(22,176)
Transfer to Due to Government (Note 7)		96,584	(22,176)
Accumulated Surplus (Deficit), end of year		<u>\$ nil</u>	<u>\$ nil</u>

The accompanying notes are an integral part of the financial statements

**Office of the Auditor General of Nova Scotia
Statement of Changes in Net Debt
Year Ended March 31, 2016**

	2016 Budget	2016 Actual	2015 Actual
Annual surplus (deficit)	\$ nil	\$ nil	\$ nil
Acquisition of tangible capital assets	-	(49,908)	(23,269)
Amortization of tangible capital assets (Note 4)	-	36,876	32,503
Loss on disposal of tangible capital assets (Note 4)	-	549	10,934
	-	<u>(12,483)</u>	<u>20,168</u>
Acquisition of prepaid assets	-	(8,397)	(25,856)
Use of prepaid assets	-	25,856	28,759
	-	<u>17,459</u>	<u>2,903</u>
Decrease in Net Debt	-	4,976	23,071
Net Debt , beginning of the year	<u>(91,542)</u>	<u>(91,542)</u>	<u>(114,613)</u>
Net Debt , end of the year	<u>\$ (91,542)</u>	<u>\$ (86,566)</u>	<u>\$ (91,542)</u>

The accompanying notes are an integral part of the financial statements

Office of the Auditor General of Nova Scotia
Statement of Cash Flow
Year Ended March 31, 2016

	2016	2015
Cash Flows from:		
Operating Activities		
Surplus	\$ nil	\$ nil
Items in earnings not involving cash		
Amortization	36,876	32,503
(Gain) loss on disposal of assets	549	10,934
Change in non-cash working capital balances		
Accounts receivable	(144,050)	-
Due from government	135,319	(29,253)
Prepaid expenses	17,459	2,903
Accounts payable	(59,011)	69,678
Accrued liabilities	(9,900)	-
Accrued salaries, benefits and vacation	(23,918)	(41,320)
Due to (from) government	96,584	(22,176)
	<hr/> 49,908	<hr/> 23,269
Investing Activities		
Additions to tangible capital assets	(49,908)	(23,269)
Change in cash during the year	-	-
Cash, beginning of year	<hr/> 250	<hr/> 250
Cash, end of year	<hr/> <hr/> \$ 250	<hr/> <hr/> \$ 250

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2016

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 exists;
 - 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) *Tangible Capital Assets* – Furniture, equipment and leasehold improvements with an individual cost greater than or equal to \$500 are capitalized and amortized over their useful lives. Those assets with a cost less than \$500 are expensed on the statement of operations.

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2016

(f) *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	25% per year
Leasehold improvements	over term of lease

(g) *Retirement Benefits and Compensated Absences*– the Office provides defined retirement benefits and compensated absences to permanent employees. These benefits include pension and vesting vacation pay. The Office has adopted the following policies with respect to accounting for these employee benefits:

- i) The Office participates in a multiemployer defined benefit pension plan called the Nova Scotia Public Service Superannuation Plan (PSSP). Changes to the plan governance structure and plan amendments in 2014 transferred responsibility for the PSSP to the Public Service Superannuation Plan Trustee Inc. As such, no pension liability is included on the Office’s Statement of Financial Position and contributions are recognized as an expense in the year to which they relate. All permanent employees are eligible to participate in the plan. Contributions are a defined amount based upon a set percentage of salary.
- ii) The cost of vesting vacation benefits are determined using the employee’s current salary and accumulated vacation time.

(h) *Government Transfers* – Government transfers are recognized as revenue in the financial statements when the transfer is authorized and eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(i) *Financial Instruments* – Accounts receivable, accounts payable, accrued liabilities, and due to/from government are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

3. Due to/ from Government

The Office, similar to many Crown entities, does not maintain a bank account. All funds are held with the Province of Nova Scotia. The Due to/ from government represents the net balance owing to the Province of Nova Scotia.

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2016

4. Tangible Capital Assets

	-----2016-----			---2015---	
	Furniture and equipment	Computer equipment	Leasehold Improvements	Total	Total
Cost					
Opening cost	\$ 177,760	\$ 40,912	\$ -	\$ 218,672	\$ 235,821
Additions	14,756	32,954	2,198	49,908	23,269
Disposals	(1,615)	-	-	(1,615)	(40,418)
Closing cost	190,901	73,866	2,198	266,965	218,672
Accumulated Amortization					
Opening balance	125,321	27,665	-	152,986	149,967
Disposals	(1,066)	-	-	(1,066)	(29,484)
Amortization expense	19,090	17,603	183	36,876	32,503
Closing balance	143,345	45,268	183	188,796	152,986
 Net Book Value	 \$ 47,556	 \$ 28,598	 \$ 2,015	 \$ 78,169	 \$ 65,686

5. Commitments

The Government of Nova Scotia has entered into a lease agreement on the Office's behalf for office space. The agreement expires in 2022-23. Commitments for lease payments and associated operating costs for the next five fiscal years are estimated to be:

2016-17	\$ 207,160
2017-18	\$ 207,160
2018-19	\$ 207,160
2019-20	\$ 207,160
2020-21	\$ 207,160

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2016

6. Government Transfers

The Office is funded through annual budgetary appropriations approved by the House of Assembly. Government transfers are comprised of expenses of the Office charged against the appropriation, in addition to reimbursements from government for certain payroll-related costs. Government's annual transfer funds tangible capital assets in the year of purchase whereas the Office capitalizes tangible capital assets as noted in Note 2(e) Significant Accounting Policies. This results in the annual Government transfers being different than the net expenses shown on the Statement of Operations.

	2016	2015
Expenses charged against annual appropriation	\$ 3,473,898	\$ 3,479,277
Reimbursement for certain payroll-related costs	-	96,739
	<u>\$ 3,473,898</u>	<u>\$ 3,576,016</u>

7. Due to/from Government

	2016	2015
Opening Balance	\$ (34,491)	\$ (12,315)
Surplus (Deficit)	96,584	(22,176)
	<u>\$ 62,093</u>	<u>\$ (34,491)</u>

8. Retirement Benefits

Pursuant to Sections 4, 6 and 8 of the Auditor General Act, the Office makes contributions to the Nova Scotia Public Service Superannuation Plan. The plan provides defined pension benefits to employees. The Nova Scotia Pension Services Corporation administers the pension plan.

The Office's responsibility with regard to this plan is limited to its contributions. The plan is funded by equal employee and employer contributions. Employees contributed \$266,381 to the plan for the year (2015 - \$265,504). The Office contributed \$266,381 to the plan for the year (2015 - \$265,504).

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
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9. 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.

10. Comparative Amounts

Certain of the 2015 comparative amounts have been reclassified to conform to the 2016 financial statement presentation.