



**NOVA SCOTIA**

# **2006-07 Performance Report and 2007-08 Business Plan**

• • •  
**OFFICE of the  
AUDITOR GENERAL**





Honourable Maureen MacDonald, MLA  
Chair  
Standing Committee on Public Accounts  
House of Assembly of Nova Scotia

Madam:

I have the honour to submit to the Public Accounts Committee the 2006-07  
Performance Report and 2007-08 Business Plan of the Office of the Auditor General.

Respectfully submitted

A handwritten signature in black ink, appearing to read "J.R. Lapointe".

Jacques R. Lapointe, BA, CA•CIA  
Auditor General

Halifax, Nova Scotia  
October 1, 2007



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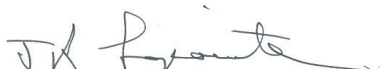
# 1 MESSAGE FROM THE AUDITOR GENERAL

I am pleased to present this report on the performance of the Office of the Auditor General for 2006-07, as well as the Office's business plan for the 2007-08. The report can also be found on the Office's website at [www.gov.ns.ca/audg](http://www.gov.ns.ca/audg). As indicated in last year's business plan, we have changed from reporting on a calendar year basis to reporting on a fiscal year basis.

I began my term as Auditor General of Nova Scotia on March 1, 2006. This Report represents my first full year as Auditor General. Soon after joining, I started the Office on a comprehensive strategic planning exercise that spanned several months and involved every member of the Office, as well as other key stakeholders of the Office.

I was very pleased with staff's energetic and thoughtful involvement in this initiative, as well as the three-to-five year plan that resulted. I invite readers to visit our website and take a look at the final report from this initiative. I believe it does a good job of highlighting the vision, mission, values, priorities and strategies of the Office for the years ahead.

Immediately upon finalizing the plan, we assigned and commenced a number of projects to implement its strategies. The 2007-08 business plan section of this report highlights the strategies that we selected for implementation in the first year following the production of the strategic plan. In addition, we have begun to employ the new priorities and strategies in the selection and planning of our audits. I believe our focus on serving the public interest, enhancing government performance and promoting accountability through our audits will help my Office achieve its vision of being a relevant, valued, and independent audit office serving the public interest as the Legislature's primary source of assurance on government performance.



Jacques R. Lapointe, BA, CA•CIA  
Auditor General

## 2 AUDITOR GENERAL'S STATEMENT ON AUDITOR INDEPENDENCE

Canadian generally accepted auditing standards require that I communicate at least annually with groups having oversight responsibilities for financial reporting subject to my audit, regarding all relationships between the entities audited and my Office that, in my professional judgement, may reasonably be thought to bear on my independence. In this regard, I assert that I am not aware of the existence of any such relationships. Further, I hereby confirm that my staff and I are objective with respect to the audit work of the Office within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia. The following section of this Report provides additional information on the role and independence of my Office, including measures taken to maintain independence and objectivity.

Most of the cost of my Office is funded through annual appropriations of the House of Assembly. The Office also receives revenues from auditees who are billed fees for certain audits. All revenues received through billings during the year were for assurance-related work. The Office is not economically dependent on any of the organizations it audits.

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# 3

## ROLE OF THE AUDITOR GENERAL

### ACCOUNTABILITY STRUCTURE

Accountability is the obligation to answer for an assigned responsibility. It is an important component of parliamentary democracy due to the significant responsibilities conferred to elected government officials by the public and the need for these officials to account for the stewardship of public money provided for government services and administration.

An audit function is important to any accountability framework. In the case of a parliamentary democracy, elected officials and the public require assurance that government reporting on the receiving and spending of public funds is complete, accurate and fairly presented. There is also a need for independent and objective auditors to examine and report on the performance of government organizations and programs. Elected officials and the public need to know that the assurance provided by the auditor is free from bias. The Auditor General fulfills this role in the accountability framework of the government of Nova Scotia. The Auditor General, in the conduct of his audits and his reports to the House of Assembly, provides the objective assurance needed by elected officials and the public to hold government accountable.

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### INDEPENDENCE OF THE AUDITOR GENERAL

Independence is critical to the effectiveness of an audit function. An auditor must be independent, and be perceived to be independent, of the organizations and operations subject to audit. Unless there is a clear demonstration of objectivity in the work of the auditor, the auditor's opinions and reporting will not be fully accepted, and the auditor's work will lose value.

The independence of the Auditor General is assured in various ways. The Office of the Auditor General was created and is empowered by the House of Assembly through an Act of the Legislature (the Auditor General Act). The Act sets out the primary mandates and responsibilities of the Auditor General, and specifies that the Auditor General is to report directly to the House. The Act also requires approval of the appointment of an Auditor General by the House of Assembly and vests sole authority for removal of the Auditor General with the House of Assembly. Therefore, the key functions of the Office, from selection of assignments to contents of reporting, are outside the control of government departments and other organizations subject to audit.

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### PROFESSIONAL CONDUCT

The Office of the Auditor General strives to operate to the highest standards of the accounting and auditing profession. In its work the Office is guided by and adheres to the standards for assurance engagements established by the Canadian Institute of Chartered Accountants, known as Generally Accepted Auditing Standards (GAAS). The Office also seeks guidance from the standards of other professional bodies such as the International Organization of Supreme Audit

Institutions (INTOSAI) and the International Federation of Accountants (IFAC); and it seeks guidance from audit-related best practices in other jurisdictions.

Professional staff of the Office are required to abide by a standard of professional conduct based on the Code of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia. All staff who are members of another professional organization, such as, those with CGA or CMA designations, must also comply with the codes of conduct of those organizations. All professional staff are required to disclose in writing annually any matters which may be perceived to affect their independence and objectivity. The Office is approved to train students studying to become Chartered Accountants and is subject to periodic reviews by the Institute to ensure it is complying with applicable standards and codes. It also arranges with other legislative audit offices to perform reviews of various audits performed by the Office.

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## INTRODUCTION

This Report is intended to help fulfill the responsibilities of the Office of the Auditor General to account for the expenditure of funds entrusted to it by the House of Assembly and to report on the achievement of the mandates provided in the Auditor General Act.

The following sections examine the financial and non-financial performance of the Office in 2006-07. The Report discusses achievements and progress of the Office related to the goals and priorities presented in its business plan. It presents the expenses and recoveries of the Office for its fiscal year ended March 31, 2007 and compares them to the budget prepared for this period. It also presents a number of performance measures and results that the Office uses to gauge its progress in the accomplishment of its mandate and goals.

