



Office of the Auditor General of Nova Scotia

Financial Statements
For the Year Ended March 31, 2017

**Office of the Auditor General of Nova Scotia
Financial Statements
March 31, 2017**

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Management's Responsibility for the Financial Statements

The accompanying financial statements are the responsibility of management of the Office of the Auditor General of Nova Scotia. Management has prepared the financial statements in accordance with Canadian public sector accounting standards. Management is responsible for the reliability and integrity of the financial statements.

The Office maintains a comprehensive system of internal control including an appropriate code of conduct, written policies and procedures, and an organization structure that segregates incompatible duties. It has designed its system of internal controls to provide reasonable assurance that transactions are recorded and executed in accordance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.



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Auditor General of Nova Scotia



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Deputy Auditor General of Nova Scotia



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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 the Office of the Auditor General of Nova Scotia, which comprise the statement of financial position as at March 31, 2017, 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 public sector accounting standards, 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 the Office of the Auditor General of Nova Scotia as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED PROFESSIONAL ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

Dartmouth, Nova Scotia
May 30, 2017

Office of the Auditor General of Nova Scotia
Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable	51,667	147,630
Due from government (Note 3)	97,174	-
	149,091	147,880
 Liabilities		
Accounts payable	34,091	16,765
Accrued liabilities	6,325	2,100
Accrued salaries, benefits and vacation	190,855	129,746
Due to government (Note 3)	-	85,835
	231,271	234,446
 Net debt	 82,180	 86,566
 Non-financial Assets		
Prepaid expenses	29,341	8,397
Tangible capital assets (Note 4)	52,839	78,169
	82,180	86,566
 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 and Accumulated Surplus (Deficit)
Year Ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Revenues			
Professional fees	\$ 393,000	\$ 362,750	\$ 262,130
Expenses			
Amortization (Note 2)	-	30,734	36,876
Books and subscriptions	3,000	1,984	2,555
Data centre charges	6,000	4,348	4,752
Equipment purchases	15,000	2,789	
Equipment rental	5,000	441	540
Equipment repairs	5,000	-	282
Health Services	1,000	913	3,428
Insurance	1,000	346	339
Membership dues	61,000	51,726	50,425
Miscellaneous	10,000	14,559	13,158
Office lease and taxes	207,000	207,160	201,294
Office supplies	12,000	8,940	9,719
Other services	1,000	270	16,422
Parking	6,000	4,104	4,225
Photocopy charges and supplies	4,000	5,003	3,465
Postage	1,000	1,008	862
Printing	10,000	15,603	8,645
Professional services	69,000	216,558	43,814
Relocation expenses	25,000	44,578	7,414
Salaries and benefits	3,612,000	3,101,789	3,090,482
Software licensing	10,000	7,806	5,546
Staff training	63,000	75,101	48,688
Storage	1,000	554	749
Telecommunications	19,000	9,963	14,678
Travel	79,000	53,049	70,537
	<u>4,226,000</u>	<u>3,859,326</u>	<u>3,638,895</u>
Net Expenses from Operations	3,833,000	3,496,576	3,376,765
Loss on disposal of tangible capital assets (Note 4)	-	-	549
Net Expenses before Government Transfers	3,833,000	3,496,576	3,377,314
Government transfers (Note 6)	3,833,000	3,448,630	3,473,898
Annual Surplus (Deficit)	<u>\$ nil</u>	<u>(47,946)</u>	<u>96,584</u>
Accumulated Surplus (Deficit), beginning of year		-	-
		<u>(47,946)</u>	<u>96,584</u>
Transfer to (from) General Revenue Fund (Note 3)		<u>(47,946)</u>	<u>96,584</u>
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, 2017

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (deficit)	\$ nil	\$ nil	\$ nil
Acquisition of tangible capital assets	(15,000)	(5,404)	(49,908)
Amortization of tangible capital assets (Note 4)	30,000	30,734	36,876
Loss on disposal of tangible capital assets (Note 4)	-	-	549
	<u>15,000</u>	<u>25,330</u>	<u>(12,483)</u>
Acquisition of prepaid assets	-	(29,341)	(8,397)
Use of prepaid assets	-	8,397	25,856
	<u>-</u>	<u>(20,944)</u>	<u>17,459</u>
Decrease in Net Debt	15,000	4,386	4,976
Net Debt, beginning of the year	<u>(86,566)</u>	<u>(86,566)</u>	<u>(91,542)</u>
Net Debt, end of the year	<u>\$ (71,566)</u>	<u>\$ (82,180)</u>	<u>\$ (86,566)</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, 2017

	2017	2016
Cash Flows from:		
Operating Activities		
Surplus	\$ nil	\$ nil
Items in earnings not involving cash		
Amortization	30,734	36,876
(Gain) loss on disposal of assets	-	549
Change in non-cash working capital balances		
Accounts receivable	95,963	(144,050)
Due to/ from government	(183,009)	231,903
Prepaid expenses	(20,944)	17,459
Accounts payable	17,326	(59,011)
Accrued liabilities	4,225	(9,900)
Accrued salaries, benefits and vacation	61,109	(23,918)
	5,404	49,908
Capital Activities		
Additions to tangible capital assets	(5,404)	(49,908)
Change in cash during the year	-	-
Cash, beginning of year	250	250
Cash, end of year	\$ 250	\$ 250

The accompanying notes are an integral part of the financial statements

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2017

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 public sector accounting standards. The following are significant accounting policies adopted by the Office.

