



Office of the Auditor General of Nova Scotia

Financial Statements
For the Year Ended March 31, 2018

**Office of the Auditor General of Nova Scotia
Financial Statements
March 31, 2018**

CONTENTS

	Page
Management's Responsibility for the Financial Statements	2
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Operations and Accumulated Surplus (Deficit)	6
Statement of Changes in Net Debt	7
Statement of Cash Flow	8
Notes to Financial Statements	9

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.



Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia



Terry Spicer, CPA, CMA
Deputy Auditor General of Nova Scotia



Tel: 902 444 5540
Fax: 902 444 5539
www.bdo.ca

BDO Canada LLP
230 Brownlow Avenue, Suite 120
Dartmouth, Nova Scotia B3B 0G5

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Office of the Auditor General of Nova Scotia, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Nova Scotia as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Dartmouth, Nova Scotia
May 31, 2018

**Office of the Auditor General of Nova Scotia
Statement of Financial Position
As at March 31, 2018**

	2018	2017
Financial Assets		
Petty cash	\$ 250	\$ 250
Accounts receivable (Note 9)	80,130	51,667
Due from government (Note 3)	56,289	97,174
	136,669	149,091
 Liabilities		
Accounts payable	32,305	34,091
Accrued liabilities	4,838	6,325
Accrued salaries, benefits and vacation (Note 4)	192,093	190,855
	229,236	231,271
 Net debt	 92,567	 82,180
 Non-financial Assets		
Prepaid expenses	25,761	29,341
Tangible capital assets (Note 5)	66,806	52,839
	92,567	82,180
 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, 2018

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Professional fees	\$ 393,000	\$ 414,250	\$ 362,750
Expenses			
Amortization (Note 2)	-	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	62,000	25,268	82,573
Parking	6,000	5,685	4,104
Professional services	164,000	253,287	216,558
Salaries and benefits (Note 9)	3,556,000	3,237,321	3,101,789
Staff training	54,000	73,595	75,101
Telecommunications	25,000	13,099	14,311
Travel	79,000	64,417	53,049
	<u>4,262,000</u>	<u>3,926,821</u>	<u>3,859,326</u>
Net Expenses before Government Contributions	3,869,000	3,512,571	3,496,576
Government contributions (Note 7)	3,869,000	3,600,459	3,448,630
Annual Surplus (Deficit) before Transfers	<u>\$ nil</u>	87,888	(47,946)
Transfer to (from) General Revenue Fund (Note 3)		<u>87,888</u>	<u>(47,946)</u>
Annual Surplus (Deficit)		nil	nil
Accumulated Surplus (Deficit), beginning of year		<u>nil</u>	<u>nil</u>
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, 2018

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (deficit)	\$ nil	\$ nil	\$ nil
Acquisition of tangible capital assets	(20,000)	(36,783)	(5,404)
Amortization of tangible capital assets (Note 5)	nil	22,816	30,734
	<u>(20,000)</u>	<u>(13,967)</u>	<u>25,330</u>
Acquisition of prepaid expenses	nil	(25,761)	(29,341)
Use of prepaid expenses	nil	29,341	8,397
	<u>nil</u>	<u>3,580</u>	<u>(20,944)</u>
Decrease in Net Debt	(20,000)	(10,387)	4,386
Net Debt, beginning of the year	<u>(82,180)</u>	<u>(82,180)</u>	<u>(86,566)</u>
Net Debt, end of the year	<u>\$ (102,180)</u>	<u>\$ (92,567)</u>	<u>\$ (82,180)</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, 2018

	2018	2017
Cash Flows from:		
Operating Activities		
Surplus	\$ nil	\$ nil
Items in earnings not involving cash		
Amortization	22,816	30,734
Change in non-cash working capital balances		
Accounts receivable	(28,463)	95,963
Due to/ from government	40,885	(183,009)
Prepaid expenses	3,580	(20,944)
Accounts payable	(1,786)	17,326
Accrued liabilities	(1,487)	4,225
Accrued salaries, benefits and vacation	1,238	61,109
	36,783	5,404
Capital Activities		
Additions to tangible capital assets	(36,783)	(5,404)
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, 2018

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 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, 2018

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 are 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. During the year, 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. 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, 2018

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.

	2018	2017
Due from (to) government, beginning of year	\$ 97,174	\$ (85,835)
Annual deficit (surplus)	(87,888)	47,946
Year end receivables/ payables/ accruals	47,003	135,063
Due from government, end of year	\$ 56,289	\$ 97,174

4. Accrued Salaries, Benefits and Vacation

Salaries and Benefits – The Office accrued \$121,732 (2017 - \$122,992) for salaries and benefits earned by employees before the end of the year but paid after year end.

Vacation - The Office accrued \$70,361 (2017 - \$67,865) 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, 2018

5. Tangible Capital Assets

	-----2018-----			---2017---	
	Furniture and equipment	Computer equipment	Leasehold improvements	Total	Total
Cost					
Opening cost	\$ 194,800	\$ 44,283	\$ 2,198	\$ 241,281	\$ 266,965
Additions	3,805	14,135	18,843	36,783	5,404
Disposals	nil	(4,119)	nil	(4,119)	(31,088)
Closing cost	198,605	54,299	21,041	273,945	241,281
Accumulated Amortization					
Opening balance	162,825	25,251	366	188,442	188,796
Disposals	nil	(4,119)	nil	(4,119)	(31,088)
Amortization expense	7,488	13,575	1,753	22,816	30,734
Closing balance	170,313	34,707	2,119	207,139	188,442
Net Book Value	\$ 28,292	\$ 19,592	\$ 18,922	\$ 66,806	\$ 52,839

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:

2018-19	\$ 187,759
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 \$3,869,000 for 2017-18 (2017 - \$3,833,000). The Office charged expenses of \$3,600,459 (2017 - \$3,488,630) 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, 2018

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 \$268,208 (2017 - \$275,369).

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 \$414,250 (2017 - \$362,750) from related parties, of which \$80,000 (2017- \$50,000) 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 2017 comparative amounts have been reclassified to conform to the 2018 financial statement presentation.