The Report shows that the Office had several accomplishments during 2006-07 and continues to serve the Members of the Legislature in helping them to hold government accountable for its stewardship of public funds. However, it also indicates that there are areas in which improvements are required.

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## ACCOMPLISHMENTS

The following is a summary of accomplishments during 2006-07.

- The Office undertook a thorough strategic planning exercise involving all staff, as well as key external stakeholders, resulting in a new vision, mission, values statement, strategic priorities and the release of a three to five year strategic plan in April 2007. Project plans have been developed for the implementation of higher priority strategic initiatives identified.
- The Office performed 19 financial statement audits for the year ended March 31, 2006. Of these, nine were contracted out to private sector firms.
- Twelve performance audits were performed and reported upon in the June 2006 and December 2006 Reports of the Auditor General.
- The audit of the government's March 31, 2006 consolidated financial statements was completed in time for the statements to be issued before the September 30 statutory deadline.
- The reviews of the 2006-07 revenue estimates in the May and July 2006 budgets were completed, with qualified opinions in both cases.
- Two staff members of the Office were successful in passing the 2006 Uniform Evaluation required in obtaining the Chartered Accountant designation.

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## PROGRESS TOWARDS GOALS AND PRIORITIES

A summary of progress against the six goals and related priorities outlined in the 2005 Business Plan of the Office, released on March 8, 2006, is presented below.

### Goal I

To perform audits of high relevance to the Office's mandates and the needs of the House of Assembly.

- Perform assurance assignments in the priority area of systems and controls, procurement management, project management, human resource policies and practices, and resource utilization.

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**Status - Substantially met:** Conducted audits in each of these areas, except for human resource policies and practices.

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- Conduct long-range, strategic planning relating to all operations of the Office, including auditing, information technology and human resources.

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**Status - Met:** Formal strategic planning was conducted for the Office involving all of its staff and key external stakeholders.

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- Develop a process to apply more thorough risk analysis in the selection of audits and the development of the scope of individual assignments.

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**Status - Substantially met:** Processes were developed to employ formal risk analysis in selecting audits and in determining the scope of audits selected. The process will be developed further.

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### Goal II

Through the use of knowledgeable staff and best professional practices, ensure the Office's work meets or exceeds relevant professional standards.

- Complete implementation of new quality assurance and control standards issued by the Canadian Institute of Chartered Accountants.

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**Status - Completed:** Standards were fully implemented.

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- Implement recommendations of practice reviews performed on Office.

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**Status - Met:** A peer review was conducted in December 2005 by the Auditor General of Alberta on the Office's audit of the government's consolidated financial statements. Recommendations from the review have been addressed.

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- Expand role of the Office's Senior Management Advisory Committee to strengthen the monitoring of progress of assurance assignments.

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**Status - Met:** The monitoring and advising of assurance assignments through the Senior Management Advisory Committee was formalized and extended.

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- As part of 2006 strategic planning exercises, examine the value of having an external advisory committee for the Office, and possibly establishing advisory committees for individual assignments.

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**Status - Not Started:** Strategic planning identified the advantages of having external advisory committees. However, no initiative has been assigned yet to institute such committees.

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### Goal III

To ensure the Office maintains effective communication with the House of Assembly/Public Accounts Committee, Executive Council, government senior management, relevant professional bodies and the public.

- Prepare and implement a communications plan for the Office which addresses the timing, content and form of communications with the House of Assembly, public, media, government officials and other stakeholders.

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**Status - Planning Stage:** Strategic planning identified the need for a formal communications plan. A review of how the Office reports its audit work has been initiated. No other initiative has been assigned yet to develop a communications plan.

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## Goal IV

To ensure the Office and its staff are, and are perceived to be, independent, objective, ethical and competent.

- Based on strategic plan, identify core competencies and skill sets required by staff to fulfill the mandates of the Office.

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**Status - Not started:** Strategic planning noted the need to identify core competencies. No initiative has been assigned yet to address this matter.

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- Based on the required competencies, review and update the Office's training plan for any unmet professional development requirements and arrange for appropriate training for the Office or selected staff members.

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**Status - Not started:** See above.

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- Work with the Canadian Council of Legislative Auditors to establish a common training plan for member offices.

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**Status - In Progress:** CCOLA regularly discusses common training requirements and seeks means of sharing professional development sessions.

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- Arrange appropriate training for staff related to changing audit standards.

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**Status - Met:** Training was provided to all staff on the implementation of new audit standards.

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## Goal V

To ensure the Office manages its resources with due regard to economy and efficiency.

- Review and implement best practices in project management to aid in efficient and effective planning, conduct and monitoring of assurance assignments.

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**Status - In Progress:** Better project management information was developed for the monitoring of assurance assignments by senior management. The role of the Senior Management Advisory Committee was expanded to improve project quality and performance. There remains a need to review other means of improving project management.

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- Expand role of the Office's Senior Management Advisory Committee to strengthen the monitoring of progress of assurance assignments.

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**Status - Met:** See above.

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## Goal VI

To measure and report the Office's performance to the House of Assembly.

- The Office's performance report and business plan are now prepared on a calendar year basis. We intend to change these to a fiscal year basis, and issue the first fiscal year performance report and business plan by June 30, 2007.

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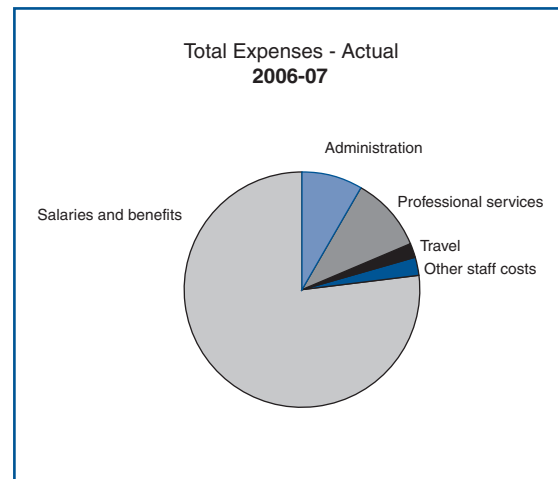
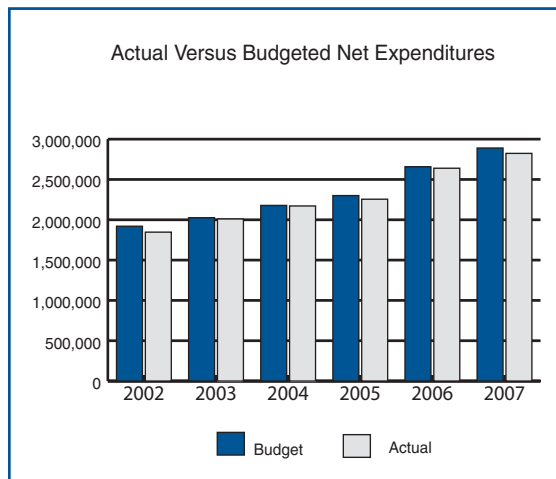
**Status - Partially Met:** The Office's performance report and business plan, starting with this Report, will be prepared on a fiscal year basis. However, it was released subsequent to June 30, 2007.

