

OFFICE OF THE AUDITOR GENERAL OF NOVA SCOTIA

FINANCIAL STATEMENTS

MARCH 31, 2013

**Office of the Auditor General of Nova Scotia
Financial Statements
March 31, 2013**

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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 accompanying financial statements of The Office of the Auditor General of Nova Scotia, which comprise the statement of financial position as at March 31, 2013 and the statements of operations and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

(continues)

Independent Auditor's Report to the Members of The Office of the Auditor General of Nova Scotia *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Office of the Auditor General of Nova Scotia as at March 31, 2013 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 18, 2013

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

**Office of the Auditor General of Nova Scotia
Statement of Financial Position
As at March 31, 2013**

	2013	2012
Financial Assets		
Petty cash	\$ 250	\$ 250
Due from government	90,245	56,217
	90,495	56,467
 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
	230,575	208,153
 Net debt	 140,080	 151,686
 Non-financial Assets		
Prepaid expenses	35,387	37,235
Fixed assets (note 3)	104,693	114,451
	140,080	151,686
 Accumulated Surplus	 \$ nil	 \$ nil
	\$ 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, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenues			
Professional fees	\$ 73,000	\$ 132,980	\$ 127,013
Expenses			
Advertising	--	--	930
Amortization (note 2)	--	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>	3,592,133	3,454,986
Government contributions (note 5)		<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, as previously reported		45,965	166,310
Prior period adjustment (note 8)		--	<u>(63,875)</u>
Due to Government – beginning of year, as restated		<u>45,965</u>	<u>102,435</u>
Due to (from) Government – end of year		<u>\$ 7,830</u>	<u>\$ 45,965</u>

See accompanying notes to the financial statements

Office of the Auditor General of Nova Scotia
Statement of Changes in Net Debt
Year Ended March 31, 2013

	2013	2012
Acquisition of tangible capital assets	\$ (31,748)	\$ (15,772)
Amortization of tangible capital assets	41,506	36,530
	9,758	20,758
Acquisition of prepaid assets	(35,387)	(37,235)
Use of prepaid assets	37,235	42,852
	1,848	5,617
(Increase) Decrease in Net Debt	11,606	26,375
Net debt, beginning of the year	(151,686)	(178,061)
Net Debt, end of the year	\$ (140,080)	\$ (151,686)

See accompanying notes to the financial statements

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2013

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, 2013

3. Fixed Assets

	-----2013-----			---2012---
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 160,197	\$ 91,525	\$ 68,672	\$ 84,032
Computer equipment	71,440	45,457	25,983	18,708
Leasehold improvements	18,283	8,245	10,038	11,711
	\$ 249,920	\$ 145,227	\$ 104,693	\$ 114,451
	\$ 249,920	\$ 145,227	\$ 104,693	\$ 114,451

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:

2013-14	\$ 109,800
2014-15	\$ 111,100
2015-16	\$ 9,400

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 payroll-related costs.

	2013	2012
Expenses charged against annual appropriation	\$ 3,526,301	\$ 3,398,516
Reimbursement for certain payroll-related costs	27,697	--
	\$ 3,553,998	\$ 3,398,516
	\$ 3,553,998	\$ 3,398,516

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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 \$260,578 (2012 - \$250,487). 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 2012 fiscal 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.

	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)