

# Chapter 1: Financial Audit Work Results: A Tool to Hold Government Accountable



## Key Messages:

- Government presented financial information that meets accounting standards
- Most organizations across government have fairly presented financial statements
- Significant weaknesses across government on how finances are managed and controlled
- More needs to be done across government to manage fraud risk
- Travel expenses disclosed, but improvements needed
- Recommendation to Executive Council: ensure weaknesses and risks are addressed

## Key Observations:

### Weaknesses in How Government Manages Finances

- Serious deficiencies in internal controls at Housing Nova Scotia, IWK, and the Health Authority
- Weaknesses not being fixed quickly enough at some school boards and Housing Nova Scotia
- Internal control policy over the Government's financial reporting process still not complete
- Lessons to be learned from IWK CEO expense review when controls not followed

### Other Weaknesses in How Government Manages Fraud Risk, Disclosures, and Boards of Directors

#### Fraud:

- In 2017, Government fraud policy put in place for all departments
- Only 14 of 48 government organizations have a fraud policy
- Only 3 departments and 6 government organizations have completed a fraud risk assessment
- No government department has a fraud tip hotline
- Nova Scotia Liquor Corporation is the only government organization using a hotline

#### Disclosures:

- 8 government organizations did not disclose travel expenses
- Most senior person at government organization discloses travel expenses, but more disclosure needed of other executive positions

#### Boards of Directors:

- 33% of government organizations have vacancies on boards
- Public Archives of Nova Scotia cannot achieve its five-member quorum
- Nova Scotia Crop and Livestock Insurance Commission Board at risk of not fulfilling its duties



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# 1 Financial Audit Work Results: A Tool to Hold Government Accountable

## Financial Audit Results



Government produced fairly-presented financial information

- 1.1 For the 17th year in a row, the Government of Nova Scotia received an unqualified opinion on the consolidated financial statements from the Auditor General of Nova Scotia. An unqualified opinion, or clean audit opinion, means that an auditor has no significant concerns about the accuracy of the information reported in the financial statements. The reader can rely upon the fact that the consolidated financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. This is an accomplishment that the many governments over the past 17 years should be proud of and is now an expectation of all Nova Scotians, including elected officials.
- 1.2 The Government introduced a budget document on April 27, 2017 and we issued an unqualified report for the 2017-18 Revenue Estimates included in that document. The budget document did not make its way through the Legislature as an election was called by the governing party on April 30, 2017.
- 1.3 The newly-elected Government delivered the provincial budget on September 26, 2017. We reviewed the new Revenue Estimates to ensure changes were reasonable. Our review concluded that:
  - the assumptions used by Nova Scotia Department of Finance and Treasury Board management are suitably supported and consistent with the plans of the government, and provide a reasonable basis for the 2017-18 Revenue Estimates of Nova Scotia;
  - the 2017-18 Revenue Estimates of Nova Scotia as presented reflect such assumptions; and
  - we did not express an opinion as to whether the Revenue Estimates of Nova Scotia will be achieved, but the Revenue Estimates are worthy of belief and are reasonable based on the circumstances and facts at the time.
- 1.4 From April 1, 2017 to September 26, 2017, the Government had no approved budget for fiscal 2017-18 spending. However, under Section 26 of the Finance Act, government departments can spend up to half of their previous year's appropriation until a new budget is passed. To ensure the Government could continue to carry on business, additional funding of \$1 billion was approved



in July 2017, which enabled government departments to spend more than what was allowed initially under the Finance Act.

➔ Significant deficiencies in controls over Nova Scotia's finances

1.5 The majority of government organizations received clean audit opinions, however, during 2016-17, significant deficiencies in internal controls were reported in three large government organizations. Significant deficiencies are serious issues relating to inadequate or ineffective internal controls. These weaknesses in internal controls did not impact the quality of the financial statements, but to strengthen financial management and controls, they need to be addressed.

1.6 We summarized the significant weaknesses presented to those charged with oversight of these organizations in the table below.