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## FINANCIAL RESULTS

### OFFICE OF THE AUDITOR GENERAL OF NOVA SCOTIA NET EXPENSES FOR THE YEAR ENDED MARCH 31, 2007

	Actual	Budget	Variance Under (Over) Budget	% Variance Under (Over) Budget
Salaries and benefits	\$ 2,274,440	\$ 2,426,800	\$ 152,360	6.3
Other staff expenses	75,386	104,000	28,614	27.5
Travel	58,800	49,000	(9,800)	(20.0)
Professional services	303,345	235,100	(68,245)	(29.0)
Office administration	251,719	182,100	(69,619)	(38.2)
<b>Total Expenses</b>	<b>2,963,690</b>	<b>2,997,000</b>	<b>33,310</b>	<b>1.1</b>
Recoveries – fees for audits	(140,256)	(105,000)	(35,256)	(33.6)
<b>Net Expenses</b>	<b>\$ 2,823,434</b>	<b>\$ 2,892,000</b>	<b>\$ 68,566</b>	<b>2.4</b>



The Office's budget and expenses continue to increase each year, principally due to rising salaries in response to cost of living and individual employee performance adjustments. Salaries and benefits are the Office's largest expense, representing 81% of net expenses in 2006-07.

The Office spent \$68,566 (2.4%) less than its budget, which continued its long-standing history of meeting its budgets. Salaries and benefits were under-spent due to staff turn-over and recoveries from government for certain salary increases in 2006-07. Other staff expenses were less than budgeted due to fewer than anticipated professional development sessions



during the year. Travel costs were higher due to the performance of more out-of-town audits. Professional service expenses were greater than budgeted because a major annual assurance assignment was contracted to a private sector firm. Administration expenses were over budget due to the purchase of information technology equipment and software, minor office renovations, and higher than expected advertising for staff recruitment.

## PERFORMANCE MEASURES

The Office of the Auditor General monitors four categories of performance: Client Services, Resource Allocation, Audit Efficiency and Human Resources. For each of these areas, one or more performance indicators have been identified and systems of measurement have been developed.

### Performance Indicators

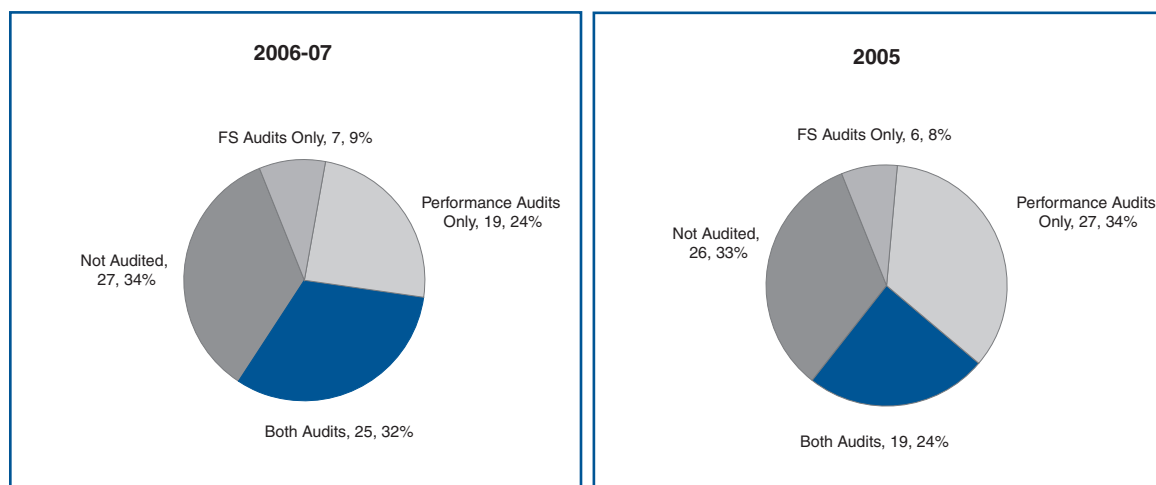
#### Client Services

##### 1. Entities Audited

*Definition* - Number of major entities (organizations included in the Office's audit mandate with annual revenues or expenses over \$5 million) in which either a financial statement or performance audit was performed within the last five years. Financial statement audits include audits performed by the Office, as well as those performed on behalf of the Office under contract with a private sector firm.

*What does it tell us?* Whether the Office is able to achieve its mandate by performing audits in all areas of significant public expenditure within a reasonable span of time.

*Where are we now?* In the last five years, 66% of major government organizations have been audited by the Office of the Auditor General. Last year's reported measure was 67%. The number of audits the Office performs is directly linked to the size of its staff. Significant future improvement in this measure will require a larger budget for the Office.



Where do we want to be? To continually reduce the number of significant audit entities not audited or reviewed.

