



Office of the Auditor General of Nova Scotia

Report on Performance 2008-09

INTRODUCTION

An evaluation of the overall performance of an organization requires analysis of a number of factors. It should assess whether the organization accomplished what it had intended to achieve. It should also determine whether financial and non-financial resources were used in a responsible and effective manner. Accordingly, a well-rounded picture of the performance of an organization entails the reporting of progress against predefined goals, specific performance indicators and financial budgets.

The Office of the Auditor General prepares an annual budget, sets goals on an annual and longer-term basis, and has developed a set of performance indicators. This Report assesses the Office's performance against the goals and budget presented last year in its 2008-09 Business Plan, and provides information on its performance measures and how they fared against targets prepared for these areas of performance.

IMPLEMENTATION OF STRATEGIC INITIATIVES

The Office identified eleven goals as a result of long-range strategic planning efforts, along with a number of strategic initiatives directed towards achieving those goals. The Office's 2008-09 business plan listed 19 initiatives under 10 goals that were targeted for completion during the year. The following table provides the status of each of these as of March 31, 2009. Goal 5 – *Deploy professionals who bring the right qualifications, experience and competence necessary to undertake each audit in the most proficient and effective manner* – did not have any initiatives assigned for 2008-09. Two initiatives will be completed in 2009-10 to satisfy this goal, which are described in the Office's 2009-10 Business Plan.

	Completed	In Progress	Not Started
<p>Strategic Goal 1 - Promote greater understanding of the independence, mandate, and role of the Office of the Auditor General.</p> <ul style="list-style-type: none"> Clarify the Auditor General's access to information for audit purposes. Develop a communications strategy for the Office. 		<ul style="list-style-type: none"> ✓ ✓ 	
<p>Strategic Goal 2 - Engage stakeholders more in the work of the Office to increase their commitment and the impact of the Office.</p> <ul style="list-style-type: none"> Develop a process for consultation with external stakeholders. Review audit communication protocols. 	<ul style="list-style-type: none"> ✓ ✓ 		
<p>Strategic Goal 3 - Identify audit priorities and undertake audits that support enhanced public sector performance and accountability.</p> <ul style="list-style-type: none"> Enhance the Office's risk-based methodology for selecting audits. Review the process for gathering and considering stakeholder input in the selecting of audits. 	<ul style="list-style-type: none"> ✓ ✓ 		
<p>Strategic Goal 4 - Conduct office-wide, risk-based planning and scheduling for audits.</p> <ul style="list-style-type: none"> Enhance the Office's risk-based methodology for planning selected audits. Develop an inventory of small-scale projects. 	<ul style="list-style-type: none"> ✓ 	<ul style="list-style-type: none"> ✓ 	
<p>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.</p> <ul style="list-style-type: none"> Enhance the Office's quality assurance processes. Enhance the Office's project management processes. 	<ul style="list-style-type: none"> ✓ ✓ 		
<p>Strategic Goal 7 - Communicate our audit results clearly and directly to increase the understanding and impact of our work.</p> <ul style="list-style-type: none"> Improve the Report clearing process. Review the Report release process. 	<ul style="list-style-type: none"> ✓ ✓ 		
<p>Strategic Goal 8 - Take measures to improve the extent to which our recommendations are implemented.</p> <ul style="list-style-type: none"> Enhance the process for follow-up of audit recommendations. 	<ul style="list-style-type: none"> ✓ 		
<p>Strategic Goal 9 - Develop and support staff in achieving professional excellence and their full career potential.</p> <ul style="list-style-type: none"> Review the Office's staff performance management process. 	<ul style="list-style-type: none"> ✓ 		
<p>Strategic Goal 10 - Employ state-of-the-art professional tools and technology to improve our productivity.</p> <ul style="list-style-type: none"> Optimize the use of technology resources currently in use. Enhance the Office's audit suite. Develop a comprehensive, long-term IT strategy. 	<ul style="list-style-type: none"> ✓ ✓ 	<ul style="list-style-type: none"> ✓ 	
<p>Strategic Goal 11 - Promote an open, fair, and respectful workplace that fosters a highly productive, accountable and motivated staff.</p> <ul style="list-style-type: none"> Review the Office's human resource policies and practices. Review the Office's staff recruitment and retention practices. 	<ul style="list-style-type: none"> ✓ ✓ 		

Discussion and Analysis

The Office was more successful this year in its completion of strategic initiatives. Fifteen of the nineteen initiatives included in the 2008-09 business plan were completed (6 of 20 for 2007-08). The four initiatives not completed will be fully addressed by the end of 2009-10, along with the seven remaining initiatives from the Office's long-range strategic plan that were scheduled for completion in 2009-10.

PERFORMANCE MEASURES

Performance Indicator	Description	Office Target	2008-09 Measure
1. Addressing of Recommendations	% of recommendations implemented after two years.	90% or higher	39%
2. Published Reports	Auditor General Reports released during year.	Two or more	Two regular Reports Two special Reports
3. Planned Audits Completed	Whether audits planned for the year were performed.	All audits completed	All audits completed
4. Financial Audits on Target	Financial audits completed by applicable target dates.	All target dates met	Met for 13 of 18
5. Performance Audits on Target	Performance audits completed by applicable target dates.	All target dates met	All target dates met
6. Review of Office Audits	Institute or peer review conducted during the year.	One	One
7. Staff Satisfaction	% of staff very satisfied or satisfied with job.	80% or higher	79%

Discussion and Analysis

The Office strives to contribute towards making government more efficient, effective and better performing. A measure of performance in this area is whether government is implementing the recommendations contained in the Auditor General's Reports to the House of Assembly. A completion rate of 90% or higher would be an indicator of success in this area, allowing for some recommendations requiring more than two years to fully address and some recommendations no longer considered relevant due to changing circumstances in government.

