

**OFFICE OF THE AUDITOR GENERAL**

## 20.

### REPORT ON THE OFFICE OF THE AUDITOR GENERAL

#### MANDATE

**20.1** The responsibilities and authorities of the Auditor General are derived from the Auditor General Act (Chapter 28, 1989). The Act specifies the responsibility to examine the accounts of the Province and its various agencies and the requirement to report to the House of Assembly on the government's stewardship of public funds. Appendix I of this Report includes extracts of the audit mandate and reporting sections of the Auditor General Act.

**20.2** In addition, certain other Acts provide more specific audit mandates to this Office. For the most part these relate to the performance of the annual financial statement audit function for certain crown agencies or funds.

#### MISSION, VISION, VALUES

**20.3** Exhibit 20.1 is an extract from the Office's *Business Plan 1997-98 to 2000-2001* which was prepared consistent with the guidelines issued for the *Integrated Planning and Budget Process* now used by government.

#### STRATEGIC GOALS AND OBJECTIVES

**20.4** As a result of internal planning activities, the Office has identified the following key goals that are being used to guide our audit and related activities.

- To achieve positive change in the accountability for and management of public funds.
- To provide assurance on the credibility of financial statements and other representations in order to assist the House of Assembly to hold the government to account.
- To strive for excellence through the pursuit of state-of-the-art knowledge, skills and abilities, and to work to the highest standards of our profession.
- To provide cost effective use of resources in support of the role and responsibilities of our Office.

**20.5** These goals are reviewed each year and will evolve as required or appropriate. Further, we monitor our overall performance against these goals.

*Exhibit 20.1***Office of the Auditor General  
Mission, Vision and Values**

**Our Mission** - The Office derives its mandate from the Auditor General Act (Chapter 28, 1989). The people of Nova Scotia, through their elected representatives, need assurance that their tax dollars are expended for the purposes intended. As the legislative auditor of the Province, the Office helps the House of Assembly to hold the government to account by providing opinions:

- on the credibility of financial statements and other government representations;
- concerning compliance with legislation, regulations, agreements, and policies;
- on the adequacy of control; and
- on the extent of due regard for economy and efficiency in the management of public funds.

In addition, the Office provides advice to assist in improving the accountability for, and the management of, public funds.

**Our Vision** - The Office strives for excellence in public sector management and value for money in the use of public funds.

**Our Values** - In pursuing our mission, we value our clients, our people, and our professionalism.

- We strive to provide quality service to the House of Assembly, its members, and other clients. We do this with initiative and commitment, employing state of the art knowledge, skills, and abilities. We seek to be progressive, encouraging leadership, intelligent risk-taking, and high standards of reliability.
- We treat each other with fairness and equality, communicating openly, honestly, and respectfully. We place great importance in career development, training, professional fulfilment, and quality of work life. We work together as a partnership, support staff and professionals, recognizing each person's unique contribution.
- We work to the highest standards of our profession, maintaining a relationship with the House of Assembly and the government that is confidential, independent, objective, and professional. We endeavor to be creative while remaining practical, economical, and efficient. We share our knowledge, values, ideas, and experiences within the Office, the government, and our profession.

## CORE BUSINESS FUNCTIONS

**20.6** The Office conducts audits under the Auditor General Act and reports the results to the House of Assembly. The types of audits and reports provided are described in the Mission. However, for purposes of a more complete description, our business function is comprised of the following elements:

- In addition to the Auditor General Act, other legislation, including the Provincial Finance Act, specifies audit responsibilities. Under all of these our function is to provide information to the House of Assembly, and advice to both the government and managers of government entities.
- We perform assessments from which flow the provision of assurance, advice, recommendations and analyses.
- We identify and monitor emerging issues, and research developments and initiatives in other jurisdictions related to the management and control of public funds in order to provide advice regarding opportunities for improvement.
- We support the Public Accounts Committee by providing information through briefings, research and by responding to queries.

## OUTCOME MEASURES

**20.7** While outcomes can only be measured through compilation and interpretation of data from various sources, for purposes of performance monitoring, we have identified the following outcome measures relating to the achievement of the Office's strategic goals and objectives.

- The degree to which positive change has occurred in the management of public funds. This can only be measured over time and requires benchmarking and subsequent comparison.
- The extent to which financial statements and other management representations are presented fairly, on a timely basis, and are considered useful as accountability reports. This also can only be measured over time and requires benchmarking and subsequent analysis.
- The extent of external recognition of the Office as an effective professional legislative audit function. This can be measured in a variety of ways including peer review, report user feedback, media analysis and professional recognition.
- The comparison of the costs of the Office to the costs of similar legislative and other audit organizations. Various cost comparisons can be developed and analyzed to measure Office performance.