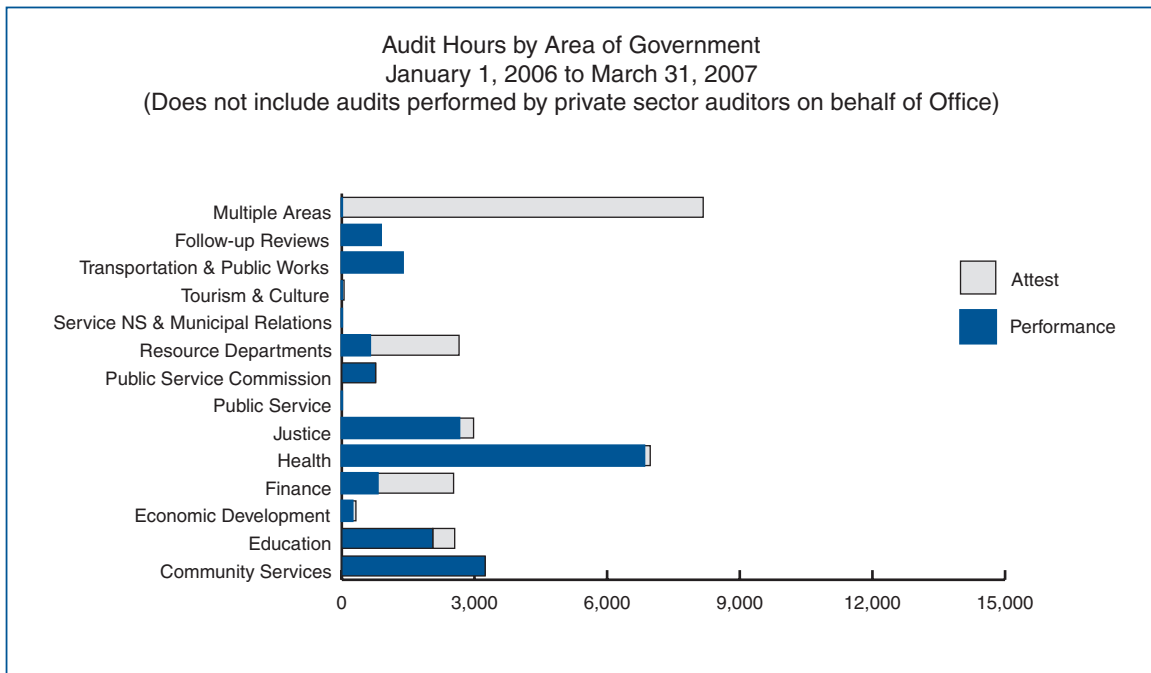
## 2. Distribution of Audit Hours

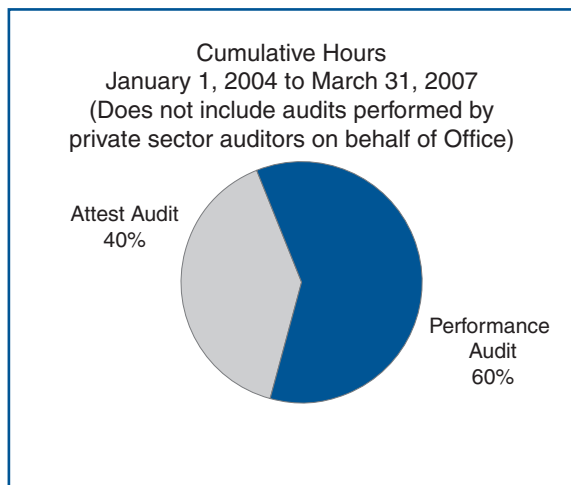
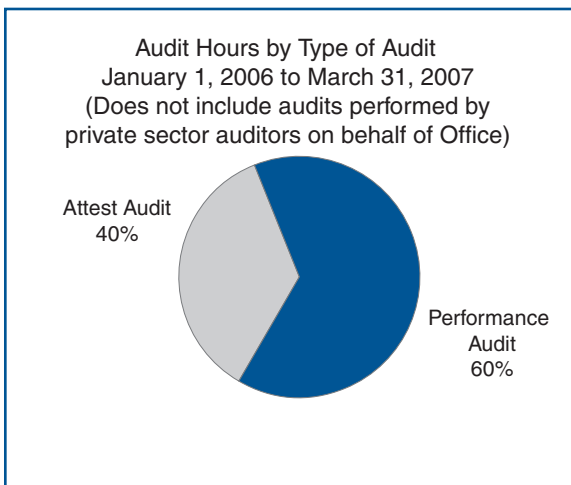
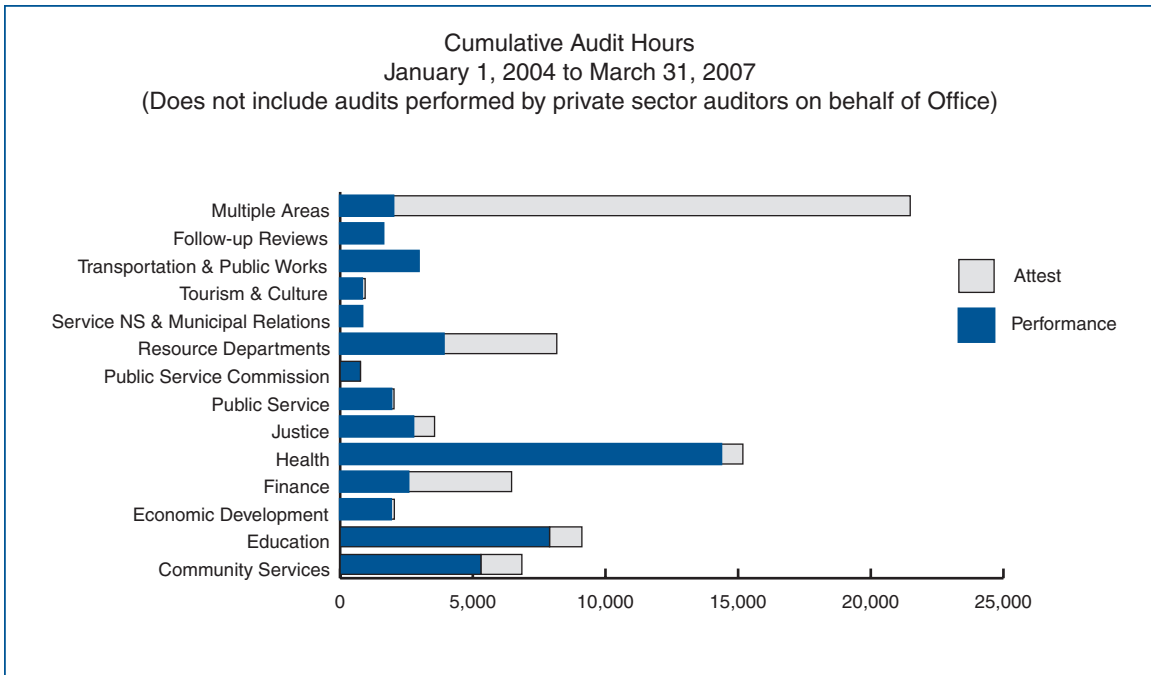
*Definition* – Allocation of audit hours among areas of government, and between the two major types of audits performed, both for the current period (January 1, 2006 to March 31, 2007) and cumulative since year of first measurement (calendar 2004).