The result of our follow-up of recommendations made in our 2006 Reports was disappointing, with only 39% being fully implemented. We attempt to increase the likelihood of implementation by drafting recommendations that provide practical solutions to real problems. Then it is the responsibility of government management to see that the recommendations are properly addressed. Treasury and Policy Board and the House's Standing Committee on Public Accounts indicate that they are still committed to assuming roles in monitoring and challenging rates of implementation, but this has not yet been fully instituted. We believe such oversight efforts would significantly increase this measure in the future.

The Auditor General released two regular Reports and two special Reports to the House of Assembly during 2008-09. (The second regular Report was tabled on April 22, 2009, but was in final draft format at year-end.) All 30 financial and performance audits planned for the year were performed, and all performance audits to be included in an Auditor General's Report in 2008-09 were completed in time for the Report.

Thirteen of eighteen financial audits were completed in time to meet their target dates. Each of the five audits not completed in time was the result of waiting for information or approval from the audited entity.

A review of the Office's performance audit practices was performed by Le vérificateur général du Québec. The Office received a report in March 2009 indicating that it was in complete compliance with Generally Accepted Auditing Standards for the audit reviewed. The report outlined five notably good practices of the Office, as well as six recommendations on how to improve the efficiency of audit practices.

The Office periodically surveys its staff members to determine their level of satisfaction with respect to a large number of work-related issues. The survey asked about staff's "Overall satisfaction working for the Office." The result of the January 2009 survey was that 17% were very satisfied and 62% were satisfied, resulting in a score only one point below the Office's target minimum score of 80%.

FINANCIAL PERFORMANCE

Discussion and Analysis

The Office under-spent its 2008-09 budget by \$145,967 (4%).

The primary expenses of the Office are staff related – salaries and benefits, and other staff expenses (professional development and professional dues). Together, these represent 81% of total expenses in 2008-09, and were within a half of a percent of the amount budgeted for them.

Travel expenses were greater than budgeted due to greater attendance at Canadian Conference of Legislative Auditors and out-of-province training events.

Professional services expense consists mainly of fees paid to firms to assist the Office with its audits. These costs were lower than budgeted because the 2009-10 Estimates of the Province were prepared later than expected. The Office reviews the revenue portion of the annual Estimates. This work is contracted to an accounting firm and, due to the lateness of the 2009-10 Estimates, some of the work performed on this assignment occurred after March 31, 2009. Accordingly, we were billed for only part of the cost of this assignment as of year-end.

Office administration expense was over budget by \$32,129. \$20,000 of this is due to the spending of a contribution from government for IT equipment purchases. Such contributions and their expenditure are not budgeted due to the Office not being informed of the amount of the contribution at the time that the budget is prepared. Numerous smaller positive and negative variances make up the remainder of the difference.

Likewise, recoveries to fund government-wide salary increments are not budgeted due to a lack of information on these costs at the time that the budget is prepared.

The Office was not able to meet its targeted staff complement for the full year due to turn-over in professional staff.

OFFICE OF THE AUDITOR GENERAL OF NOVA SCOTIA			
NET EXPENSES AND STAFFING			
	Actual 2008-09	Budget 2008-09	Variance (over) under
Salaries and benefits	\$2,670,732	\$2,688,000	\$ 17,268
Other staff expenses	108,569	105,000	(3,569)
Travel	75,356	60,000	(15,356)
Professional services	303,686	339,100	35,414
Office administration	<u>285,029</u>	<u>252,900</u>	<u>(32,129)</u>
Total Expenses	<u>3,443,372</u>	<u>3,445,000</u>	<u>1,628</u>
Recoveries - IT purchases	20,000	-	(20,000)
Recoveries - salaries	<u>125,967</u>	<u>-</u>	<u>(125,967)</u>
Total Recoveries	<u>145,967</u>	<u>-</u>	<u>(145,967)</u>
NET EXPENSES	<u>\$3,297,405</u>	<u>\$3,445,000</u>	<u>\$ 147,595</u>
Staff - Full Time Equivalent	<u>32.5</u>	<u>34.0</u>	<u>1.5</u>

Note: The Office charges fees for the performance of certain financial statement audits. Due to a change in government budgeting practices, these fees are no longer being reflected in the Office's budget. Accordingly, the above statement does not include \$176,062 of fees for audits performed by the Office.

OTHER ACCOMPLISHMENTS

In addition to above noted matters, the Office had other significant accomplishments during the year.

- The Office provided assistance to the Office of the Director of Audit of St. Lucia to aid in its development of legislative audit capacity and skills.
- The Office continued to function as a training office for various professional accounting and auditing student programs.
- The Office participated in the Canadian accounting and auditing standards development process by commenting on proposed changes to professional standards and participating in the Public Sector Accounting Board's Tax Revenue Task Force.
- The Office participated in all working groups of the Canadian Council of Legislative Auditors, helping to advance the performance of legislative auditing in Canada and internationally.

ADDITIONAL INFORMATION

Additional information about the Nova Scotia Auditor General's Office can be obtained by visiting its website at www.oag-ns.ca or by contacting the Office at:

Phone	(902) 424-5907
Fax	(902) 424-4350
E-mail	oaginfo@gov.ns.ca
Mail	1888 Brunswick Street, Suite 302, Halifax, NS, B3J 3J8