

**OTHER AUDIT OBSERVATIONS**

## 18.

### ADDITIONAL APPROPRIATIONS

#### BACKGROUND

**18.1** Every year the Estimates, representing the government's spending plans, are presented to the House of Assembly for review and approval. The Estimates are summarized in the Appropriations Act, which provides the spending authority for the coming year.

**18.2** The review and debate by the House of government's annual Estimates culminates in the approval of spending authority limits (i.e., appropriations), and has a long and well-established tradition in the parliamentary process.

**18.3** The Provincial Finance Act provides Executive Council with the authority to approve adjustments to these spending plans in the form of additional appropriations. The Provincial Finance Act also permits Executive Council to approve special warrants when an expenditure, which was not provided for in the original Estimates, is urgently and immediately required.

**18.4** Exhibit 18.1 on page 282 includes extracts from the Provincial Finance Act relating to additional appropriations and special warrants.

**18.5** Section 9(2)(e) of the Provincial Finance Act requires that the *Public Accounts* include a summary listing of any additional appropriations or special warrants authorized for the fiscal year. Under Section 9A(1)(c) of the Auditor General Act, we are required to call attention to every case in which an appropriation was exceeded and every case in which a special warrant was made pursuant to the provisions of the Provincial Finance Act.

#### RESULTS IN BRIEF

**18.6** The following are the principal results from our 2002 review of additional appropriations and special warrants.

- Additional appropriations totalling \$450.2 million and \$183.4 million were approved by Order in Council (OIC) in September 2002 for the years ended March 31, 2001 and March 31, 2000 respectively.
- Additional appropriations required for the year ended March 31, 2002 are yet to be approved by OIC. Under Section 28(4) of the Provincial Finance Act as amended May 30, 2002, OIC approval now needs to be obtained "*no later than ninety days after tabling of the Public Accounts*".
- There were no special warrants approved for the 2001-02 fiscal year.

#### SCOPE OF REVIEW

**18.7** The objective of our annual review of additional appropriations and special warrants was to determine if they were properly authorized in accordance with the provisions of the Provincial Finance Act.

## PRINCIPAL FINDINGS

### *Additional Appropriations*

**18.8** Additional appropriations required for the year ended March 31, 2002 are yet to be approved by OIC. Under Section 28(4) of the Provincial Finance Act as amended May 30, 2002, OIC approval now needs to be obtained “*no later than ninety days after tabling of the Public Accounts*”.

**18.9** Additional appropriations totaling \$450,202,560 and \$183,371,278 were approved by OIC in September 2002 for fiscal years 2001 and 2000 respectively (see Exhibit 18.2 on page 283). The timing of those OIC approvals impairs the effective control by and accountability to the House of Assembly for expenditures in excess of original spending authority limits.

**18.10** It must be acknowledged that a significant portion (i.e., more than half) of these totals relate to changes in accounting policies necessary for the Province to adhere to generally accepted accounting principles (GAAP) which would not have been considered in the estimates process for those years.

### *Special Warrants*

**18.11** There were no special warrants approved for the 2001-02 fiscal year.

## CONCLUDING REMARKS

**18.12** Current legislation and administrative practices impair the effectiveness of the House of Assembly’s control over the spending of public funds. The practice of obtaining after-the-fact approval for additional spending authority does not constitute or support *effective control*.

**18.13** Recent statutory changes establishing a deadline for obtaining additional appropriations have resolved an administrative challenge of government regarding compliance. However, parliamentary control of and accountability for government’s spending are at risk of being further impaired because the statutory provisions do not require approval prior to spending.

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**Exhibit 18.1****EXTRACTS FROM THE PROVINCIAL FINANCE ACT**  
(As revised May 30, 2002)***Additional appropriations***

28 (1) *Where the amount provided in an appropriation is insufficient to carry out the purpose for which the appropriation was made, the principal officer having responsibility for the service shall make a report of that fact to the Minister and shall, in such report, estimate the supplemental sum required to carry out the service.*

(2) *Upon receipt of a report pursuant to subsection (1), the Minister may make a report to the Governor in Council showing the need for the additional appropriation and the Governor in Council may order that such supplemental sum as is deemed necessary be appropriated accordingly.*

(3) *Commencing with the fiscal year 2001-02, an order under subsection (2) shall be made no later than ninety days after the tabling of the Public Accounts following the end of the fiscal year for which the appropriation that is supplemented was made.*

(4) *The Minister shall, within fifteen days of the making of an order pursuant to subsection (2), table the order in the House of Assembly if the House is then sitting or, if it is not then sitting, with the Clerk of the Assembly.*

***Special Warrant***

29(1) *When it appears that an expenditure which was not provided for by the Legislature is urgently and immediately required for the public good, the head of the department concerned shall make a report of that fact to the Minister of Finance and shall in such report estimate the amount of the proposed expenditure.*

(2) *Upon receipt of such report, the Minister may make a report to the Governor in Council that the said expenditure is urgently and immediately required for the public good, and that there is no legislative provision therefore, and the Governor in Council may thereupon order a special warrant to be prepared to be signed by the Lieutenant Governor for the issue of the amount estimated to be required, and may order the amount to be charged to Capital Account or to Current Account, or partly in one way and partly in the other.*

(3) *A special warrant pursuant to the provisions of this Section shall not be made when the Legislature is in session unless the House of Assembly has not sat for any of the five days immediately preceding the issue of the special warrant.*

*Exhibit 18.2*

**ADDITIONAL APPROPRIATIONS APPROVED**

<b>Department</b>	<b>2000</b>	<b>2001</b>
Department of Agriculture and Marketing	\$ -	\$ 549,143
Department of Business and Consumer Services	-	269,725
Department of Community Services	3,054,479	7,866,633
Department of Economic Development	-	-
Departmental Operations	-	-
Funds for Strategic Investment	28,994,653	15,915,346
Department of Education	96,000,552	13,867,000
Department of Justice	2,668,423	-
Assistance to Universities	-	2,257,000
Department of Health	-	61,247,798
Emergency Measures Organization of Nova Scotia	171,741	1,038,503
Government Contributions to Benefit Plans	144,278	20,638,907
Technology and Science Secretariat	19,122,126	-
Nova Scotia Petroleum Directorate	-	502,556
Department of Transportation and Public Works	-	4,057,829
Capital Purchase Requirement (TCA)	-	287,524,120
Debt Service Costs	26,528,526	-
Sinking Fund Instalments and Serial Retirements	<u>6,686,500</u>	<u>34,468,000</u>
	<u>\$ 183,371,278</u>	<u>\$ 450,202,560</u>