*What does it tell us?* Whether the Office is expending resources in areas of higher significance and relevance

*Where are we now?* Audit hours in the current period were expended in areas of significant public expenditure and interest. There was an appropriate mix of attest and performance auditing.

*Where do we want to be?* To focus audit efforts on areas of high public interest, high risk and significance, and high impact on Nova Scotians; and to focus a greater proportion of audit hours on performance audits.





### 3. **Release of the Report of the Auditor General**

*Definition* - The Office's current goal is to issue two reports summarizing the results of audits to the House of Assembly each year. At least one report must be tabled by December 31 each year, as required by the Auditor General Act.

*What does it tell us?* Whether the Office provides timely reporting to the House of Assembly on the results of its audit work.

*Where are we now?* The December 2006 Report of the Auditor General was tabled in the House of Assembly on January 10, 2006. The Report was prepared in time for tabling in the last weeks of December, but was deferred to avoid the holiday season. An additional Report was tabled on July 26, 2006. There are no legislated deadlines for additional reports.

Where do we want to be? To issue one to three reports summarizing the results of audits to the House of Assembly each year, meeting or exceeding the legislated reporting requirement in the Auditor General Act.

#### 4. **Audit Hours**

**Definition** – The hours spent as compared to hours budgeted for financial statement audits.

**What does it tell us?** Whether the Office is conducting financial statement audits in planned amounts of time.

**Where are we now?** March 31, 2006 financial statement audits were conducted in 10,816 hours, 19% over the 8,720 hours budgeted for the assignments. This represents a positive trend in time performance compared to 22% over budget for 2005. There are a number of factors which potentially contribute to time overages, including significant audit issues being identified after the planning stage, inadequate readiness or response from the entity being audited, and inefficiencies in our audit processes. We will attempt to improve our project management practices and determine whether there are ways to improve auditee readiness and response times.

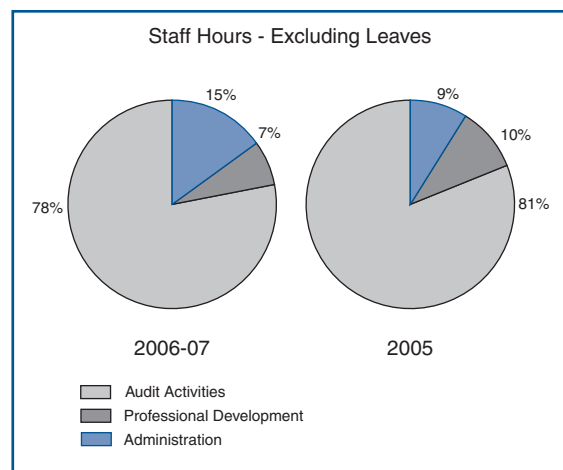
**Where do we want to be?** Our goal is to have financial statement audits completed within budget.

### **Resource Allocation**

#### 5. **Staff Hours**

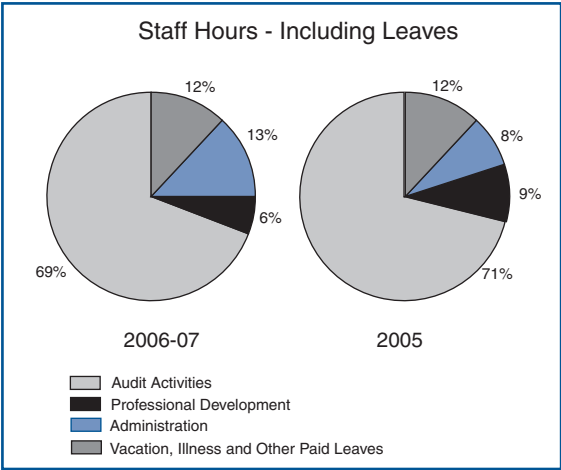
**Definition** - Staff hours committed to various audit and administrative tasks during the year ended March 31, 2007. (This indicator does not include time spent by private firms contracted by the Office to conduct certain financial statement audits.)

**What does it tell us?** The objective of the Office is to maximize the number of hours committed to audit activities, while supporting participation in non-audit activities conducive to professional development and the effective and efficient administration of the Office.



Where are we now? The percentage of hours committed to audit work in 2006-07 declined marginally from that in 2005. However, the above charts compare a fiscal year period to a calendar year period, which impacts comparability.

Where do we want to be? To spend in the range of 80% to 85% of available time, **excluding** paid leaves, on audit activities.



**Audit Efficiency**

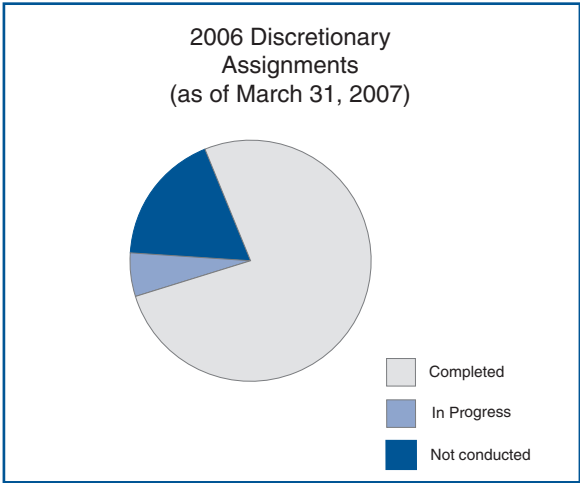
**6. Planned Audits Completed**

Definition - Number of discretionary and non-discretionary assurance assignments included in the Office’s 2006 business plan that were completed during the year.

What does it tell us? Whether the Office performed all of the assurance assignments it planned to perform.

Where are we now? All non-discretionary assignments were completed as planned. Twelve of the discretionary audits in last year’s business plan were performed. One discretionary audit was principally finished, but not yet reported at the end of 2006-07. Three others were not undertaken due to resource constraints.

Where do we want to be? There will always be circumstances which change the Office’s audit plans during the year. Our goal is to perform each assurance assignment on our plan unless another assignment of higher priority is substituted or there are appropriate reasons for not conducting an assignment.



