



At a Glance



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7 Finance Follow-up

Summary

The overall implementation rate of the recommendations from our January 2012 report is only 70%. This is a decline from the 77% implementation rate for 2010 financial recommendations reported in the January 2014 Report of the Auditor General, and it is disappointing that the overall implementation rate has decreased. Of 27 recommendations made in that report, 19 have been fully implemented.

We disagree with the implementation status reported by the Department of Finance and Treasury Board for two recommendations, both of which relate to internal control. One is to assess the design and effectiveness over model-based tax revenue processes and the other is to complete a risk assessment of roles and responsibilities in three divisions within the Department and to ensure controls exist to mitigate the identified risks. Based on review of the documentation we were provided, we disagree with the Department's view that implementation of these recommendations is complete. We intend to meet with the Department to provide additional information on what is required to fully implement these recommendations.

Details of all financial recommendations included in our January 2012 report along with their current status can be found on our website at oag-ns.ca.

7 Finance Follow-up

Background

- 7.1 Financial reporting is a key component of government's accountability framework; it is a means through which government fulfills its accountability responsibilities regarding the use of public funds and demonstrates its stewardship over those funds. We report annually on government financial reporting to the House of Assembly. Each chapter contains recommendations which we believe provide practical, constructive advice to address issues raised by our audits or reviews.
- 7.2 We follow up the implementation status of our recommendations after two years. We believe two years is sufficient time for auditees to address our recommendations.
- 7.3 This chapter reports the status of recommendations concerning financial reporting and other financial management issues, and how responsive departments and agencies have been in implementing the recommendations from audits reported in our January 2012 report. We note that in 2011 we did not make financial reporting recommendations as the timing of our reporting changed and thus recommendations related to 2011 were released in our January 2012 report.
- 7.4 We requested that government management complete a self-assessment of their progress in implementing the outstanding 2012 recommendation in the Department of Finance and Treasury Board's Tracking Auditor General Recommendations (TAGR) system. We also asked management to provide supporting information. Our review process focused on whether the self-assessments and information provided by management were accurate, reliable and complete. This chapter includes summary level information on implementation status; more detailed information, including specific recommendations can be found on our website at oag-ns.ca.

Review Objective and Scope

- 7.5 The objective of this assignment was to provide moderate assurance on the implementation status of recommendations concerning financial reporting and other financial management issues included in the January 2012 Report of the Auditor General. This level of assurance is less than for an audit because of the type of work performed. An audit would have enabled us to provide high assurance, but the required audit procedures would have required a significant increase in the resources devoted by our Office to this follow-up assignment. Therefore, readers should note that moderate level assurance allows us to conclude on the plausibility of statuses reported.



- 7.6 Each department is expected to document its self-assessment of progress on the implementation of our Office's recommendations in the TAGR system. Our review was based on information included in the TAGR system as of December 15, 2014. This is the date we chose during this year's review to enable us to complete our work and meet our deadlines.
- 7.7 Our review was based on representations by government management which we substantiated through interviews and review of documentation. Moderate assurance, in the context of this assignment, means performing sufficient work to satisfy us that the implementation status as described by government is plausible given the circumstances. Further information on the difference between high and moderate assurance is available in the *CPA Canada Handbook – Assurance, Section 5025 – Standards for Assurance Engagements other than Audits of Financial Statements*.
- 7.8 Our criteria were based on qualitative characteristics of information as described in the *CPA Canada Handbook*. Management representations on implementation status were assessed against three criteria.
- Accurate and neither overstate nor understate progress
 - Reliable and verifiable
 - Complete and adequately disclose progress to date

Significant Observations

Review Results

Conclusions and summary of observations

The overall implementation rate for financial recommendations made in 2012 decreased from 77% reported last year to 70% during the past year. This is a disappointing reduction in the implementation rate. 19 of the 27 recommendations made in the January 2012 Report of the Auditor General have been fully implemented. There were two recommendations for which we disagreed with the implementation status reported by the Department of Finance and Treasury Board, both of which related to internal control. One was to assess the design and effectiveness over model-based tax revenue processes and the other was to complete a risk assessment of roles and responsibilities in three divisions within the Department, and ensure controls exist to mitigate the identified risks. Based on review of the documentation we were provided, we could not agree that implementation was complete. We intend to meet with the Department to provide additional information on what is required to fully implement these recommendations.