**20.8** We have begun to gather and consider general information against these outcome measures. However, we are committed to this being a more formal element of our ongoing planning and performance management processes. Further, initiatives within the legislative audit community, particularly under the auspices of the Conference of Legislative Auditors (COLA), appear to have the potential for refinement of outcome measures for audit offices. We will continue to participate in these efforts while striving to utilize those outcome measures we have identified.

## ORGANIZATION

**20.9** As at December 31, 1996 we had 28 staff, two of whom were seconded to the Department of Education and Culture. Subject to the availability of funds, we outsource for specialist expertise and other audit resources on selected assignments.

**20.10** Public funds of the Province of Nova Scotia are collected and expended through various departments and agencies. In order to effectively plan and manage the activities of the Office, we are organized into teams each headed by a senior manager. Each senior manager has overall responsibility for a group of departments and agencies, and is the prime focus for communications with those organizations.

**20.11** Staff members are rotated among the teams to provide career development, technical training, and to meet operational priorities. Each of the senior managers reports to the Auditor General and participates in the overall management of Office activities.

**20.12** It is a responsibility of each senior manager to periodically review past and intended audit coverage of assigned portfolio departments and agencies. These reviews are to be consolidated into multi-year strategic and longer-range plans giving due consideration to the needs of the House of Assembly, intended themes for reporting, evaluation of risk factors, and availability of resources.

**20.13** The government's expenditure control plan and the early retirement program significantly impact on the Office's resources. Staff costs consistently account for 90% or more of the Office's total expenditures on an annual basis. Any material change in budgetary requirements must therefore result from savings in the human resources area.

**20.14** As eligible staff members retire in the next few years, they will either not be replaced or be replaced by entry level staff. As part of the plans to meet our expenditure control targets, we restructured the Office to three from four teams, and reduced our administrative support staff from three to two. These restructuring and downsizing initiatives are supported by increased use of information technology resources. Of particular note was the installation of a Local Area Network in late 1995. This has improved communication internally and with officials in other departments.

**20.15** Replacements during the balance of the expenditure control period will be primarily at the entry-level thus opening up opportunities for people entering the work force. The mix and number of staff will change and will place greater responsibility on all levels of staff and management.

**20.16** The Office was also saddened when one of its longest serving employees, Tom Edwards, passed away suddenly on March 9, 1997. Tom was a dedicated professional who was also very active in community and charitable endeavours. He was looking forward to retirement in June and he will be sorely missed by his family, friends and associates.

## COMMITTEE OF INDEPENDENT ADVISORS

**20.17** In 1994 an Independent Advisory Committee of eight senior members of the business and academic community was established. The terms of reference for the committee are provided in Exhibit 20.2 on page 239. Several other legislative auditors in Canada successfully use such an advisory committee.

**20.18** We believe the creation of this group is a positive initiative and appreciate the open and insightful contributions it makes to our efforts to plan and manage the Office's activities and outputs. To date, the committee has met on five occasions.

## PROFESSIONAL AFFILIATIONS AND ACTIVITIES

**20.19** The Office strives to remain at the leading edge of legislative and other professional audit practices, and to share knowledge and experiences within those communities. We do this through participation in a variety of professional organizations including the following.

The Canadian Conference of Legislative Auditors

The Canadian Institute of Chartered Accountants (CICA)

CCAF-FCVI Inc.

The Certified General Accountants Association

The Information Systems Audit and Control Association

The Institute of Chartered Accountants of Nova Scotia (ICANS)

The Institute of Internal Auditors (IIA)

The Society of Management Accountants

**20.20** Professional staff at all levels participate. The Auditor General is a Governor of CCAF-FCVI Inc. and is a member of a committee of ICANS. Other staff participate as members of committees, by providing input to and commentary on research publications, and by attending various professional conferences, seminars and meetings.

## PERFORMANCE 1996-97

**20.21** While this Office is not specifically mentioned in *Government By Design*, the Auditor General fully supports the emphasis by government on establishing corporate objectives and budgetary targets covering several years. One of the government-wide reporting issues in recent Annual Reports pertained to planning and budgeting. We are encouraged by developments, whether or not they may be attributed to this Office.

**20.22** Overall, we are pleased with our achievements to date in 1996-97 and recent years. Much remains to be done, but the following are just a few examples of our achievements.

- A complete review of our audit universe was completed. This involved assessing each auditable entity against a set of criteria in order to establish priorities and ensure our resources are being employed most effectively. Plans for the remainder of 1996-97 and beyond were adjusted based on this analysis.
- Plans were adjusted to respond to concerns regarding a crown agency, Nova Scotia Resources Limited.
- We undertook the first broad scope audit of Atlantic Lottery Corporation. The assignment was staffed jointly by this Office and the Office of the Auditor General of New Brunswick. This is a complex assignment both in terms of the nature of the business, the inter-provincial issues and the inter-office coordination required to manage the project.

