



Office of the Auditor General of Nova Scotia

Financial Statements
For the Year Ended March 31, 2019

**Office of the Auditor General of Nova Scotia
Financial Statements
March 31, 2019**

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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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Independent Auditor's Report

To the Executive Committee of Office of the Auditor General of Nova Scotia

Opinion

We have audited the financial statements of Office of the Auditor General of Nova Scotia (the Office), which comprise the balance sheet as at March 31, 2019, the statements of operations and accumulated surplus, capital and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Dartmouth, Nova Scotia
May 31, 2019

Office of the Auditor General of Nova Scotia
Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable (Note 9)	92,641	80,130
Due from government (Note 3)	74,662	56,289
	167,553	136,669
 Liabilities		
Accounts payable	55,637	32,305
Accrued liabilities	1,186	4,838
Accrued salaries, benefits and vacation (Note 4)	211,885	192,093
	268,708	229,236
 Net debt	 101,155	 92,567
 Non-financial Assets		
Prepaid expenses	31,206	25,761
Tangible capital assets (Note 5)	69,949	66,806
	101,155	92,567
 Accumulated Surplus	 \$ nil	 \$ nil
Commitments (Note 6)		

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, 2019

	2019 Budget	2019 Actual	2018 Actual
Revenues			
Professional fees	\$ 363,000	\$ 428,750	\$ 414,250
Expenses			
Amortization (Note 2)	-	25,248	22,816
Membership dues	68,000	53,868	52,921
Office lease and taxes	192,000	187,758	156,939
Office supplies	48,000	20,819	21,473
Other services	55,000	35,891	25,268
Parking	6,000	5,760	5,685
Professional services	216,000	215,550	253,287
Salaries and benefits (Note 9)	3,854,000	3,422,125	3,237,321
Staff training	80,000	107,431	73,595
Telecommunications	16,000	16,414	13,099
Travel	65,000	57,792	64,417
	<u>4,600,000</u>	<u>4,148,656</u>	<u>3,926,821</u>
Net Expenses before Government Contributions	4,237,000	3,719,906	3,512,571
Government contributions (Note 7)	4,237,000	3,629,195	3,600,459
Annual Surplus (Deficit) before Transfers	<u>\$ nil</u>	(90,711)	87,888
Transfer to (from) General Revenue Fund (Note 3)		<u>(90,711)</u>	87,888
Annual Surplus (Deficit)		nil	nil
Accumulated Surplus (Deficit), beginning of year		<u>nil</u>	nil
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, 2019**

	2019 Budget	2019 Actual	2018 Actual
Annual surplus (deficit)	\$ nil	\$ nil	\$ nil
Acquisition of tangible capital assets	(19,000)	(28,391)	(36,783)
Amortization of tangible capital assets (Note 5)	nil	25,248	22,816
	<u>(19,000)</u>	<u>(3,143)</u>	<u>(13,967)</u>
Acquisition of prepaid expenses	nil	(31,206)	(25,761)
Use of prepaid expenses	nil	25,761	29,341
	<u>nil</u>	<u>(5,445)</u>	<u>3,580</u>
Decrease in Net Debt	(19,000)	(8,588)	(10,387)
Net Debt, beginning of the year	<u>(92,567)</u>	<u>(92,567)</u>	<u>(82,180)</u>
Net Debt, end of the year	<u>\$ (111,567)</u>	<u>\$ (101,155)</u>	<u>\$ (92,567)</u>

The accompanying notes are an integral part of the financial statements
The Office does not budget for certain non-cash items such as amortization

Office of the Auditor General of Nova Scotia
Statement of Cash Flow
Year Ended March 31, 2019

	2019	2018
Cash Flows from:		
Operating Activities		
Surplus	\$ nil	\$ nil
Items in earnings not involving cash		
Amortization	25,248	22,816
Change in non-cash working capital balances		
Accounts receivable	(12,510)	(28,463)
Due to/ from government	(18,374)	40,885
Prepaid expenses	(5,445)	3,580
Accounts payable	23,332	(1,786)
Accrued liabilities	(3,652)	(1,487)
Accrued salaries, benefits and vacation	19,792	1,238
	28,391	36,783
Capital Activities		
Additions to tangible capital assets	(28,391)	(36,783)
Change in cash during the year	nil	nil
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, 2019

1. Purpose

The Office of the Auditor General is an office of the Nova Scotia House of Assembly which serves to help the House hold 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 professional fee revenues to recover costs for the audits it performs on certain public sector organizations. 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 all HST collected and paid is reimbursed to the Province of Nova Scotia.
- (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
March 31, 2019

2. Significant Accounting Policies (continued)

(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 is determined using the employee's current salary and accumulated vacation time.
- iii) *Public Service Award* – Full-time employees of the Office are eligible to receive the Public Service Award pursuant to the Civil Service Act. Payment for this award is the responsibility of the Province of Nova Scotia.

