



# Office of the Auditor General of Nova Scotia

## Report on Performance 2017-18

### 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 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 2017-18 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 2017-18 budget.

### Strategic Initiatives and Other Projects

In 2017-18, 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. The Office had less resources available to devote to addressing strategic initiatives than originally planned, however, significant progress has been made. The following table indicates the status of the five projects as of March 31, 2018.

Strategic Initiatives: 2017-18	Completed	In Progress
Update our performance audit manual to reflect the Canadian Audit Standards for performance audits effective June 2017.	X	
Conduct a post-implementation review of our new financial audit methodology.	X	
Develop a formal Office communication strategy.		X
Develop an implementation plan to address the recommendations included in our workplace review. Address those recommendations scheduled for completion in 2017-18.	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 2017-18, three were completed and two have had significant progress made, as described below.

### Performance Measures

Although government's implementation rate of the recommendations from our audits has not met our Office target of 80 percent, we are pleased to report that results for the current year have again improved. Overall, 75 percent of the recommendations we made in 2014 and 2015 have been implemented. Sixteen government entities had very positive results with implementation rates of over 80 percent. Four entities had disappointing results with implementation rates of less than 60 percent. We are encouraged by the positive results again 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 2017-18 reporting target by releasing four 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 2017-18 business plan listed five initiatives or projects to be completed during the year. Three were finished (60%); the remaining two are 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 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	2017-18 Result
1. Implemented recommendations	Percentage of recommendations implemented after two years	80% or higher	75%
2. Published reports	Reports released during year	Four	Four
3. Planned audits completed	Whether audits planned for the year were performed	80% or higher	100%
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	80% or higher	100%
6. Strategic projects completed	Percentage of 2017-18 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. 2017-18 results are from the February 2018 survey.

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

## 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, 2018, 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, 2018. 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, 2018 are a fair summary of those financial statements, in accordance with the basis described in Note 1.

#### Chartered Professional Accountants

Dartmouth, Nova Scotia  
May 31, 2018

## Statement of Financial Position As at March 31, 2018

	2018	2017
<b>Financial Assets</b>		
Petty cash	\$ 250	\$ 250
Accounts receivable	80,130	51,667
Due from government	56,289	97,174
	<u>136,669</u>	<u>149,091</u>
<b>Liabilities</b>		
Accounts payable	32,305	34,091
Accrued liabilities	4,838	6,325
Accrued salaries, benefits and vacation	192,093	190,855
	<u>229,236</u>	<u>231,271</u>
<b>Net debt</b>	<u>92,567</u>	<u>82,180</u>
<b>Non-financial Assets</b>		
Prepaid expenses	25,761	29,341
Tangible capital assets	66,806	52,839
	<u>92,567</u>	<u>82,180</u>
<b>Accumulated Surplus</b>	<u>\$ nil</u>	<u>\$ nil</u>

## Statement of Operations Year ended March 31, 2018

	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>			
Professional fees	\$393,000	\$414,250	\$362,750
<b>Expenses</b>			
Amortization	nil	22,816	30,734
Membership dues	64,000	52,921	51,726
Office lease and taxes	207,000	156,939	207,160
Office supplies	45,000	21,473	22,221
Other services	68,000	26,475	82,573
Parking	6,000	5,685	4,104
Professional services	164,000	253,287	216,558
Salaries and benefits	3,556,000	3,237,321	3,101,789
Staff training	54,000	73,595	75,101
Telecommunications	19,000	11,892	14,311
Travel	79,000	64,417	53,049
	<u>4,262,000</u>	<u>3,926,821</u>	<u>3,859,326</u>
<b>Net Expenses before Government Contributions</b>	3,869,000	3,512,571	3,496,576
<b>Government Contributions</b>	3,869,000	3,600,459	3,448,630
<b>Annual Surplus (Deficit) before Transfers</b>	<u>\$ nil</u>	87,888	(47,946)
<b>Transfer to (from) General Revenue Fund</b>		87,888	(47,946)
<b>Annual Surplus (Deficit)</b>		nil	nil
<b>Accumulated Surplus (Deficit), beginning of year</b>		nil	nil
<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, 2018 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 on our website 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:

2018-19	\$ 187,759
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 ten years.

## 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 2017-18, the Office underspent its \$3,869,000 budget by \$356,429 (9%).

	2018 Budget	2018 Actual	Difference
Professional fees revenue	\$393,000	\$414,250	\$<21,250>
Amortization	nil	22,816	<22,816>
Membership dues	64,000	52,921	11,079
Office lease and taxes	207,000	156,939	50,061
Office supplies	45,000	21,473	23,527
Other services	68,000	26,475	41,525
Parking	6,000	5,685	315
Professional services	164,000	253,287	<89,287>
Salaries and benefits	3,556,000	3,237,321	318,679
Staff training	54,000	73,595	<19,595>
Telecommunications	19,000	11,892	7,108
Travel	79,000	64,417	14,583
<b>Total Expenses</b>	<b>\$4,262,000</b>	<b>\$3,926,821</b>	<b>\$335,179</b>
<b>Under budget</b>	<b>\$3,869,000</b>	<b>\$3,512,571</b>	<b>\$356,429</b>

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

- Our budget for office lease and taxes was underspent by \$50,061. The Office received a refund of prior years' rent and the monthly lease amount in 2017-18 dropped.
- Our budget for other services was underspent by \$41,525. The main reason for the difference was the Office budgetted \$25,000 for construction of a new office which has been capitalized in the financial statements. Also, the \$10,000 budget for printing reports was not used as the Office no longer prints its reports.
- Our budget for professional services was overspent by \$89,287. Longer-duration vacancies required that we contract for professional services to address the resource shortages. This is not expected to continue in future years as most vacancies have since been filled.
- The salaries and benefits budget was underspent by \$318,679, primarily due to longer-duration vacancies. This is not expected to continue as most vacancies have since been filled.

## 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 first 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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