7.9 *Review results* – We performed a review of departments’ self-assessments, including an evaluation of supporting documentation. We provide moderate assurance to readers of this chapter. Nothing came to our attention to cause us to believe that the representations made by government are not complete, accurate and reliable. We wish to emphasize that the work performed during this follow-up assignment is not an audit; therefore we provide only moderate assurance that these recommendations have been implemented. Only during a subsequent audit can we say, with high assurance, that the reported implementation status is accurate.

7.10 *Scope of review* – We made a total of 27 recommendations in our January 2012 report. During this assignment, we followed up on the status of 26 recommendations identified by the responsible department as complete. The one recommendation we did not follow up was indicated to be work in progress. Of the 27 recommendations made, 25 were addressed to the Department of Finance and Treasury Board. The remaining two recommendations were the responsibility of the Department of Education and Early Childhood Development.



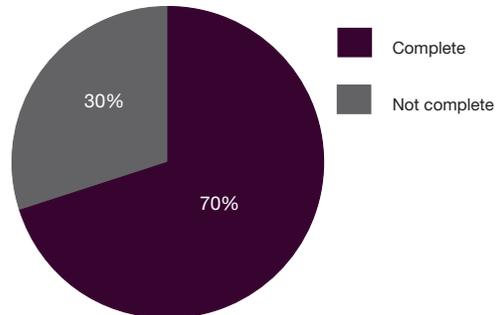
Disappointing 70% recommendation implementation rate

7.11 *Implementation status* – The overall implementation rate of our recommendations this year is 70%, a disappointing decline over the implementation rate of 77% in the prior year. The following exhibit summarizes the status of the 27 recommendations made in the January 2012 report.

Chapter	Entity	Complete	Not Complete	Total
Chapter 2: Results of Financial Audits and Reviews	FTB	11	7	18
Chapter 2: Results of Financial Audits and Reviews	EECD	1	–	1
Chapter 3: Governance and Control Framework	FTB	6	1	7
Chapter 5: Review of Audit Opinions and Management Letters	EECD	1	–	1
Total Number of Recommendations		19	8	27
		70%	30%	100%
FTB Department of Finance and Treasury Board EECD Department of Education and Early Childhood Development				



Overall Recommendation Implementation Results for 2012



- We believe two recommendations are not complete while Finance and Treasury Board believes they are

- 7.12 *Disagreement on implementation status* – There were two recommendations for which we disagreed with the implementation status reported by the Department of Finance and Treasury Board, both of which relate to internal control.
- 7.13 In January 2012, we made a recommendation to the Department of Finance and Treasury Board's Fiscal Policy Division to assess the design and effectiveness of controls over model-based tax revenue processes, including the preparation of journal entries. We disagree with the status of complete. We were not provided documentation to support the assessment of design and effectiveness of controls. The Division has indicated the assessment has been completed.
- 7.14 As part of chapter 3, Governance and Control Framework, reported in January 2012, we recommended that management of the Department's Liability Management and Treasury Services, Capital Markets Administration, and Compliance and Reporting Divisions should complete a risk assessment of roles and responsibilities and ensure controls exist to mitigate identified risks. The Department reported the status of this recommendation as complete. We were provided documentation of the process and the key controls in place. However, we were unable to identify that a risk assessment of the roles and responsibilities had occurred. Without the initial risk assessment, there is concern that the controls in place are not addressing identified risks. Therefore, we assessed this recommendation as not complete.
- 7.15 We intend to meet with the Department to provide additional information on what is required to fully implement these recommendations.
- 7.16 *Other comments* – One of the eight recommendations that remains incomplete from the January 2012 report is that the Department of Finance and Treasury

Board's Controller's Office should provide guidance to departmental, board, and agency management on documentation of internal controls. This was to assist in assigning roles and responsibilities to individuals throughout government for the design, implementation, operation and maintenance of internal controls as part of the documentation of internal controls. The Department has indicated that draft policies exist and will be added to Corporate Policy Manuals after appropriate review and approval. We encourage the Department to continue with its progress toward accomplishing this recommendation.

