

**OTHER AUDIT OBSERVATIONS**

## 15.

### ADDITIONAL APPROPRIATIONS

#### BACKGROUND

**15.1** 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.

**15.2** 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.

**15.3** 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.

**15.4** Exhibit 15.1 on page 235 includes extracts from the Provincial Finance Act relating to additional appropriations and special warrants.

**15.5** 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

**15.6** The following are the principal results from our 2001 review of additional appropriations and special warrants.

- Formal approval of additional appropriations totalling \$450 million and \$658 million is required for the years ended March 31, 2001 and March 31, 2000 respectively. It must be acknowledged that a significant portion (i.e., more than half) of these totals relate either to changes in accounting policies necessary for the Province to adhere to generally accepted accounting principles (GAAP) or to unusual items, both of which would not have been considered in the estimates process for those years.
- There were no special warrants approved for the 2000-01 fiscal year.

#### SCOPE OF REVIEW

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

## PRINCIPAL FINDINGS

### *Additional Appropriations*

**15.8** In our view, incurring expenditures before the necessary additional spending authority is in place may be contrary to the Provincial Finance Act. Further, the timing of these approvals impairs the effective control of and accountability for expenditures in excess of original spending authority limits.

**15.9** A detailed listing of the status of all appropriations approved by the 2000 Appropriations Act can be found on Page 71 of the Public Accounts of Nova Scotia, Volume 1 - Financial Statements for the fiscal year 2000-01. Several of these appropriations were exceeded and the sum of \$450,203,000 is required in the form of additional appropriations. Further, there was still a total of \$658,672,000 in additional appropriations requiring approval for fiscal year 1999-2000.

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

**15.11** As at the date of writing this Chapter in late 2001, we are not aware that the Orders in Council necessary to formally approve these additional appropriations have been put in place. There was a House Resolution tabled on May 30, 2001 for the overspending incurred in the 1999-2000 year, but it had not yet been approved by the House of Assembly. Since the Expenditure Control Act was repealed in the spring 2000 session of the Legislature, a House Resolution was not required for the overspending in the 2000-01 fiscal year.

### *Special Warrants*

**15.12** We are required under Section 9A(1)(f) of the Auditor General Act to call attention to every case in which *"a special warrant, made pursuant to the provisions of the Provincial Finance Act, authorized the payment of money."* The Provincial Finance Act allows the Executive Council to approve a special warrant, when the Legislature is not in session, which authorizes *"an expenditure which was not provided for by the Legislature"* and *"is urgently and immediately required for the public good."*

**15.13** There were no special warrants approved for the 2000-01 fiscal year.

## CONCLUDING REMARKS

**15.14** Expenditure of funds beyond the appropriations approved by the House of Assembly continued to occur prior to Executive Council approval required under the Provincial Finance Act. The Department of Finance has indicated that the determination of exact numbers is necessary to avoid seeking additional appropriations for minor amounts.

**15.15** Current legislation and administrative practices raise questions as to the effectiveness of the House of Assembly's control over the expenditure of public funds. The practice of obtaining after-the-fact approval for additional appropriations does not necessarily constitute *effective control* and, we believe, may contravene the intent of statutory requirements in this regard.

**15.16** Further, with financial accounting and reporting now on an accrual (versus cash) basis in accordance with GAAP, the current appropriations process or focus cannot provide adequately for the effective control of the public purse by the House. Government recognizes this and is considering options in order to improve the process.

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**Exhibit 15.1****EXTRACTS FROM THE PROVINCIAL FINANCE ACT*****Prerequisite to issue of money***

13(2) *The Deputy Minister [of Finance], or an officer designated by him, before the issue of public money out of the Consolidated Fund, shall ensure that there is sufficient balance available in the appropriation for the specified purpose.*

***Consequences of exhausted appropriation***

13(3) *When an appropriation is exhausted, the Deputy Minister shall forthwith notify the department to which the appropriation was granted and the Minister, and shall not sanction any further contractual obligations or commitments to be charged to the exhausted appropriation.*

***Suspension of right to commit***

27(A) *The Governor in Council, upon the recommendation of the Minister, may order the suspension for such a period as the Minister deems fit of the right to commit any appropriation or part thereof except the salaries, wages and expenses of members of the public service, including the civil service, or the indemnities and expenses of the members of the House of Assembly.*

***Report of insufficient appropriation***

28(1) *When it appears to the Minister or principal officer having charge of a service that the sum appropriated by the Legislature for an ordinary or usual service is insufficient to meet the requirements of that service during the year for which the appropriation has been made or that the sum appropriated by the Legislature to be expended on capital account is insufficient for the service for which it was appropriated, the Minister or principal officer shall make a report of that fact to the Minister of Finance and shall in such report estimate the additional sum required to carry out the service.*

***Supplementary appropriation***

28(2) *Upon the receipt of such report, the Minister of Finance may make a report to the Governor in Council showing the need of additional appropriation and thereupon the Governor in Council may order that such additional sums as are deemed necessary for the said service be appropriated accordingly, provided that the additional sums appropriated to be expended on capital account shall not exceed twenty-five per cent of the amount appropriated by the Legislature for the service.*

***Report of urgently required expenditure***

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.*

***Special warrant***

29(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.*

***Conditions for special warrant while House in session***

29(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.*