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. In 2015, government announced it would phase out the Public Service Award but that it would honour service amounts accumulated to August 11, 2015. In 2017-18, government extended a one-time option to eligible civil servants to receive a lump-sum payout in place of the Public Service Award. The election period for the service payout closed on March 16, 2018 and the awards were paid in 2018-19. The Office's costs, and any assets or liabilities related to the Public Service Award, are not included as part of the Office's budget and are accounted for by the Province of Nova Scotia in its consolidated financial statements. As such, there is no net impact on the Office's financial statements for the settlement of the Public Service Award.

- iv) *Retirement Health Plan Benefits* – Retirement health plan benefits are a liability of the Province of Nova Scotia and have no impact on the financial statements of the Office.
- (g) *Government Contributions* – The appropriations from the General Revenue Fund are recognized as government contributions as authorized by the Legislative Assembly and used to fund the Office's 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.

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2019

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). These annual surplus/ deficits are transferred to/ from government's General Revenue Fund in the year in which the surplus/ deficit arises.

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.

	2019	2018
Due from (to) government, beginning of year	\$ 56,289	\$ 97,174
Annual deficit (surplus)	90,711	(87,888)
Year end receivables/ payables/ accruals	(72,338)	47,003
Due from government, end of year	\$ 74,662	\$ 56,289

4. Accrued Salaries, Benefits and Vacation

Salaries and Benefits – The Office accrued \$140,793 (2018 - \$121,732) for salaries and benefits earned by employees before the end of the year but paid after year end.

Vacation - The Office accrued \$71,092 (2018 - \$70,361) for vested vacation benefits. The amount was determined using the employee's current salary and accumulated vacation time.

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2019

5. Tangible Capital Assets

	-----2019-----			---2018---	
	Furniture and equipment	Computer equipment	Leasehold improvements	Total	Total
Cost					
Opening cost	\$ 198,605	\$ 54,299	\$ 21,041	\$ 273,945	\$ 241,281
Additions	nil	28,391	nil	28,391	36,783
Disposals	nil	(1,254)	nil	(1,254)	(4,119)
Closing cost	198,605	81,436	21,041	301,082	273,945
Accumulated Amortization					
Opening balance	170,313	34,707	2,119	207,139	188,442
Disposals	nil	(1,254)	nil	(1,254)	(4,119)
Amortization expense	4,249	19,246	1,753	25,248	22,816
Closing balance	174,562	52,699	3,872	231,133	207,139
Net Book Value	\$ 24,043	\$ 28,737	\$ 17,169	\$ 69,949	\$ 66,806

6. Commitments

The Government of Nova Scotia has entered into a lease agreement on the Office's behalf for office space. The agreement expires in 2023. Commitments for lease payments and associated operating costs for the next five fiscal years are estimated to be:

2019-20	\$ 187,759
2020-21	\$ 187,759
2021-22	\$ 187,759
2022-23	\$ 15,647

7. Government Contributions

The Office is funded through annual budgetary appropriations approved by the House of Assembly. Government approved an appropriation of \$4,237,000 for 2018-19 (2018 - \$3,869,000). The Office charged expenses of \$3,629,195 (2018 - \$3,600,459) against the appropriation. Any unused appropriation cannot be carried forward for use in subsequent years.

Office of the Auditor General of Nova Scotia
Notes to Financial Statements
March 31, 2019

8. 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 \$288,599 (2018 - \$268,208).

9. Related Party Transactions

(a) *Business Transactions* - The Office of the Auditor General of Nova Scotia is related to all Government of Nova Scotia departments, provincial crown corporations, agencies, boards, and commissions as a result of common ownership. The Office enters into transactions with these organizations in the normal course of business measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Office is mindful of its independence and objectivity when entering into any such transactions.

(b) *Funding and Specific Disclosure* - The Office's sources of funding are through an annual appropriation provided by government and the billing of professional fees for certain audit work performed. The Office does not bill government for the audit of its consolidated financial statements (the Public Accounts of Nova Scotia) or for performance audits the Office conducts.

i) Revenues and Receivables - During the year the Office received professional fee revenues of \$428,750 (2018 - \$414,250) from related parties, of which \$90,000 (2018- \$80,000) was included in accounts receivable at year end.

ii) Annual Appropriation - The Office's annual appropriation approved by the House of Assembly is discussed in Note 7.

(c) *Services Provided with no Charge* - The Province of Nova Scotia has centralized some of its administrative activities for efficiency and cost-effectiveness purposes. As a result, the Province of Nova Scotia uses a shared services model so that one governmental unit performs services for other units without charge. The costs of such services as payroll processing, cheque issuing, and information technology support provided by the Province of Nova Scotia are not recognized in the Office's financial statements.

10. Comparative Amounts

Certain of the 2018 comparative amounts have been reclassified to conform to the 2019 financial statement presentation.