



Office of the Auditor General of Nova Scotia

Report on Performance 2012-13

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 2012-13 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 2012-13 budget.

Strategic Initiatives

The Office updated its strategic plan in 2009-10. This exercise resulted in seven strategic goals and 21 related initiatives. Twelve of the initiatives were scheduled for completion in 2012-13. The following table indicates the status of these projects as of March 31, 2013.

	Completed in 2012-13	In Progress
<p>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"> Improve the likelihood of timely implementation by providing recommendations and related explanations that are clear, persuasive and practical. Continue to work with other stakeholders such as the Public Accounts Committee and Treasury Board Office, to encourage and expand their efforts in following up on government's progress in implementing recommendations. 	x	x
<p>Strengthen our auditing of government information technology (IT) operations to meet our stakeholders' needs for assurance and recommendations for improvement.</p> <ul style="list-style-type: none"> Provide timely, high-quality training in IT auditing and best practices in the use of IT systems and tools to aid staff in the performance of their audit responsibilities. 	x	
<p>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. Procure, develop, operate and maintain IT equipment and systems in a timely manner to support the efficient operation of the Office. Provide opportunities for IT Group members to advance in their knowledge, experience and skill relating to their areas of responsibility. 	x x	x
<p>Enhance communications to strengthen stakeholder understanding of the Office and meet the information needs of Office staff and external stakeholders.</p> <ul style="list-style-type: none"> Strategically communicate with nongovernment stakeholders to further their understanding of the Office's purpose and work. Enhance communications through the Office's use of the internet. 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. Improve project-related communications within teams and the Office. 	x x x	x
<p>Maximize our ability to attract, engage, develop and retain the number and quality of staff needed to function as an effective legislative audit office.</p> <ul style="list-style-type: none"> Evaluate the manner in which we engage and develop staff to promote retention, high performance and good career movement. 	x	
<p>Improve the standardization, communication and consistent use of Office policies and methodologies.</p> <ul style="list-style-type: none"> Renew the Office's performance audit methodology and documentation. 		x

Of the twelve initiatives planned for completion in 2012-13, eight were concluded and four are still in progress.

- We continued to encourage the Public Accounts Committee to take on a greater role in holding government to account for their rate of implementation of our recommendations. However, no hearings were dedicated to this matter by the Committee in 2012-13.
- Most of the projects aimed at improving the security of our information systems were completed by March 31, 2013, but some key tasks involving data encryption were not completed during the year.
- The Office was well along in a project to improve our website at year-end, but some work remained to be done.
- The project to update our audit methodology turned out to be a very large undertaking. We chose to adopt new audit methodology created by the Auditor General of Canada, which needs to be substantially adjusted to fit our audit environment.

These four initiatives have been scheduled for completion in 2013-14 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 the recommendations we make at the end of audits is perhaps the most relevant

indicator of the impact we have on the administration of the public service. However, it is a measure we cannot control; we can only influence it through follow-up audits, communications with senior government officials and encouraging other groups to take on a role in spurring timely action. The rate of implementation this year has dropped from last year; which was in itself an unacceptably low rate. We will continue to apply whatever influence we have to address government's lack of attention to deficiencies we have identified in their processes and programs. We will only be successful if other entities such as legislative committees, Cabinet and the Deputy Minister's Audit Committee treat this as a significant problem and commit to fixing it.

The Office was successful in meeting its goal of publishing three Reports to the House of Assembly, and each audit planned for the year was performed. We completed all of our performance audits according to our target dates. All financial audits except two were completed by their target dates. The two audits which missed their target dates were due to the auditees not being fully prepared for our audits, resulting in delays in completing audit work.

As describe in the section above, we did not finalize four of the twelve strategic initiatives planned for completion during the year. These will be addressed during 2013-14.

The results of the Office's survey of Members of the Legislative Assembly and of our own staff produced encouraging results. Each survey produced an overall score within or very close to our target rates. The overall high score from MLAs indicates a high-level of approval for our work for the House of Assembly. The overall high score from our staff tells us we are on the right track in one of our five priorities – to promote excellence and a professional and supportive workplace.

Performance Indicator	Description	Office Target	2012-13 Result
1. Recommendations addressed	Percentage of recommendations implemented after two years.	90% or higher	Performance audit: 41% Financial audit: 66%
2. Published reports	Auditor General Reports released during year	Three or more	Three
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	Six of eight 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 2012-13 initiatives implemented	90% or higher	67% 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	81%

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, 2013 and for the year then ended on which we expressed an opinion without reservation in our report dated June 18, 2013.

