



# Office of the Auditor General of Nova Scotia

## 2018-19 Report on Performance

### 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 information they can use 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 an annual business plan, performance report, and financial statements which are independently audited.

This performance report illustrates the Office's results in meeting its goals for the 2018-19 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 2018-19 budget.

### Strategic Initiatives

In 2018-19, the Office focused its strategic efforts in four key areas: financial audits, performance audits, communications, and people management. Five initiatives were identified in our business plan as priority areas. Considerable effort was devoted to addressing strategic initiatives during the year, however, not all were completed as originally planned. Significant progress has been made on the two not yet completed by year end. The following table indicates the status of the five projects as of March 31, 2019.

Strategic Initiatives: 2018-19	Completed	In Progress
Review, update and implement our new employee orientation practices to provide structure and consistency.	X	
Design a new human resources competency-based framework for the selection, training, and evaluation of staff. This framework will be implemented in subsequent years.		X
Develop and implement a new employee recognition program for the Office.	X	
Develop a formal internal Office communication strategy.	X	
Assess and develop an approach for using data analytics more effectively in both our financial and performance audit practices.		X

Of the five initiatives planned for completion in 2018-19, three were completed and significant progress has been made in addressing the remaining two, as described below.

### Performance Measures

Government's implementation rate of the recommendations from our audits has not met our Office target of 80 percent. Overall, 71 percent of the recommendations we made in 2015 and 2016 have been implemented. Nine government entities had very positive results with implementation rates of over 80 percent. Seven entities had disappointing results with implementation rates of less than 60 percent. 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 2018-19 reporting target by releasing six reports to the House of Assembly. All audits scheduled for completion during the year were performed. All planned performance audits and all eight of the Office's financial audits and reports met their target release dates.

The Office's 2018-19 business plan listed five initiatives or projects to be completed during the year. Three were finished (60%); the remaining two are close to completion. Core competencies have been developed for most audit staff in the Office; only a few levels need to be completed. Work on the use of data analytics in both our audit practices is progressing well and the Office is leveraging on work from other CCOLA offices to finalize our approach.

The Office's survey of MLA satisfaction with the service of our Office occurs every two years. Results from the February 2018 survey show that 88 percent of MLAs are either very satisfied or satisfied with our work. This exceeds our target of 80 percent.

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. The next staff survey will be in 2019-20.

Performance Indicator	Description	Office Target	2018-19 Result
1. Implemented recommendations	Percentage of recommendations implemented after two years	80% or higher	71%
2. Published reports	Reports released during year	Four	Six
3. Planned audits completed	Whether audits planned for the year were performed	80% or higher	100%
4. Financial audits and reporting on target	Financial audits completed by applicable target dates	All target dates met	All eight target dates were met
5. Performance audits on target	Performance audits completed by applicable target dates	80% or higher	100%
6. Strategic projects completed	Percentage of 2018-19 strategic projects completed	80% or higher	60%
7. MLA satisfaction (Note 1)	Percentage of MLAs satisfied with our work	80% or higher	88%
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. 2018-19 results are from the February 2018 survey.

Note 2: The Office surveys its staff every three years. 2018-19 results are from the 2016-17 comprehensive workplace review.

## Summary Financial Statements

### Report of the Independent Auditor on the Summary Financial Statements

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

#### Opinion

The summary financial statements, which comprise the summary statement of financial position as at March 31, 2019, 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 (the Office) for the year ended March 31, 2019.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with the basis described in Note 1.

#### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by Canadian Public Sector Accounting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Office's audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

#### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated May 31, 2019.

#### Management's Responsibility for the Summary Financial Statements

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

#### Auditor's Responsibility

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



Chartered Professional Accountants, Licensed Public Accountants

Dartmouth, Nova Scotia

May 31, 2019

## Summary Statement of Financial Position As at March 31, 2019

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

## Summary Statement of Operations Year ended March 31, 2019

	2019 Budget	2019 Actual	2018 Actual
<b>Revenues</b>			
Professional fees	\$363,000	\$428,750	\$414,250
<b>Expenses</b>			
Amortization	nil	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	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>
<b>Net Expenses before Government Contributions</b>	<u>4,237,000</u>	<u>3,719,906</u>	<u>3,512,571</u>
<b>Government contributions</b>	<u>4,237,000</u>	<u>3,629,195</u>	<u>3,600,459</u>
<b>Annual Surplus (Deficit) before Transfers</b>	<u>\$ nil</u>	<u>(90,711)</u>	<u>87,888</u>
<b>Transfer to (from) General Revenue Fund</b>		<u>(90,711)</u>	<u>87,888</u>
<b>Annual Surplus (Deficit)</b>		<u>nil</u>	<u>nil</u>
<b>Accumulated Surplus (Deficit), beginning of year</b>		<u>nil</u>	<u>nil</u>
<b>Accumulated Surplus (Deficit), end of year</b>	<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, 2019 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 summary statement of financial position and summary 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 on our website or 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 2023. Commitments for lease payments and associated operating costs for the next four fiscal years are estimated to be:

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

### 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. The Office has underspent its approved budget in each of the last 11 years.

## Financial Performance Variances

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

Significant budget variances – In 2018-19, the Office underspent its \$4,600,000 budget by \$517,094 (11%).

	2019	2018	Difference
	Budget	Actual	
Professional fees revenue	\$363,000	\$428,750	\$<65,750>
Amortization	nil	25,248	<25,248>
Membership dues	68,000	53,868	14,132
Office lease and taxes	192,000	187,758	4,242
Office supplies	48,000	20,819	27,181
Other services	55,000	35,891	19,109
Parking	6,000	5,760	240
Professional services	216,000	215,550	450
Salaries and benefits	3,854,000	3,422,125	431,875
Staff training	80,000	107,431	<27,431>
Telecommunications	16,000	16,414	<414>
Travel	65,000	57,792	7,208
<b>Total Expenses</b>	<b>\$4,600,000</b>	<b>\$4,148,656</b>	<b>\$451,344</b>
<b>Under budget</b>	<b>\$4,237,000</b>	<b>\$3,719,906</b>	<b>\$517,094</b>

The causes of significant variances from budget, those over \$25,000 on a line-by-line basis, are provided below.

- Our budget does not include amortization. The Office's assets are capitalized for financial reporting purposes and the associated amortization is shown on the financial statements.
- Our budget for revenues was under by \$65,750 which is due to audit fees received in the year, but not included in the budget. The Office budgeted for the new audit of the IWK Health Centre in the year but did not include fees for the two audits no longer conducted by the Office.
- Our budget for office supplies was underspent by \$27,181. Underspending was due to planned purchases that did not happen in the year and some purchases which met the Office's threshold to capitalize and therefore not fully expensed in the year.
- Our budget for salaries and benefits was underspent by \$431,875, primarily due to short-term vacancies for retirements and staff on maternity leaves.
- Our budget for staff training was overspent by \$27,431. The Office participated in two courses offered by the Canadian Audit and Accountability Foundation that were not planned in the current year.

## Other Accomplishments and Events


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 completed his second year of a three-year term as a member of 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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