

Chapter 1

Financial Audit Work Results

Key Messages

- Government reported reliable and timely financial information for 2019-20 despite COVID-19 challenges
- While financial statements are reliable and many processes work well, significant control weaknesses need to be fixed at two government departments and eight government organizations
- Key audit matters for 2019-20 were major tax revenues, employee future benefits, and contaminated sites

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

Details Around Key Messages

Government reported reliable and timely financial information for 2019-20 despite COVID-19 challenges

- For the 20th year in a row, the Province of Nova Scotia received a clean audit opinion on its financial statements
 - 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, underlying control weaknesses exist
 - Reported control weaknesses increase the risk of unreliable financial reporting and misuse of assets in the future
- Despite COVID-19, the Province, other government organizations, and auditors were able to adapt and provide timely financial reporting

Key audit matters now communicated in Independent Auditor's Report provide additional information

- Our Office is the first provincial legislative audit office in Canada to include reporting of key audit matters within the auditor's report of a province's consolidated financial statements
- Matters that are complex, have a high degree of uncertainty or are important to the public are highlighted as key audit matters
- Key audit matters addressed in the financial statement audit of the Province of Nova Scotia relate to estimates for major tax revenues, employee future benefits and contaminated sites
- Key audit matters were properly presented in the Province's Consolidated Financial Statements and were disclosed appropriately in accordance with Canadian public sector accounting standards



Significant control weaknesses at two government departments and eight government organizations

- Department of Service Nova Scotia and Internal Services:
 - Nine weaknesses in total, eight of which have previously been reported
 - Insufficient purchase and payment processing controls
- Department of Lands and Forestry:
 - As reported in 2018-19, insufficient site investigations and environmental testing of abandoned mine sites
- Significant control weaknesses identified at the following government organizations:
 - Canadian Sports Centre Atlantic, Harbourside Commercial Park Inc., Housing Nova Scotia, IWK Health Centre, NS Education Common Services Bureau, NS Health Authority, NS Innovation Corporation, and Sydney Steel Corporation
- Significant control weaknesses identified in prior years have not been sufficiently addressed at the following organizations:
 - Housing Nova Scotia, IWK Health Centre, and NS Health Authority

Questions Nova Scotians May Want to Ask

1. When will the Department of Service Nova Scotia and Internal Services fix the significant control weaknesses over departmental purchasing and user access? Who is holding the Department accountable for fixing these weaknesses?
2. What steps has the Department of Service Nova Scotia and Internal Services taken to address potential risks around fraud and error since 2018-19?
3. When will the Province know with relative certainty the cost to clean up Boat Harbour?
4. Without site investigations, has the Department of Lands and Forestry put appropriate safeguards in place to protect the public at sites where potential contamination has been identified?
5. Why did the Province set up external trusts outside government control and what does that mean for residual funds remaining at the end of the trust agreements?