

February
2013

Report of the Auditor General
to the Nova Scotia
House of Assembly



Appendix to
Chapter 6

Independence • Integrity • Impact



Implementation Status: June 2007 Recommendations

Chapter 7 – Government Financial Reporting – Finance

7.1 We recommend further steps be taken to move towards preparing and presenting the revenue estimates included in the budget in full accordance with generally accepted accounting principles.

Status – Work in progress

Implementation Status: February 2008 Recommendations

Chapter 6 – Government Financial Reporting – Finance

6.1 The Government Accounting Division should ensure that all but trivial known and possible errors identified during the audit be corrected.

Status – Complete

6.2 The Division should ensure that adjustments to the general ledger be made as part of the year-end financial statement preparation process only, and not subsequently. In addition, the ability to post these entries should be limited to selected senior individuals.

Status – Complete

6.3 Management should obtain an independent audit opinion on the governance and control framework of the Investments, Liability Management and Treasury Services and Capital Markets Administration Divisions. This should be conducted by a private sector firm.

Status – Complete

6.4 Department of Finance management should ensure that the Provincial Finance Act is amended to eliminate the existing inconsistency with respect to additional appropriations. Management should also ensure the Act is clarified regarding its applicability to certain entities with respect to the process to write off recorded amounts.

Status – Complete

Implementation Status: November 2008 Recommendations

Chapter 2 – Payments to Vendors – Finance

2.1 The identified instances of incompatible access privileges should be investigated to determine if all or some are necessary. If they are necessary, compensating controls should be put in place to mitigate the higher risk these situations cause.

Status – Work in progress



2.2 The government's SAP Customer Competency Centre should perform periodic analysis to identify where incompatible system access privileges have been assigned to government employees so that these situations can be reviewed for necessity, and compensating controls implemented where appropriate.

Status – Work in progress

2.3 CSUs should not process payments without evidence of proper departmental approval.

Status – Complete

2.4 CSUs should verify the mathematical accuracy of documents supporting payments if there is a risk of errors occurring in the documentation. CSU employees should provide evidence of this process by signing or initialing the documents checked.

Status – Complete

2.5 Payments should not be processed by CSUs without all required posting and payment information being recorded by departments on the supporting documentation.

Status – Complete

2.6 Payment transactions should be checked by CSUs to ensure they were processed and posted correctly.

Status – Complete

2.7 Payments should not be processed by CSUs unless all relevant supporting documentation is provided.

Status – Complete

2.8 The balancing of electronic payments to bank records should be performed and documented by the Government Accounting Division of the Department of Finance before payments are made.

Status – Complete

2.11 Government Accounting should not create or change vendor master file records unless the request is fully supported by required documentation.

Status – Complete

2.12 CSUs should ensure there is sufficient information presented with journal vouchers to identify any related transactions.

Status – Complete



2.13 The Department of Finance should oversee a project to document and communicate responsibility for internal control throughout government, as well as to have all significant control systems in government documented. Once documented, control systems should be analyzed for weakness, deficiencies corrected, and a system to periodically monitor compliance with government control standards should be implemented.

Status – Work in progress

Chapter 7 – Government Financial Reporting – Finance

7.1 The Department of Finance should ensure the Provincial budget includes all revenues of the consolidated entity in order to comply with Canadian generally accepted accounting principles.

Status – Work in progress

7.2 Revenues from offshore forfeitures should be estimated by the Department of Energy and included in the revenue estimates of the Province.

Status – Do not intend to implement

7.3 The Department of Finance should take the necessary steps to ensure it is provided with the appropriate authority for completion of the revenue estimates.

Status – Complete

7.4 Management should ensure internal controls within government are clearly documented and effectively communicated.

Status – Work in progress

7.5 Management should ensure roles and responsibilities for the design, implementation, operation and maintenance of internal controls are formally assigned.

Status – Work in progress

7.6 The Department of Finance should obtain an independent audit opinion on the governance and control framework of the Liability Management and Treasury Services, and Capital Markets Administration divisions. This should be conducted by a private sector firm.