Large Government Organizations with Significant Weaknesses		
Government Organization	Control Weaknesses	Management Response
Housing Nova Scotia	<ul style="list-style-type: none"> <li>Poor monitoring of user access and access not properly limited</li> <li>Finance staff can make and approve journal entries</li> </ul>	Will have observations fixed by December 2017
Izaak Walton Killam Health Centre (IWK)	<ul style="list-style-type: none"> <li>Poor monitoring of user access and access not properly limited</li> <li>Inactive users need to be removed</li> <li>Accounts payable lack segregated controls</li> </ul>	Will have observations fixed by December 2017
Nova Scotia Health Authority	<ul style="list-style-type: none"> <li>Improvements to policies and procedures needed</li> <li>Weak controls:               <ul style="list-style-type: none"> <li>over procurement</li> <li>payment processing</li> <li>payroll processing</li> </ul> </li> </ul>	Will have observations fixed by March 2018

1.7 It is important that significant deficiencies be addressed on a timely basis, as these control weaknesses expose the organizations to unnecessary risks of improper or inaccurate payments and receipts, duplicate payments, and other intended or unintended errors. Management in these organizations have indicated that the significant deficiencies will be addressed.

➔ Repeat internal control observations not getting addressed

1.8 We expect that all internal control weaknesses identified by a government organization's auditor be appropriately addressed within two years. Internal control deficiencies that remain outstanding for multiple years can diminish the effectiveness of the control environment. We noted three government organizations had observations that were first reported over two years ago.



Internal Control Observations	
Government Organization	Observations Reported Over Two Years Ago
Housing Nova Scotia	<ul style="list-style-type: none"><li>• Poor monitoring of user access</li><li>• Finance staff can make and approve journal entries</li></ul>
South Shore Regional School Board	<ul style="list-style-type: none"><li>• Weak controls over school-based funds include:<ul style="list-style-type: none"><li>• limited support for amounts received</li><li>• weak controls with expenses</li></ul></li><li>• 2017 school-based funds balance of \$2.2 million</li></ul>
Tri-County Regional School Board	<ul style="list-style-type: none"><li>• Finance staff can make and approve journal entries</li><li>• Weak controls over school-based funds include:<ul style="list-style-type: none"><li>• limited support for amounts received</li><li>• weak controls with expenses</li></ul></li><li>• 2017 school-based funds balance of \$1.7 million</li></ul>

### Government's Fraud Management Program

- 1.9 Globally, it has been reported that governments are victim to 15%<sup>1</sup> of all fraud cases each year with median financial loss of approximately \$90,000 USD<sup>1</sup> per case. Fraud within the public sector is concerning because it can result in the loss of public monies and reduce the public's confidence in government's financial reporting and its ability to safeguard public assets. Therefore, it is important for a government to have mechanisms in place to appropriately manage the risk of fraud.
- 1.10 On June 1, 2017, the Government adopted a zero-tolerance fraud policy with the objectives of aiding in the prevention and detection of government fraud, and promoting consistency across government. As part of adopting this policy, mandatory online training was required to be completed by all civil servants. This policy directly applies to all government departments and crown corporations, and although not required, it is recommended that other government organizations embrace the intent of the policy.
- 1.11 As indicated in the policy, specific components of the Province's fraud management program include:
- fraud policies and procedures
  - fraud risk assessment
  - fraud awareness education and training
  - fraud prevention and detection techniques
  - well-documented framework for reporting and investigating allegations of fraud

<sup>1</sup> Report to the Nations on Occupational Fraud and Abuse – 2014 Global Fraud Study, Association of Certified Fraud Examiners



➔ Gaps exist in fraud management programs throughout Government

- 1.12 We inquired with government departments and organizations on the status of certain aspects of a fraud management program. Appendices II and III show the response from each government department and organization. The results are summarized below.