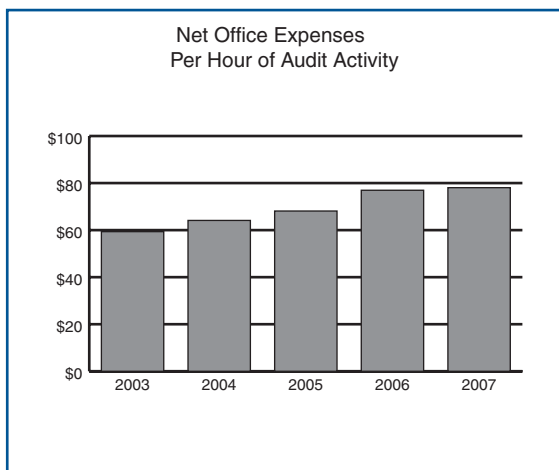
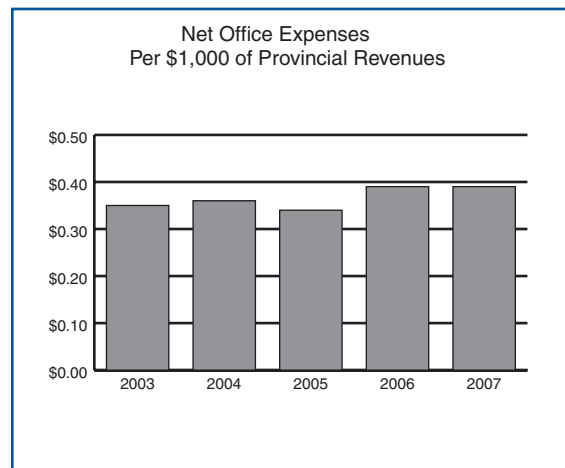
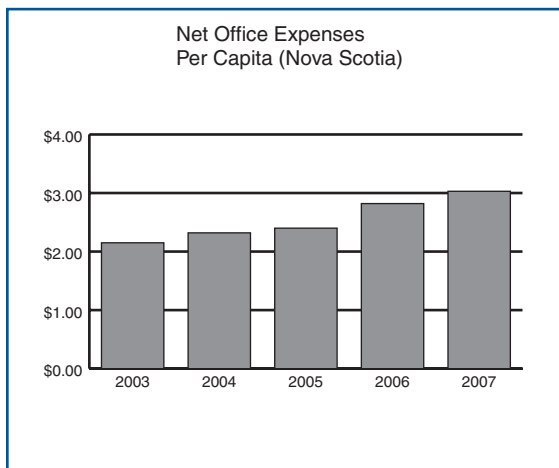
## 7. Miscellaneous Financial Measures

*Definition* - For the fiscal year ended March 31, 2007, net expenses of the Office of the Auditor General are shown in relation to three variables (on a per capita basis, per \$1,000 of Provincial revenues, and per hour of audit activity).

*What does it tell us?* This information should help assess trends in the Office's expenses which may indicate changes in audit efficiency.

*Where are we now?* Net Office expenses per capita (Nova Scotia) increased to \$3.03 (7.4 %). Expenses per \$1,000 of government revenues remained unchanged at \$0.39. Expenses per hour of auditing rose to \$78.04 (1.4 %). Each indicator was impacted by a 7.0% increase in the Office's net expenses over the prior year. Government revenues increased by 6.4% in 2006-07.

*Where do we want to be?* We will continue to monitor Office expenses to ensure that the cost to taxpayers is justified.



## Human Resources

### 8. Professional Development and Support

*Definition* - Days of professional development time and time spent on supporting professional organizations, per staff member, for the year ended March 31, 2007. Data used in this measure does not include the time of accounting students spent on professional accounting programs because the number of students in such programs in any given year varies and their study time would not be a meaningful indicator of ongoing professional development for the majority of staff.

*What does it tell us?* Maintaining the quality of audits requires auditors to stay current in professional standards and emerging issues.

*Where are we now?* 2006-07: 11 days. 2005: 15 days.

*Where do we want to be?* 10 to 15 days per year.

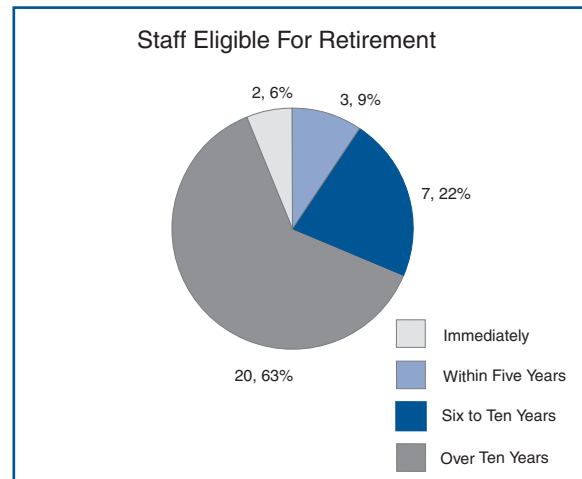
### 9. Staff Turnover

*Definition* - The number of staff leaving or being hired by the Office during an extended period, and whether staff members leaving the Office go on to careers elsewhere in the Provincial government.

*What does it tell us?* In order to meet its auditing goals, the Office must maintain an adequate complement of professional and support staff. Some turnover to facilitate career progression is desirable, but it is important that turnover not be negative or too rapid over the longer term. It is of public value to retain within the Provincial government the training and experience of staff leaving the Office, so the number of staff going to positions in government is important.

*Where are we now?* Seven staff members left the Office during 2006-07, and nine new members joined. One of the members who left the Office went to a position in the Provincial government.

As of March 31, 2007, 14 (37%) of the Office's staff are eligible to retire in the next ten years. At the manager level and above, four are eligible to retire within five years, representing 33% of total staff at those levels.



Where do we want to be? To maintain staff at full complement, but to have a rate of turnover that will allow for healthy career development for staff, whether with the Office of the Auditor General or within the Provincial government.

