



Chapter 1

Financial Audit Work Results

Key Messages:

- Nova Scotians can rely on the accounting information their government provides
- Significant control deficiencies exist at four organizations, including the IWK with a repeat significant deficiency
- Significant control deficiencies (reported in 2017) fixed at Housing NS and the NS Health Authority
- Weaknesses in financial controls going unfixed in some organizations
- Lack of policy guidance for the accounting of internal meeting, employee social event, and hospitality expenses
- Key matters requiring our attention found to be accounted for properly

Reasons Supporting Key Messages

Nova Scotians can rely on the Province's financial reporting:

- 18 years in a row Province has clean financial statements
- Budgeted revenues for 2018-19 received an unqualified limited assurance report from the Auditor General

Significant control deficiencies exist in financial controls at four organizations:

- IWK: poor restrictions and monitoring of user access to accounting system (2017 repeat) and not reconciling billings
- Halifax-Dartmouth Bridge Commission: poor segregation of duties within finance management and information technology
- Cape Breton-Victoria Regional School Board: weak controls over school-based funds of \$4.3 million (2017 repeat)
- Strait Regional School Board: weak controls over school-based funds of \$1.7 million and poor segregation of duties in accounting (2017 repeat)

Significant control deficiencies in financial controls reported in 2017 fixed at:

- Housing NS: improvements to user access to systems and to journal entry approval
- NS Health Authority: improvements to policies and procedures to fix weak controls over procurement, payment processing, and payroll processing

Weaknesses in financial controls remain unfixed year after year at:

- Harbourside Commercial Park Inc.: no capital asset listing; no reconciliation or support for certain journal entries
- NS Health Authority: not reviewing and approving timesheets; key business processes and policies not finalized
- NS Lands Inc. and Sydney Utilities Limited: no reconciliation or support for certain journal entries

Lack of guidance for internal meeting, employee social event, and hospitality expenses at:

- NS Health Authority - \$8,483 staff Christmas party and \$889 staff farewell party: lacked clear and approved policy direction and documentation meaning it was unclear if expenses met health authority expectations
- Legislative Services - \$3,580 Speaker's annual Christmas reception: lacked policy direction and classified as a meeting expense but in substance it was a social event that should have been accounted for as hospitality



Key Matters Dealt With During the Audit and Accounted for Correctly by the Province of Nova Scotia

Key Matter	Resolution
<ul style="list-style-type: none">• Boat Harbour clean-up costs which increased by \$75 million to \$205 million (2017 – \$130 million)• \$232 million extra revenue from petroleum royalty arbitration	Accounted for correctly as estimates based on Province of Nova Scotia assumptions and disclosed in the financial statements as subject to change due to uncertain nature
<ul style="list-style-type: none">• NS Internet Funding Trust – \$193 million expense• Research NS Trust – \$20 million expense	Accounted for correctly as expenses and the trust funds are not included in the Province's financial statements because the Province does not have decision making authority over these trusts

5 Questions Nova Scotians may want to ask:

1. Why does the IWK continue to have a significant deficiency if they said in our last year's report they would fix it by December 2017?
2. Why are costs like internal meeting, employee social event, and hospitality expenses not already fully addressed given comments in previous Reports of the Auditor General?
3. Why are organizations not fixing their internal control weaknesses and who is holding them responsible to do so?
4. Why did the Province set up trusts outside government control and what does that mean for future accountability for the funds?
5. What will happen to the Province of Nova Scotia's financial position if accounting estimates like Boat Harbour have more changes in the future?