Status – Complete

7.7 The Government Accounting Division should analyze inactive financial asset and liability accounts to ensure they should be maintained in the general ledger. Accounts which do not meet the definition of a financial asset or liability should be removed and the result recognized in operations.

Status – Complete

7.8 The Government Accounting Division should ensure the general ledger accounts related to Sydney Steel Corporation are revised to reflect the results of Sysco as a consolidated entity.

Status – Complete



7.9 The Government Accounting Division should ensure all but trivial known and possible errors identified during the audit are corrected.

Status – Complete

7.10 Department of Finance management in conjunction with Executive Council, should ensure the Provincial Finance Act is amended to eliminate the existing inconsistency with respect to additional appropriations.

Status – Complete

Implementation Status: April 2009 Recommendations

There were no financial reporting recommendations.

Implementation Status: February 2010 Recommendations

Chapter 5 – Government Financial Reporting – Finance

5.1 The Department of Finance should include estimates of all revenues of the consolidated entity in the Provincial budget in order to comply with Canadian generally accepted accounting principles.

Status – Work in progress

5.2 The Department of Finance should take the necessary steps to ensure it is provided with the appropriate authority for completion of the revenue estimates.

Status – Complete

5.3. All key economic and other assumptions use in the preparation of the revenue estimates should be approved by the Treasury Board.

Status – Complete

5.4 An independent analysis of the costs necessary to complete the remediation project of Sydney Steel Corporation and adjacent sites should be conducted. The balance of the provision should be adjusted to reflect this estimate.

Status – Department of Transportation and Infrastructure Renewal – Complete

5.5. The Department of Finance should require adequate support for adjustments to departmental budgets reported in the forecast updates.

Status – Complete

5.6. Management should document internal controls for government and include these in the Management Manuals

Status – Work in progress



5.7 Management should assign roles and responsibilities for the design, implementation, operation and maintenance of internal controls as part of the documentation of internal controls.

Status – Work in progress

5.8 The Department of Finance’s Capital Markets Administration Division should prepare monthly reconciliations to trustee statements and the general ledger should be updated each month to reflect the results of transactions.

Status – Complete

5.9 The Department of Finance’s Capital Markets Administration Division should adjust the balance of the unamortized foreign exchange account to recognize all deferred gains and losses on monetary items that have been sold, and to ensure the account only includes deferred amounts related to existing monetary items.

Status – Complete

5.10 The Department of Finance’s Government Accounting Division should ensure all non-trivial known errors identified during the audit are corrected.

Status – Complete

5.11 The Province’s stated accounting policy with respect to unamortized foreign exchange gains and losses should be revised to ensure it is in accordance with GAAP.

Status – Complete

5.12 The Department of Finance’s Government Accounting Division should analyze all inactive asset and liability accounts to determine whether they should be maintained in the general ledger. Accounts which do not meet the definition of an asset or liability should be removed and the result recognized in operations.

Status – Complete

5.13. The Department of Finance’s Government Accounting Division should remove all inappropriate business areas from the Province’s general ledger.

Status – Complete

5.14 The Department of Finance’s Government Accounting Division should ensure the business areas are appropriately reflected in the consolidated financial statements.

Status – Complete

5.15 The Department of Finance’s Government Accounting Division should simplify the general ledger accounts used to record SYSCO transactions.

Status – Complete

5.16 The Depart of Finance’s Government Accounting Division should instruct departments of the specifics in determining the amount of contractual obligations at year end.

Status – Complete



5.17 The Department of Finance’s Government Accounting Division should monitor departments’ progress, including significant divisions within departments, in providing information to the Office of the Auditor General as detailed in the schedule of audit deliverables.

Status – Complete

5.18 The Department of Finance’s Government Accounting Division should take appropriate steps to ensure all government reporting entities adopt the appropriate GAAP based on amendments to the Public Sector Accounting Handbook.

Status – Complete

5.19 Department of Finance management, in conjunction with Executive Council, should ensure the Provincial Finance Act is amended to eliminate the existing inconsistency with respect to additional appropriations.

Status – Complete

5.20 The Minister of Finance should ensure the Teachers’ Pension Act is amended such that the Auditor General has the undisputed and unrestricted ability to audit the operations of the Teachers’ Pension Plan.

