

# Office of the Auditor General of Nova Scotia

## Report on Performance 2016-17

### 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 2016-17 fiscal year. It presents our progress in completing various strategic projects and outlines several performance indicators that help assess the productivity, quality, and value of our work. It also summarizes our audited financial statements and comments on financial performance in comparison to our 2016-17 budget.

### Strategic Initiatives and Other Projects

In 2016-17, the Office focused its strategic efforts in four key areas: financial audits, performance audits, communications, and people management. Four initiatives were identified in our business plan as priority areas. Higher than expected staff turnover again this year impacted the resources available to devote to addressing all strategic initiatives, however, significant progress has been made. The following table indicates the status of the four projects as of March 31, 2017.

Strategic Initiatives: 2016-17	Completed	In Progress
Assess our performance audit practice for ongoing compliance with new Canadian Audit Standards effective June 2017 and update as needed.	x	
Develop a formal Office communication strategy.		x
Review and assess our financial audit methodology.	x	
Develop strategies for the ongoing engagement, development and appreciation of staff.	x	

Of the four initiatives planned for completion in 2016-17, three were completed and one has had significant progress made, as described below.

- Significant progress has been made in the development of a formal Office communication strategy. With the assistance of a MSVU co-op student, the Office conducted research into best practices of communicating through social media, website, videos, press releases, etc.. This information will form the basis of our communication strategy for key stakeholders. In addition, a comprehensive workplace review conducted by a HR consultant provided us with strategies to strengthen our communication within the Office. We expect to complete this initiative during 2017-18.

### Performance Measures

Although government's implementation rate of the recommendations from our audits has not met our Office target of 80%, we are pleased to report that results for the current year have improved. Overall, 72% of the recommendations we made in 2013 and 2014 have been implemented. Eleven government entities had very positive results with implementation rates of over 80%. Three entities had disappointing results with implementation rates of less than 50%. We are encouraged by the positive results this year and will continue to work with management and the Public Accounts Committee on ways to improve government's overall implementation rate.

The Office met its 2016-17 reporting target by releasing five reports to the House of Assembly. All audits scheduled for completion during the year were performed. All planned performance audits and all six of the Office's financial audits met their target release dates.

The Office's 2016-17 business plan listed four initiatives or projects to be completed during the year. Three were finished (75%); the remaining one is close to completion, as described earlier.

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

In place of our annual staff survey for 2016-17, the Office engaged an external Human Resources consultant to conduct a comprehensive workplace review. This review was in response to previous staff surveys and designed to provide clear and actionable recommendations supporting the engagement, development and appreciation of staff. The workplace review resulted in recommendations which have been accepted by our executive team and will serve as a basis for our priority initiatives over the next fiscal year. We are very pleased that the workplace review showed that 97% of staff feel that the Office is a good place to work.

Performance Indicator	Description	Office Target	2016-17 Result
1. Recommendations addressed	Percentage of recommendations implemented after two years	80% or higher	72%
2. Published reports	Auditor General reports released during year	Three or more	Five
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 six 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 2016-17 initiatives or projects implemented	80% or higher	75% 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	97%

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 Members of the Public Accounts Committee

The accompanying summary financial statements, which comprise the summary statement of financial position as at March 31, 2017, 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 May 31, 2017. 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, 2017 are a fair summary of those financial statements, in accordance with the basis described in Note 1.



**Chartered Professional Accountants**

Dartmouth, Nova Scotia

June 13, 2017

## Statement of Financial Position As at March 31, 2017

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

## Statement of Operations Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenues</b>			
Professional fees	\$393,000	\$362,750	\$262,130
<b>Expenses</b>			
Amortization	-	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 expense	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>
<b>Net Expenses from Operations</b>	<u>\$3,833,000</u>	<u>3,496,576</u>	<u>3,376,765</u>
Loss on disposal of tangible capital assets	-	-	549
<b>Net Expenses before Government Transfers</b>	<u>3,833,000</u>	<u>3,496,576</u>	<u>3,377,314</u>
<b>Government transfers</b>	<u>3,833,000</u>	<u>3,448,630</u>	<u>3,473,898</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ nil</u>	<u>(47,946)</u>	<u>96,584</u>
<b>Accumulated Surplus (Deficit), beginning of year</b>		-	-
		<u>(47,946)</u>	<u>96,584</u>
<b>Transfer to (from) General Revenue Fund</b>		<u>(47,946)</u>	<u>96,584</u>
<b>Accumulated Surplus (Deficit), end of year</b>	<u>\$ nil</u>	<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, 2017 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:

- (a) The summary financial statements include the statement of financial position and statement of operations
- (b) Management determined that the statements of changes 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
- (c) 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
- (d) 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:

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

### Financial Stewardship and Accountability to the Public

The Office strives to be a leader in accountability and stewardship over the resources entrusted to us to fulfill our role to the House of Assembly and Nova Scotians. Examples of how we demonstrate accountability and stewardship include making public our annual business plans and performance reports, audited financial statements, audit reports and plans, and disclosure of our executive team's travel and hospitality expenses. Over the last 10 years the Office has underspent its approved budget by a total of \$1.6 million or 5%.

### Financial Performance Variances

The Office's complete audited financial statements are available from our website at [www.oag-ns.ca](http://www.oag-ns.ca).

Significant budget variances – In 2016-17, the Office underspent its \$3,833,000 budget by \$336,424 (9%).

	2017 Budget	2017 Actual	Difference
Professional fees Revenue	\$393,000	\$362,750	\$30,250
Amortization	-	30,734	<30,734>
Equipment purchases	15,000	2,789	12,211
Professional services	69,000	216,558	<147,558>
Relocation expense	25,000	44,578	<19,578>
Salaries and benefits	3,612,000	3,101,789	510,211
Staff training	63,000	75,101	<12,101>
Travel	79,000	53,049	25,951
Other	363,000	334,728	28,272
Total Expenses	\$4,226,000	\$3,859,326	\$366,674
Under <over> budget	\$3,833,000	\$3,496,576	\$336,424

The causes of significant variances from budget, those over \$10,000 on a line-by-line basis, are provided below.

- Professional fees revenue was \$30,250 less than expected. Our budgeted professional fees are determined based on the actual hours needed to complete the work in the previous year. Certain audits were completed in less time in 2016-17 and these savings were passed on to the entities in the way of reduced audit fees.
- Actual expenses include \$30,734 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 \$15,000 budget for equipment purchases was underspent by \$12,211. The plan to refresh our computers and other IT equipment was not completed as expected, this will be completed in 2017-18.
- Our expected budget for professional services was overspent by \$147,558. Unexpected staff turnover and longer-duration vacancies required that we contract for additional professional services to address the resource shortages. This is not expected to continue in future years as we expect these vacancies to stabilize.
- Our expected budget for relocation expenses for new staff was overspent by \$19,578. Unexpected staff turnover required that we hire more new staff than originally expected. We estimate our need to provide relocation expenses based on normal staff turnover; actual staff turnover exceeded the norm.
- The salaries and benefits budget was underspent by \$510,211, primarily due to higher than expected staff turnover and longer-duration vacancies. This is not expected to continue.
- Our staff training budget was overspent by \$12,101. Unexpected staff turnover resulted in us underestimating

training costs necessary for new staff like costs associated with them obtaining their professional accounting designation (CPA).

- The staff travel budget of \$79,000 was underspent by \$25,951. Travel costs associated with our annual audit of the Nova Scotia Health Authority's financial statements were less than expected. In addition, travel costs related to our performance audit work are not fully known at the time of the development of our budget.

### Other Accomplishments and Events

Three members of the Office were successful in obtaining their Chartered Professional Accountants designation. This is a significant accomplishment of which the Office is very proud.


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. He has also been appointed to a three year term on CPA Canada's Auditing and Assurance Standards Board which sets Canadian auditing standards.

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.

The Office also contributes to the work of the Canadian Audit and Accountability Foundation, including helping to deliver training to support the development of audit skills in Canada and internationally.

### Additional Information

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