



Office of the Auditor General of Nova Scotia

Report on Performance 2015-16

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 2015-16 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 on financial performance in comparison to our 2015-16 budget.

Strategic Initiatives and Other Projects

In 2015-16, the Office decided to focus its strategic efforts in five key areas: financial audits, performance audits, communications, people management and operations. Seven initiatives were identified as priority areas. Higher than expected staff turnover during the year impacted the resources available to devote to addressing these strategic initiatives. The following table indicates the status of the seven projects as of March 31, 2016.

Strategic Initiatives and Other Projects	Completed in 2015-16	In Progress
Examine the ongoing viability of our current electronic audit working papers, website design and support.		x
Develop an Office communication strategy.		x
Evaluate our overall information technology support requirements and resourcing.	x	
Conduct a comprehensive office risk assessment.		x
Develop strategies for the ongoing engagement, development and appreciation of staff.		x
Review and update certain aspects of our performance and financial audit practices.		x
Review and update our report structure.		x

Of the seven initiatives planned for completion in 2015-16, one was completed and six are in progress, as described below.

- Moderate progress has been made examining our current audit working papers, website design and support. Our website is now being supported by Communications Nova Scotia and initial planning has begun to evaluate our website design and content. Our electronic audit working papers will be reviewed in conjunction with the planned 2016-17 review of our performance and financial audit methodologies.
- We made significant progress towards developing an Office communication strategy, including determining key elements of the strategy. We expect to complete the communications strategy in 2016-17 and update it on an ongoing basis.
- Minimal progress was made on conducting a comprehensive risk assessment. Initial planning was completed, however limited resources were available to progress further. This initiative will be put on hold for 2016-17 while other priority areas are addressed.
- Significant progress was made on creating strategies for the development, engagement and appreciation of staff. We continue to work with our peers across the country to create core competencies and training materials which support our audit practices. We expect to finalize a human resources plan in 2016-17. Additionally, a draft staff appreciation program was developed.

- We have reviewed and updated certain aspects of our performance and financial audit practices, with a focus on audit efficiency. In 2016-17, we will assess our performance audit methodology for compliance with new Canadian Audit Standards for performance audits, and assess our financial audit methodology.
- We have made moderate progress updating our performance and financial audit report structures, including a redesigned one-page report summary. A more comprehensive assessment is planned for 2016-17 focussed on making our reports meet stakeholder needs and professional standards, and that we incorporate communication best practices.

Performance Measures

Government's implementation rate of the recommendations from our audits remains low. Only 57% of the recommendations we made in 2013 were implemented when we did our follow-up review in Fall 2015. Progress in certain departments continues to be slow. We appreciate that circumstances like amalgamating the district health authorities, and government's centralization of certain services, have impacted management's ability to address some of our recommendations. We are encouraged by the results in six entities with implementation rates above 80%. We will continue to work with management and the Public Accounts Committee on ways to improve government's overall implementation rate.

The Office met its 2015-16 reporting target by releasing three reports to the House of Assembly. All audits scheduled for completion during the year were performed. All planned performance audits and all five of the Office's financial audits met their target release dates.

The Office's 2015-16 business plan listed seven initiatives or projects to be completed during the year. One was finished (14%); the remaining six are in various stages of completion, as described earlier.

The Office's survey of MLA satisfaction with the service of our Office occurs every two years. Results from this year's survey show that 84% of MLAs are either very satisfied or satisfied with our work. This exceeds our target of 80%.

We continue to conduct employee surveys every year. The Office exceeded its target for staff who feel this is a good place to work at 91% (80% target). The survey also identifies areas of office operations with negative variances from last year. The Executive Leadership Team reviewed 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 better communication and engagement of staff.

Performance Indicator	Description	Office Target	2015-16 Result
1. Recommendations addressed	Percentage of recommendations implemented after two years	80% or higher	57%
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	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 2015-16 initiatives or projects implemented	80% or higher	14% completed
7. MLA satisfaction (Note 1)	Percentage of MLAs very satisfied or satisfied with services	80% or higher	84%
8. Staff satisfaction (Note 2)	Percentage of staff who feel this is a good place to work	80% or higher	91%

Note 1: The Office surveys members of the Legislative Assembly every two years.

Note 2: The Office surveys its staff annually.

Summary Financial Statements

Independent Auditor's Report

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

The accompanying summary financial statements, which comprise the summary statement of financial position as at March 31, 2016, and the summary statement of operations for the year then ended, and related notes, are derived from the audited financial statements of the Office of the Auditor General of Nova Scotia for the year then ended. We expressed an unmodified audit opinion on those financial statements in our report dated July 4, 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those audited financial statements.