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 20, 2013

AC Hunter Tellier Belgrave Adamson

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

Statement of Financial Position As at March 31, 2013

	Assets	
	2013	2012
Financial Assets		
Petty cash	\$ 250	\$ 250
Due from government	90,245	56,217
	<u>90,495</u>	<u>56,467</u>
Liabilities		
Accounts payable	28,258	--
Accrued liabilities	12,000	12,000
Accrued salaries, benefits and vacation	182,487	150,188
Due to (from) government	7,830	45,965
	<u>230,575</u>	<u>208,153</u>
Net debt	<u>140,080</u>	<u>151,686</u>
Non-financial Assets		
Prepaid expenses	35,387	37,235
Fixed assets	104,693	114,451
	<u>140,080</u>	<u>151,686</u>
Accumulated Surplus	\$ nil	\$ nil

Statement of Operations Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenues			
Professional fees	\$ 73,000	\$132,980	\$127,013
Expenses			
Advertising	--	--	930
Amortization	--	41,506	36,530
Books and subscriptions	4,600	3,888	3,821
Conference hosting	--	8,403	28,522
Data centre charges	7,700	12,051	7,016
Equipment rental	2,900	2,091	2,494
Equipment repairs	2,000	554	310
Insurance	700	868	926
Membership dues	50,000	45,887	54,291
Miscellaneous	14,100	6,529	5,519
Office lease and taxes	109,700	116,502	106,943
Office supplies	19,300	21,201	12,669
Other services	1,100	659	585
Parking	4,100	4,653	4,980
Postage	3,100	3,395	3,521
Printing	18,300	13,407	17,429
Professional services	90,000	135,723	77,849
Salaries and benefits	3,254,600	3,133,478	3,094,873
Software licensing	5,100	11,208	4,604
Staff training	50,000	75,019	48,748
Storage	800	875	875
Telecommunications	21,400	20,413	19,299
Travel	47,500	66,803	49,265
	<u>3,707,000</u>	<u>3,725,113</u>	<u>3,581,999</u>
Net Expenses before Government Contributions	<u>\$3,634,000</u>	<u>3,592,113</u>	<u>3,454,986</u>
Government Contributions		<u>3,553,998</u>	<u>3,398,516</u>
Contributions Short of Net Expenses		<u>38,135</u>	<u>56,470</u>
Due to Government - beginning of year		45,965	166,310
Prior period adjustment		--	(63,875)
Due to Government - beginning of year, as restated		<u>45,965</u>	<u>102,435</u>
Due to Government - end of year		<u>\$ 7,830</u>	<u>\$ 45,965</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 around \$38,000 (1%). The causes of significant variances from budget, those over \$10,000, on a line-by-line basis are provided below.

- The Office received \$59,980 more revenues than planned, partly due to the billings of two audits performed on the 2010-11 and 2011-12 financial statements of the House of Assembly being greater than budgeted due to the extra worked caused by the lack of preparedness of the House for our audits. In addition, the Office continued to audit the annual financial statements of the Nova Scotia Gaming Corporation, which was not anticipated when our budget was prepared.
- Actual expenses include \$41,506 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 incurred professional services costs of \$45,723 in excess of that budgeted, primarily due to contracting with a chartered accounting firm to assist us in conducting an audit of the Nova Scotia Pension Agency.
- The Office underspent its salaries and benefits budget by \$121,122 mainly due to parental leave taken by two staff members during the year.
- The office overspent its training budget by \$25,019 and its travel budget by \$19,303 due to providing specialized IT training to a staff member to improve our IT audit capabilities, having a greater number of staff training to become professional accountants, and sending more staff to a Toronto-based performance audit symposium.

Other Accomplishments

The Office's audit of government's use of public-private partnerships in the operations of schools (February 2010 Report of the Auditor General) caught the attention of the European Commission and resulted in an invitation to our Office to present the audit and its results at a conference in Brussels, Belgium.

During 2012-13, the Auditor General served as a board member of CCAF-FCVI, a Canadian research and educational foundation which serves to strengthen public sector governance, accountability, management and audit. He also served on the Board of Trustees of the Institute of Internal Auditors Research Foundation, an international audit research organization.

Two members of the Office participated on task forces of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board examining accounting standards for assets and revenues.

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.

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