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# I

## STAFF OF THE OFFICE OF THE AUDITOR GENERAL

AS AT MARCH 31, 2007

<b>Auditor General</b>	Jacques Lapointe, CA•CIA	
<b>Deputy Auditor General</b>	Claude Carter, CA•CISA, PMP	
<b>Assistant Auditors General</b>	Alan Horgan, CA	Elaine Morash, CA
<b>Audit Managers</b>	Dianne Chiasson, CGA, PMP	Stephen Lacusta, CA
	Evangeline Colman-Sadd, CA	Ann McDonald, CA
	Angela Cook, CMA	Scott Messervey, CA
	Ronald Edmonds, CGA, CISA	Terry Spicer, CMA
<b>Audit Supervisors</b>	Andrew Atherton, CA	Joesph Lappin, CA•CISA, LLB
	Shelley Creighton, CA	Paul Rowe, CA, PMP
	Anne-Marie Fraser, CMA	Siew-Kim Secord, CMA
	David Gray, CMA	Janet White, CA
	Douglas Hendsbee, CA	
<b>Senior Audit Officers</b>	Duncan Allen	Adam Harding
	Ross Campbell	Ben MacAfee, CA
<b>Information (IT) Support Audit Officer</b>	Linda MacKay, CISA	
<b>Student Auditors</b>	Jill Bradley	Nicole Musycsyn
	Emily Foster	
<b>Support Staff</b>	Kristin Keirstead	Susanne Langille
	Darleen Langille	

# II

## SALARY RANGES

AS AT MARCH 31, 2007

Position	Number	Salary Range <sup>1</sup>
Senior Management	4	\$102,636 - \$149,214
Audit Managers and Supervisors	17	\$ 61,094 - \$ 85,152
Senior and IT Audit Officers	5	\$ 47,298 - \$ 55,109
Student Auditors	3	\$ 35,109 - \$ 37,303
Support Staff	3	\$ 29,574 - \$ 46,554

Note 1 - Represents the range of salaries of incumbents in these employment categories as of March 31, 2007, as well as re-earnable performance pay paid during the year. The figures do not include employer's cost of benefits, which average approximately 17% of gross salary.

Note 2 - Salaries for individual staff members are reported in the Province of Nova Scotia Supplement to the Public Accounts.

## VISION AND MISSION

The vision of the Office of the Auditor General describes the kind of organization we ultimately want to be.

A relevant, valued, and independent audit office serving the public interest as the Legislature's primary source of assurance on government performance.

The mission of the Office of the Auditor General expresses our purpose and describes how we make our vision a reality.

To serve the people of Nova Scotia and the House of Assembly by making a significant contribution to enhanced public sector accountability and performance.

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## PLANNING CONTEXT

### Mandate

The Office of the Auditor General is an organization created and empowered by the House of Assembly of Nova Scotia. The responsibilities and authorities of the Auditor General are derived from the Auditor General Act (Chapter 28, 1989) and other legislation. The Act requires approval of the House of Assembly for the appointment of an Auditor General, and vests sole responsibility for removal of the Auditor General in the House. This protection provides appropriate independence from government.

The Auditor General Act stipulates that the Auditor General shall:

- Provide an annual opinion on the government's financial statements, and an opinion on the revenue estimates in the government's annual budget address;
- Examine the management, use and control of public funds; and
- report to the House at least once, and up to three times annually, on the work of the Office.

The office provides two principal services to the House: opinions on financial reports; and reporting on performance audits of organizations, programs, and processes. Performance reports may comment on:

- the effectiveness of governance frameworks, including risk management, ethics and organizational direction;
- effectiveness, efficiency and economy of programs and processes;
- adequacy of controls;
- compliance with legislation and policy; and
- stewardship of government resources.

By exercising these responsibilities, the Office helps to hold the government to account for its management of public funds and contributes to a well-performing public sector.

#### *Organization*

The Office is located in Halifax and employs 34 staff when at full complement. All but three of these are professional accountants or studying to become a professional accountant. The Office is organized into four teams, each led by a Deputy or Assistant Auditor General. Two teams are responsible for conducting performance audits, one for conducting financial audits, and one for information technology audits.

#### *Major Challenges*

The major challenges faced by the Office are summarized as follows:

- attracting and retaining a full complement and appropriate mix of highly-motivated, qualified and skilled professional staff;
- remaining well versed in the standards and body of knowledge of the numerous professional fields that impact on the scope of our audits (e.g., accounting, auditing, information technology, performance reporting, governance, value-for-money, public administration, auditing of compliance with legislation and regulations, project management);
- maintaining a good understanding of the structure and operations of the government organizations that we audit and the risks that they face; and
- ensuring that our efforts are focused on areas of major risk, significance, and impact that can make a difference for the benefit of Nova Scotians.

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## STRATEGIC PRIORITIES

As a result of strategic planning in 2006-07, four priorities were identified for the Office.

### **Serve the Public Interest**

*Focus our audit efforts on areas of high risk that impact on the lives of Nova Scotians.*

### **Enhance Government Performance**

*Contribute to a more efficient, effective, and better performing public service.*

### **Promote Accountability**

*Foster better financial and performance reporting to the Legislature and the people of Nova Scotia.*

### **Foster Workplace Excellence**

*Promote excellence and a professional and supportive workplace at the Office of the Auditor General.*

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## STRATEGIC GOALS

As a result of strategic planning in 2006-07, the Office has identified eleven strategic goals.

1. Promote greater understanding of the independence, mandate, and role of the Office of the Auditor General.
2. Engage stakeholders more in the work of the Office to increase their commitment and the impact of our work.
3. Identify audit priorities and undertake audits that will support enhanced public sector performance and accountability.
4. Conduct office-wide, risk-based planning and scheduling for audits.
5. Deploy professionals who bring the right qualifications, experience and competence necessary to undertake each audit in the most proficient and effective manner.
6. Apply professional audit standards, methodology, and practices consistently across the Office to improve our audit processes and achieve audit products of the highest quality.
7. Communicate our audit results clearly and directly to increase the understanding and impact of our work.
8. Take measures to improve the extent to which our recommendations are implemented.
9. Develop and support staff in achieving professional excellence and their full career potential.

10. Employ state-of-the-art professional tools and technology to improve productivity.
11. Promote an open, fair, and respectful workplace that fosters a highly productive, accountable and motivated staff.

The Office intends to update its strategic plan in three years.

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## PRIORITY INITIATIVES

A number of initiatives were identified to help implement the Office's strategic goals. The following are the initiatives planned for 2007-08.

### Strategic Goal 1

Promote greater understanding of the independence, mandate, and role of the Office of the Auditor General (OAG).

