



# Office of the Auditor General of Nova Scotia

## 2019-20 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 2019-20 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 2019-20 budget.

### Strategic Initiatives

In 2019-20, the Office focused its strategic efforts in four key areas: financial audits, performance audits, communications, and people management. Six 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 six projects as of March 31, 2020.

Strategic Initiatives: 2019-20	Completed	In Progress
Develop an employee training and development master plan that will map the learning activities and learning paths to the competencies.		X
Finalize a new human resources competency-based framework and begin the implementation process.	X	
Overhaul our performance appraisal process linking to related competencies.	X	
Develop a strategic stakeholder communications plan including putting the necessary resources and structures in place to deliver on the plan.		X
Assess and develop an approach for using data analytics more effectively in both our financial and performance audit practices and ensure adequate resources are in place in support.	X	
Organize customized performance management and coaching training for all staff in supervisory roles.	X	

Of the six initiatives planned for completion in 2019-20, four were completed and significant progress has been made in addressing the remaining two.

### Performance Measures

In the four performance audit reports released in 2019-20, 100% or 33 of the 33 recommendations were accepted by those audited.

The Office met its 2019-20 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 and reports met their target release dates.

The Office's 2019-20 business plan listed six initiatives or projects to be completed during the year. Four were finished (67%); the remaining two are close to completion.

The Office's survey of MLA satisfaction with the service of our Office occurs every two years. The Office had planned to survey MLAs in March 2020 but this initiative was deferred as a result of the COVID-19 pandemic. 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. We are very pleased that the workplace review showed that 97 percent of staff feel that the Office is a good place to work. The next staff survey will be in 2020-21 and will serve as a basis for our priority initiatives over the next fiscal year.

Performance Indicator	Description	Office Target	2019-20 Result
1. Recommendations accepted by those audited	Percentage of recommendations accepted	95% or higher	100%
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 and reporting 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 2019-20 strategic projects completed	80% or higher	67%
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. 2019-20 results are from the February 2018 survey.

Note 2: The Office surveys its staff every three years. 2019-20 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, 2020, 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, 2020.

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 29, 2020.

#### 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 29, 2020

## Summary Statement of Financial Position As at March 31, 2020

	2020	2019
<b>Financial Assets</b>		
Petty cash	\$ 250	\$ 250
Accounts receivable	112,775	92,641
Due from government	114,017	74,662
	<u>227,042</u>	<u>167,553</u>
<b>Liabilities</b>		
Accounts payable	66,598	55,637
Accrued liabilities	20,854	1,186
Accrued salaries, benefits and vacation	274,491	211,885
	<u>361,943</u>	<u>268,708</u>
<b>Net debt</b>	<u>134,901</u>	<u>101,155</u>
<b>Non-financial Assets</b>		
Prepaid expenses	36,897	31,206
Tangible capital assets	98,004	69,949
	<u>134,901</u>	<u>101,155</u>
<b>Accumulated Surplus</b>	<u>\$ nil</u>	<u>\$ nil</u>

## Summary Statement of Operations Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
<b>Revenues</b>			
Professional fees	\$475,000	\$431,100	\$428,750
<b>Expenses</b>			
Amortization	nil	24,973	25,248
Membership dues	70,000	54,744	53,868
Office lease and taxes	190,000	187,758	187,758
Office supplies	72,000	19,147	20,819
Other services	63,000	34,125	35,891
Parking	6,000	5,850	5,760
Professional services	272,000	184,972	215,550
Salaries and benefits	3,895,000	3,791,445	3,422,125
Staff training	90,000	103,592	107,431
Telecommunications	20,000	15,116	16,414
Travel	80,000	52,610	57,792
	<u>4,758,000</u>	<u>4,474,332</u>	<u>4,148,656</u>
<b>Net Expenses before Government Contributions</b>	<u>4,283,000</u>	<u>4,043,232</u>	<u>3,719,906</u>
<b>Government contributions</b>	<u>4,283,000</u>	<u>4,059,560</u>	<u>3,629,195</u>
<b>Annual Surplus (Deficit) before Transfers</b>	<u>\$ nil</u>	<u>16,328</u>	<u>(90,711)</u>
<b>Transfer to (from) General Revenue Fund</b>		<u>16,328</u>	<u>(90,711)</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, 2020 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 three fiscal years are estimated to be:

2020-21	\$ 225,648
2021-22	\$ 225,648
2022-23	\$ 18,804

### Note 3 – Impact of the Covid-19 Pandemic on our Results and Operations

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. In response to the declaration and the first presumptive cases being identified in the province, the Government of Nova Scotia advised departments, including the Office of the Auditor General, to put business continuity plans into action. The Office closed its physical office location on March 16, 2020 and employees switched to staying at home to do their work. It was able to provide services, realize assets and discharge liabilities in the normal course of business.

With employees working from home, the Office revised certain protocols to ensure continuity of business and respond to any implications on operations and year-end procedures. Minimal costs were incurred to establish proper work-from-home conditions for employees. Interim financial statement audits which were nearing completion in mid-March were able to be completed, thus having little impact on the Office's revenues earned from professional fees. Administratively, approvals which previously had been provided on a paper document were now provided via email.

There is still great uncertainty surrounding the COVID-19 virus. Looking ahead, and with no date set for switching from working from home to returning to the physical office, the Office expects to be able to carry out its year-end financial statement audits, its performance audits, and administrative activities. The Office does not anticipate any additional pressures on its 2020-21 budget arising as a result of the COVID-19 pandemic.

## 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 12 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 2019-20, the Office underspent its \$4,283,000 budget by \$239,768 (6%).

	2020 Budget	2020 Actual	Difference
Professional fees revenue	\$475,000	\$431,100	\$<43,900>
Amortization	nil	24,973	<24,973>
Membership dues	70,000	54,744	15,256
Office lease and taxes	190,000	187,758	2,242
Office supplies	72,000	19,147	52,853
Other services	63,000	34,125	28,875
Parking	6,000	5,850	150
Professional services	272,000	184,972	87,028
Salaries and benefits	3,895,000	3,791,445	103,555
Staff training	90,000	103,592	<13,592>
Telecommunications	20,000	15,116	4,884
Travel	80,000	52,610	27,390
<b>Total Expenses</b>	<b>\$4,758,000</b>	<b>\$4,474,332</b>	<b>\$283,668</b>
<b>Under budget</b>	<b>\$4,283,000</b>	<b>\$4,043,232</b>	<b>\$239,768</b>

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

- Our budget for professional fees revenue included revenue for the audit of the financial statements of the Public Trustee. Subsequent to approving the budget, the Office made the decision to not audit the financial statements of the Public Trustee.
- Our budget for office supplies was underspent by \$52,853. 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 other services was underspent by \$28,875, primarily due to planned purchases of services that did not happen in the year.
- Our budget for professional services was underspent by \$87,028. Underspending was due to purchases planned for 2019-20 being delayed until the next fiscal year.

- Our budget for salaries and benefits was underspent by \$103,555, primarily due to short-term vacancies.
- Our budget for travel was underspent by \$27,390, primarily due to conferences cancelled as a result of the COVID-19 pandemic.

### 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 third year of a three-year term as a member of CPA Canada's Auditing and Assurance Standards Board which sets Canadian auditing standards.

In December 2019 the Auditor General issued a mid-mandate report which provided reflections on the first half of his 10-year term. The report also highlights key statistics about the work completed by the Office.

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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