- In response to a decision to establish an earlier deadline for completion of the Province's financial statements, we completed all audits of entities for which we are responsible in much tighter time frames.
- A regularly scheduled audit of expenditures of the Department of Education and Culture raised particular concerns over the management of funds intended for teachers' medical and other insurance benefits. As a result, a special report under Section 9 of the Auditor General Act was issued to the Minister of Education and Culture.
- Extensive support was provided to the Public Accounts Committee in its development of a report recommending legislative changes to establish a formalized accountability framework. That report was completed and tabled in the Legislature in December 1996.
- The Public Accounts Committee continues to meet regularly and appears to appreciate the briefings and other assistance provided by our Office.
- We continue to be the only legislative audit office that provides an opinion on the government's annual revenue estimates and such a review was once again performed. Interest in the provision of this service has been expressed by other jurisdictions.
- Communications with central agencies, departments, other government agencies, professional organizations and the public have been maintained and enhanced. Outside counsel through the Independent Advisory Committee has been of great benefit.
- Staff development continues to be a priority, particularly in the area of information technology. The Office's decision, two years ago, to return to the CA training program was rewarded as one of our students qualified this year.

#### **PRIORITIES FOR 1997-98**

**20.23** Based on an analysis of the Office's audit universe which was completed in 1996-97, multi-year strategic and long-range plans are being updated. These will give due consideration to the needs of the Legislature, areas of risk, major themes and, of course, availability of resources.

**20.24** With the continuing development of the government's public agenda as described in *Government By Design*, the Office will focus its activities on relating its audit objectives to the government's priorities of economic renewal, social responsibility, cost-effective and client-focussed service, and fiscal stability.

**20.25** We will monitor the government's development of a new Corporate Financial Management System, providing advice as appropriate and considering the implications of this new system on our audit activities.

**20.26** On the administrative side, our priorities are to continue to operate within our expenditure control plan. This entails a general down-sizing/right-sizing as retirements and other staff turnovers take place.

**20.27** Within these overall strategic priorities, our specific goals are the following:

- To improve the quality of our audits by utilizing contracted specialists when it is cost effective to do so and where funds are available.
- To improve the quality of external communication.
- To continue to provide appropriate support to the Public Accounts Committee and to seek ways in which we can provide the Committee with more timely information on issues and developments.
- To complete the development of an Office effectiveness improvement plan and work towards its implementation.
- To continue to provide constructive advice and assistance to the Public Accounts Committee, the central agencies of government and various departments and agencies to strengthen and formalize accountability arrangements.
- To build on and expand the use of information technology as a means of optimizing the cost effectiveness of Office resources.

**20.28** In addition to the above and the specific audit projects planned, we plan to:

- arrange to have our financial statement audit practices assessed by the Institute of Chartered Accountants of Nova Scotia's Professional Standards Review program;
  - pursue opportunities to have our broader-scoped audit practices subject to a peer review by qualified and experienced representatives from legislative functions in other jurisdictions;
  - pursue opportunities to conduct joint or concurrent audits in selected areas with the legislative audit functions in other jurisdictions; and
  - participate in a Conference of Legislative Auditors' study group on performance management and reporting by the legislative audit function.
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**Exhibit 20.2****AUDITOR GENERAL OF NOVA SCOTIA  
COMMITTEE OF INDEPENDENT ADVISORS****TERMS OF REFERENCE****OBJECTIVE**

*The role of the committee is to advise the Auditor General on issues facing the Office and to assist in promoting effective management of public funds and improved accountability.*

*More specifically the Committee will consider and advise on:*

- 1. Initiatives designed to strengthen the professional competence, adherence to professional standards and overall effectiveness of the Office.*
- 2. Technical and managerial issues arising from government-wide and departmental audits.*
- 3. Accountability issues with particular regard to information published by the Government on financial and program performance.*
- 4. Strategic and long-term operational objectives of the Office.*

**MEMBERSHIP**

- 1. The Committee consists of no fewer than six and no more than eight senior members of the business and academic community selected for their knowledge and experience in the fields of management, finance, accounting and auditing in both the public and private sectors.*
- 2. Members serve on a voluntary basis at the invitation of the Auditor General for a term of one year and are eligible for reappointment.*
- 3. The Committee is chaired by the Auditor General with secretarial support provided by his Office.*

**MEETINGS**

- 1. Meetings are held at least semi-annually at the call of the chair.*
- 2. An agenda and briefing material are prepared by the Auditor General and circulated in advance of the meeting. Additional briefings are provided by staff of the Office.*

