

Chapter 1

Financial Audit Work

Key Messages

- Government provided reliable and timely financial information for 2020-21 and released the Public Accounts before the legislative deadline of September 30
- Province received a clean audit opinion on its financial statements
- Significant control weaknesses need to be fixed at two government departments and seven government organizations
- Government provides transparency by disclosing employee compensation and certain payments to vendors

Why We Did This Chapter

- To provide insights into the results of the financial audits of the Province and government organizations
- To report on significant control weaknesses identified within government
- To provide updates on important matters impacting the Province

Details Around Key Messages

Government provided reliable and timely financial information for 2020-21

- For the 21st year in a row, the Province of Nova Scotia received a clean audit opinion on its financial statements
 - Released before the legislated September 30th deadline
 - The financial statements meet Canadian public sector accounting standards
 - Users can place reliance on the Province's financial statements
 - Although accounting standards have been met, some underlying control weaknesses exist
 - Reported control weaknesses increase the risk of unreliable financial reporting and misuse of assets in the future
- Despite continued impact of COVID-19 and a provincial election, the Province, other government organizations, and auditors were able to adapt and provide timely financial reporting

Key audit matters reported in the 2020-21 Independent Auditor's Report

- Key audit matters are those matters that were of most significance in the audit and include matters that are complex, have a high degree of uncertainty or are important to the public
- Key audit matters in 2020-21:
 - Major tax revenues:
 - Major tax revenues of \$5 billion including personal income tax, corporate income tax, and harmonized sales tax account for 41% of the Province's revenues
 - Pension, retirement, and other obligations:
 - Totaled \$2.8 billion and include various employee future benefit plans where responsibility rests with the Province
 - Liabilities for contaminated sites:
 - The liability to clean up sites including Boat Harbour and abandoned mine sites has grown significantly over the past five years and this year is \$413 million
 - A further \$19 million recorded as the Province will undertake cleanup work on the Boat Harbour site that is the responsibility of Northern Pulp



Significant control weaknesses at two government departments and seven government organizations

- Department of Lands and Forestry (now Natural Resources and Renewables):
 - One weakness, previously reported
 - Insufficient site investigations and environmental testing of potentially contaminated abandoned mine sites on Crown lands means there is a risk of unaddressed human health and ecological concerns, as well as being unable to fully understand the potential financial exposure
- Department of Service Nova Scotia and Internal Services:
 - Six weaknesses in total, all of which have been previously reported
 - Insufficient purchase and payment processing controls, including purchasing goods and services without pre-approval and not monitoring established procedures
- Significant control weaknesses identified in the following organizations:
 - Canadian Sports Centre Atlantic, Harbourside Commercial Park Inc., Housing Nova Scotia, IWK Health Centre, Nova Scotia Liquor Corporation, Perennia Food & Agriculture Incorporated, Sherbrooke Restoration Commission
- Significant control weaknesses from prior years not resolved in the following organizations:
 - Canadian Sports Centre Atlantic, Housing Nova Scotia, IWK Health Centre

Other Matters of Interest

- COVID-19 PPE and vaccine inventory
 - COVID-19 vaccines received from the federal government at no cost to the Province; information on quantity received disclosed in the Notes to the Province's Consolidated Financial Statements
 - Purchased and donated personal protective equipment properly recorded in the Province's Consolidated Financial Statements
- COVID-19 infrastructure spending
 - Government planned \$228 million investment in infrastructure spending for grants and capital projects
- Disclosure of employee compensation and payments to vendors
 - The Finance Act and the Public Sector Compensation Disclosure Act enable transparency of employee compensation and payments to vendors from the General Revenue Fund
 - Other government organizations are not required to disclose payments to vendors
- Cybersecurity
 - Service Nova Scotia and Internal Services continues to work on regulations to the Shared Services Act, its government-wide risk register, and its training programs

Questions Nova Scotians May Want to Ask

1. When will the Province have an estimate of the cost to clean up abandoned mine sites where contamination is expected to exceed an environmental standard?
2. When will the Province know with more certainty the cost to clean up Boat Harbour?
3. Why are organizations' payments to vendors not required to be disclosed?
4. How will Service Nova Scotia and Internal Services measure the effectiveness of its cybersecurity risk management program?
5. When will Service Nova Scotia and Internal Services fix the significant control weaknesses over departmental purchasing? Who is holding the Department accountable for fixing these weaknesses?