Status – Do not intend to implement

5.21 We again recommend that Department of Finance management should obtain an independent external audit opinion on the governance and control framework of the Liability Management and Treasury Services, and Capital Markets Administration Divisions.

Status – Complete

Implementation Status: November 2010 Recommendations

Chapter 5 – Government Financial Reporting – Finance

5.1 The Department of Finance should include estimates of all revenues of the consolidated entity in the Provincial budget, including all agencies’ third-party revenues, to ensure the budget is prepared and presented fully in accordance with Canadian generally accepted accounting practices.

Status – Work in progress

5.2 The Department of Finance should implement the recommendations of the Deloitte LLP report, previously accepted by the Government, to disclose agencies’ third-party gross revenues in the revenue estimates, for the preparation of the next estimates.

Status – Work in progress



5.3 The Department of Finance should obtain all necessary information from departments to prepare the revenue estimates, including estimates of third-party revenues of government units, in accordance with generally accepted accounting principles.

Status – Work in progress

5.4 The Economic and Statistics Division of the Department of Finance should ensure key economic assumptions are supported appropriately and that clearly documented management and audit trails of adjustments are maintained.

Status – Complete

5.5 The Department of Finance should implement a process for a formal and documented review and challenge of the assumptions used in the preparation of the petroleum royalties estimate.

Status – Do not intend to implement

5.6 Management should complete the review and documentation of internal controls for the consolidated financial statements and include the documentation in the Corporate Policy Manuals.

Status – Work in progress

5.7 Management should assign roles and responsibilities for the design, implementation, operation and maintenance of internal controls as part of the documentation of internal controls.

Status – Work in progress

5.8 The Department of Health should develop and implement controls that would ensure the accuracy and completeness of revenues and expenses of the Seniors' Pharmacare Program.

Status – Department of Health and Wellness – Work in progress

5.9 The Department of Finance's Taxation and Fiscal Policy Division should perform regular reconciliations of model-determined revenues and related accounts receivable or payable. Outstanding amounts related to closed years should be adjusted to income.

Status – Complete

5.10 The Department of Finance's Payroll Division should ensure the process to terminate employees includes removal of access to SAP.

Status – Complete

5.11 The Department of Finance's Government Accounting Division should ensure all non-trivial, known errors identified during the audit are corrected.

Status – Complete



5.12 The Department of Finance’s Government Accounting Division should lower the threshold for capitalizing roads, bridges and highways from \$500,000 to a level more consistent with common practice.

Status – Action no longer required or appropriate

5.13 The Department of Finance’s Government Accounting Division should remove all inappropriate business areas and any entities which are not part of the consolidated entity from the general ledger.

Status – Complete

5.14 The Department of Finance’s Government Accounting Division should instruct departments on the identification and disclosure requirements related to determining the amount of contractual obligations at year end.

Status – Complete

5.15 The Department of Finance’s Government Accounting Division should ensure updated revenue models are prepared for the audit of the consolidated financial statements.

Status – Complete

5.16 The Department of Finance should revise Schedule 4 of the consolidated financial statements to disclose the gross debt and sinking fund assets of the consolidated entity.

Status – Work in progress

5.17 The Department of Finance’s Government Accounting Division should monitor the progress of departments, including significant divisions within departments, in providing information to the Office of the Auditor General, as detailed in the schedule of audit deliverables for the consolidated financial statement audit.

Status – Complete

5.18 The Government Accounting Division should initiate appropriate measures to ensure that all organizations forming part of the government reporting entity adopt the appropriate GAAP based on the amendment to the Public Sector Accounting Handbook.

Status – Complete

5.19 The Department of Finance should consider expanding the Financial Statement Discussion and Analysis to include variance analysis of actual consolidated results to the consolidated budget.

Status – Do not intend to implement

5.20 The Department of Transportation and Infrastructure Renewal should ensure that an independent analysis of the costs necessary to complete the remediation project of Sydney Steel Corporation and adjacent sites is conducted. The balance of the provision should be adjusted to reflect this estimate.

Status – Department of Transportation and Infrastructure Renewal – Complete