- Improve our website
- Clarify Auditor General access to information

### Strategic Goal 3

Identify audit priorities and undertake audits that support enhanced public sector performance and accountability.

- Enhance our risk-based methodology for selecting audit priorities

### Strategic Goal 4

Conduct office-wide, risk-based planning and scheduling for audits.

- Enhance our methodology for risk-based planning of selected audits
- Develop an inventory of identified small-scale projects and initiatives

### Strategic Goal 6

Apply professional audit standards, methodology and practices consistently across the Office to improve our audit processes and achieve audit products of the highest quality.

- Standardize our audit methodology
- Enhance the QA process
- Establish an effective knowledge transfer process

### Strategic Goal 7

Communicate our audit results clearly and directly to increase the understanding and impact of our work.

- Re-assess report frequency and timing
- Re-assess our report styles and language
- Improve report clearing protocols
- Review OAG report release process

### Strategic Goal 8

Take measures to improve the extent to which our recommendations are implemented.

- Review and improve processes for follow up on audit recommendations
- Engage PAC and executive government to focus on implementation of recommendations

### Strategic Goal 9

Develop and support staff in achieving professional excellence and their full career potential.

- Improve feedback and coaching

### Strategic Goal 10

Employ state-of-the-art professional tools and technology to improve our productivity.

- Optimize the use of current technology and resources
- Enhance our audit suite
- Develop a comprehensive IT plan

### Strategic Goal 11

Promote an open, fair, and respectful workplace that fosters a highly productive, accountable and motivated staff.

- Use our employee satisfaction survey to enhance our HR practices
- Review our HR and office practices

## BUDGET CONTEXT

The Office is funded by an annual appropriation of the House of Assembly, and from the billing of professional services in certain situations. The following shows the actual and budgeted expenses, recoveries and funded staff positions of the Office for the years 2006-07 and 2007-08.

<b>OFFICE OF THE AUDITOR GENERAL OF NOVA SCOTIA NET EXPENSES AND STAFFING</b>			
	<b>Budget 2006-07</b>	<b>Actual 2006-07</b>	<b>Budget 2007-08</b>
Salaries and benefits	\$ 2,426,800	\$ 2,274,440	\$ 2,741,500
Other staff expenses	104,000	75,386	95,000
Travel	49,000	58,800	54,000
Professional services	235,100	303,345	253,300
Office administration	182,100	251,719	188,400
<b>Total Expenses</b>	<b>2,997,000</b>	<b>2,963,690</b>	<b>3,332,200</b>
Recoveries	105,000	140,256	175,200
<b>Net Expenses</b>	<b>\$ 2,892,000</b>	<b>\$ 2,823,434</b>	<b>\$ 3,157,000</b>
Staff - Full Time Equivalent	32.6	30.0	34.0

With these resources, the Office will audit the financial statements and review the revenue estimates of the Province of Nova Scotia, as well as audit the financial statements of 17 other government organizations. In addition, it will perform at least 10 performance audits to be reported in 2007-08.

The Office's major expense is salaries and benefits, which represents approximately 81% of the Office's net expenses for 2006-07. All but three staff members are directly involved in providing audit services. Office administration (including office rent) was 9% of net expenses.

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## **LINKAGES / PARTNERSHIPS**

The Office partners or works with other organizations in the performance of its work.

- The Office occasionally works with other legislative audit offices (i.e., Auditors General) in the performance of audits of entities which do business in multiple jurisdictions, and in cases where there are similar government operations in various jurisdictions and there would be efficiency gained from audit offices coming together to plan or conduct such assignments.
- The Office engages private sector public accounting firms to conduct certain financial statement audits on behalf of the Auditor General. Such audits are subject to oversight by the Office, and audit opinions expressed are those of the Auditor General.
- Accountants, consultants and specialists are occasionally hired on a contract basis to provide training to the Office, or to assist with audit assignments performed.
- The Auditor General works closely with his counterparts in other jurisdictions through the Canadian Council of Legislative Auditors. The Office has worked closely with the Canadian Institute of Chartered Accountants in addressing common issues of concern and the development of auditing and public sector accounting standards. The Auditor General has worked with CCAF-FCVI Inc. in its efforts to improve public sector accountability, governance and management.

The Office continues to seek partnership opportunities where they would improve the quality and efficiency of our work.

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## 2007-08 PLANNED AUDITS

### Financial Audits and Reviews Conducted by the Office

Entity/Report	Type of Assignment
Accounts established under the Members' Retiring Allowances Act	Financial Statement Audit
Atlantic Provinces Special Education Authority	Financial Statement Audit
Fisheries and Aquaculture Loan Board	Financial Statement Audit
Government Consolidated Financial Statements	Financial Statement Audit
Government's SEC Filing	Review
Nova Scotia Farm Loan Board	Financial Statement Audit
Nova Scotia Gaming Foundation	Financial Statement Audit
Nova Scotia Primary Forest Products Marketing Board	Financial Statement Audit
Nova Scotia Talent Trust	Financial Statement Audit
Public Trustee Trust Funds	Financial Statement Audit

### Financial Audits Contracted with Public Accounting Firms

Entity/Report	Type of Assignment
Industrial Expansion Fund	Financial Statement Audit
Government's Revenue Estimates	Review
Nova Scotia Crop and Livestock Insurance Commission	Financial Statement Audit
Nova Scotia Gaming Corporation	Financial Statement Audit
Nova Scotia Harness Racing Incorporated	Financial Statement Audit
Nova Scotia Innovation Corporation	Financial Statement Audit
Nova Scotia Legal Aid Commission	Financial Statement Audit
Public Service Superannuation Fund	Financial Statement Audit
Sydney Steel Corporation Superannuation Fund	Financial Statement Audit

## Performance Audits

Program/process	Type of Assignment
<b>June 2007 Report</b>	
Community Services – Regional Housing Authorities	Performance
Health - Emergency Health Services	Performance
Health - Long-term Care - Nursing Homes and Homes for the Aged	Performance
Health - Management of Diagnostic Imaging Equipment - Capital Health and Cape Breton District Health Authority	Performance
Justice - Maintenance Enforcement Program	Performance
<b>January 2008 Report</b>	
Education - South Shore Regional School Board	Performance
Environment and Labour - Environmental Programs	Performance
Health - Home Care	Performance
Health - Prevention of Communicable Diseases	Performance
Information Technology Governance (Government-wide)	Performance
Internal Audit in the Public Sector	Performance

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