- (a) *Cash* – consists of a petty cash float provided by the Province of Nova Scotia.
- (b) *Revenue Recognition* – The Office recognizes revenues from audits it performs on public sector organizations, excluding the Province of Nova Scotia. These costs are accounted for in the period that the audits are conducted.
- (c) *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.
- (d) *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. Tangible capital assets are recorded at historical cost less accumulated amortization.
- (e) *Amortization* – Furniture, equipment, and leasehold improvements are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	10% per year
Computer equipment	25% per year
Leasehold improvements	over term of lease

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
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(f) *Employee Future Benefit Plans*

- i) *Pension Plan* - 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. The Office's contribution to the plan is expensed during the year in which the services are rendered and represents its total pension obligation. Contributions are a defined amount based upon a set percentage of salary.
- ii) *Vacation benefits* - The cost of vesting vacation benefits are determined using the employee's current salary and accumulated vacation time.
- iii) *Long term service accrual* – The Office follows the provisions of the Civil Service Act with respect to the payment of long service awards. Employees of the Office are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks. The Office's costs, and any assets or liabilities related to the long term service accrual, are not included as part of the Office budget and are accounted for by the Government of Nova Scotia in its financial statements.

(g) *Government Transfers* – The appropriations from the General Revenue Fund are recognized as government transfers as authorized by the Legislative Assembly and used to fund the Office operations.

(h) *Financial Instruments* – Accounts receivable, accounts payable, accrued liabilities, and due to/from government are measured at cost. The carrying amount of each of these financial instruments is presented on the Statement of Financial Position. These instruments have no significant exposure to interest rate, credit or liquidity risks.

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/ from the Province of Nova Scotia. The net balance owing to/ from the Province of Nova Scotia is impacted by the annual surplus/ deficit and other revenues/ expenses incurred in the current year but not received or paid by government until a subsequent period.

Annual surplus/ deficits arise as a result of transactions recognized by the Office in one period and appropriated from government in another period (e.g., prepaid expenses, tangible capital asset transactions, certain accruals).

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2017

Year end accounts receivable related to audits of public sector organizations, accounts payable to suppliers, and the payroll accrual are examples of revenues and expenses incurred and charged against the appropriation from government in the current period, but not received or paid by government until a subsequent period.

	2017	2016
Due from (to) government, beginning of year	\$ (85,835)	\$ 146,068
Annual deficit (surplus)	47,946	(96,584)
Adjustment for year end receivables/ payables/ accruals	135,063	(135,319)
	\$ 97,174	\$ (85,835)

4. Tangible Capital Assets

	2017			2016	
	Furniture and equipment	Computer equipment	Leasehold Improvements	Total	Total
Cost					
Opening cost	\$ 190,901	\$ 73,866	\$ 2,198	\$ 266,965	\$ 218,672
Additions	3,899	1,505	-	5,404	49,908
Disposals	-	(31,088)	-	(31,088)	(1,615)
Closing cost	194,800	44,283	2,198	241,281	266,965
Accumulated Amortization					
Opening balance	143,345	45,268	183	188,796	152,986
Disposals	-	(31,088)	-	(31,088)	(1,066)
Amortization expense	19,480	11,071	183	30,734	36,876
Closing balance	162,825	25,251	366	188,442	188,796
 Net Book Value	 \$ 31,975	 \$ 19,032	 \$ 1,832	 \$ 52,839	 \$ 78,169

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2017

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:

2017-18	\$	207,160
2018-19	\$	207,160
2019-20	\$	207,160
2020-21	\$	207,160
2021-22	\$	207,160

6. Government Transfers

The Office is funded through annual budgetary appropriations approved by the House of Assembly. Government approved an appropriation of \$3,833,000 for 2016-17 (2015-16 - \$3,889,000). The Office charged expenses of \$3,448,630 (2016 - \$3,473,898) against the appropriation. Any unused appropriation cannot be carried forward for use in subsequent years.

7. Retirement Benefits

Employees of the Office are members of the Nova Scotia Public Service Superannuation Plan which provides defined pension benefits to employees. The Nova Scotia Pension Services Corporation manages the day-to-day operation of the plan investments and benefit administration. The Office's responsibility with regard to this plan is limited to its contributions. The plan is funded by equal employee and employer contributions. The Office's expense in relation to retirement benefits amounts to \$275,369 (2016 - \$266,381).

8. 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.

9. Comparative Amounts

Certain of the 2016 comparative amounts have been reclassified to conform to the 2017 financial statement presentation.