The summary financial statements do not contain all the disclosures required by Canadian public sector accounting standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Office of the Auditor General of Nova Scotia.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Audit Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Office of the Auditor General of Nova Scotia for the year ended March 31, 2016 are a fair summary of those financial statements, in accordance with the basis described in Note 1.

Other Matters

The summary 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

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	-	111,577
	<u>147,880</u>	<u>115,407</u>
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	23,742	-
Due to (from) government	62,093	(34,491)
	<u>234,446</u>	<u>206,949</u>
Net debt	<u>86,566</u>	<u>91,542</u>
Non-financial Assets		
Prepaid expenses	8,397	25,856
Tangible capital assets	78,169	65,686
	<u>86,566</u>	<u>91,542</u>
Accumulated Surplus	<u>\$ nil</u>	<u>\$ nil</u>

Statement of Operations Year ended March 31, 2016

	2016 Budget (unaudited)	2016 Actual	2015 Actual
Revenues			
Professional fees	\$134,700	\$262,130	\$100,770
Expenses			
Amortization	-	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 expense	-	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	<u>\$3,867,450</u>	<u>3,376,765</u>	<u>3,587,258</u>
Loss on disposal of tangible capital assets	-	549	10,934
Net Expenses before Government Transfers	<u>3,867,450</u>	<u>3,377,314</u>	<u>3,598,192</u>
Government transfers	<u>3,867,450</u>	<u>3,473,898</u>	<u>3,576,016</u>
Annual Surplus (Deficit)	<u>\$ nil</u>	<u>96,584</u>	<u>(22,176)</u>
Accumulated Surplus (Deficit), beginning of year		-	-
Transfer to Due to Government		96,584	(22,176)
Accumulated Surplus (Deficit), end of year		<u>\$ nil</u>	<u>\$ nil</u>

Note 1 – Summary financial statements

The summary financial statements are derived from the complete audited financial statements, prepared in accordance with Canadian public sector accounting standards, as at March 31, 2016 and for the year then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be reflected so that they are consistent in all material respects with, or represent a fair summary of, the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- The summary financial statements include the statement of financial position and statement of operations
- Management determined that the statements of change in net debt and cash flow do not provide additional useful information and as such, have not included them as part of the summary financial statements
- Information in the summary financial statements agrees with the related information in the complete audited financial statements including comparative information and all major subtotals and totals
- In all material respects, the summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited financial statements, including significant accounting policies and the notes thereto

The complete audited financial statements of the Office of the Auditor General of Nova Scotia are available upon request by contacting the Office of the Auditor General of Nova Scotia.

Note 2 - 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

Financial Performance Variances

The Office's complete audited financial statements are available from our website at www.oag-ns.ca.

Significant budget variances – In 2015-16, the Office underspent its \$3,867,450 budget by \$490,136 (13%). The causes of significant variances from budget, those over \$10,000 on a line-by-line basis, are provided below.

- When we established our 2015-16 budget, we did not know the professional fee revenue associated with our annual audit of the Nova Scotia Health Authority. The variance of \$127,430 relates to professional fees associated with our initial planning and interim fieldwork.
- Actual expenses include \$37,425 of amortization which is not included in our annual budget. While 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 \$20,200 budget for printing costs was underspent by \$11,555. The size of our reports and a reduction in the number of copies printed contributed to this variance.
- The salaries and benefits budget was underspent by \$372,618, primarily due to higher than expected staff

turnover and longer-duration vacancies in a couple of staff positions. This is not expected to result in continued swings.

- The staff travel budget of \$56,000 was overspent by \$14,537. Travel costs associated with our annual audit of the Nova Scotia Health Authority's financial statements were not included in our 2015-16 budget. Certain of these costs were incurred in 2015-16. In addition, unexpected travel costs were required supporting the professional development of staff.

Other Accomplishments and Events

One member of the Office participated on a task forces of the Chartered Professional Accountants of Canada's Public Sector Accounting Board, examining accounting standards for revenues.

The Auditor General has made a number of presentations to various organizations over the year promoting the understanding and knowledge of our Office and legislative audit. As an example, at the invitation and expense of the National Audit Office of Thailand, the Auditor General delivered a presentation in Ching Mai Thailand in February 2016 on promoting accountability and transparency in Canada.

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

During the year, at the request of CCAF the Office hosted a delegation from the national audit offices of Tanzania, Vietnam, Cameroon and Ghana. We discussed various aspects of our performance audit practice and our reporting relationship to government.

Additional Information

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