Fraud Inquiry Results		
Fraud Management Component	Government Departments	Government Organizations
Approved fraud policy in place	100%	29%
Fraud risk assessment completed	17%	12%

- 1.13 It is important that government departments and organizations have fraud policies in place and understand their exposure to fraud. Fraud risk assessments are an important component of a fraud management program, as they can identify an organization's vulnerability to fraud and assist an organization in developing strategies to reduce fraud risk exposure. A comprehensive fraud risk assessment identifies and assesses the likelihood and significance of specific fraud schemes and risks, evaluates control activities, and implements action to address fraud risks.
- 1.14 Within departments, department heads are responsible for the implementation of internal controls. Our inquiries of government departments revealed that only three departments completed a fraud risk assessment (Health and Wellness, Justice, and Transportation and Infrastructure Renewal). In addition, we also noted 42 of 48 (88%) government organizations have not completed fraud risk assessments and most do not plan on completing an assessment within the next two years. These organizations are identified in Appendix III.
- 1.15 Our inquiries with government organizations reveal that 34 of 48 (71%) do not have a fraud policy, even though 13 are required to follow the Province's new fraud policy. It is important that the following 13 government organizations be aware of and adopt the Province's new fraud policy.
- Art Gallery of Nova Scotia
  - Council of Atlantic Premiers
  - Halifax-Dartmouth Bridge Commission
  - Harbourside Commercial Park Inc.
  - Highway 104 Western Alignment Corporation
  - Nova Scotia Innovation Corporation
  - Nova Scotia Lands Inc.



- Nova Scotia Liquor Corporation
- Nova Scotia Municipal Finance Corporation
- Nova Scotia Power Finance Corporation
- Nova Scotia Utility and Review Board
- Sydney Steel Corporation
- Waterfront Development Corporation Limited

It is also important that the other government organizations without a fraud policy develop and implement one.

- 1.16 The Department of Internal Services is currently developing a tool to assist departments in assessing the areas of highest risk. The current lack of completed fraud risk assessments by government departments and organizations, regardless of size, is concerning as it diminishes their ability to appropriately manage vulnerabilities to fraud.

➡ Usefulness of fraud tip hotlines has not been evaluated

- 1.17 Research shows that tips account for about 40% of all fraud discoveries<sup>2</sup>. Fraud tip hotlines can be an effective tool to detect and prevent fraud. The effectiveness of a hotline can be improved when an organization promotes awareness of the hotline to its employees and the public.
- 1.18 We noted that tip hotlines are used in other provinces. However, in Nova Scotia, no government department has a fraud tip hotline. We also noted that the Nova Scotia Liquor Corporation was the only government organization using a hotline.
- 1.19 Although the Ombudsman's Office has a hotline in place for reporting under the Disclosure of Wrongdoing Act, this may not be sufficient to identify instances of potential fraudulent activities. The Government should evaluate the usefulness of a dedicated fraud hotline that is easily accessible to employees and the public.

### Disclosure of Travel and Hospitality Expenses

➡ Some government organizations are not disclosing travel and hospitality expenses as required

- 1.20 Last year, in response to the Auditor General's 2015 recommendations, the Department of Finance and Treasury Board was in the process of issuing a directive to agencies, boards, and commissions requiring senior officials

<sup>2</sup> Report to the Nations on Occupational Fraud and Abuse – 2014 Global Fraud Study, Association of Certified Fraud Examiners



to disclose travel and hospitality expenses. This administrative directive was issued in September 2016. By December 31, 2016, all departments and government organizations were required to publicly disclose travel and hospitality expenses of their senior management retroactive to April 1, 2016. We noted that all departments are complying with the administrative directive as of March 31, 2017; however, the following eight government organizations are not disclosing travel and hospitality expenses of senior management as at June 30, 2017:

- Arts Nova Scotia
- Harbourside Commercial Park Inc.
- Nova Scotia Farm Loan Board
- Nova Scotia Fisheries and Aquaculture Loan Board
- Nova Scotia Lands Inc.
- Nova Scotia School Insurance Exchange
- Nova Scotia School Insurance Program Association
- Sydney Steel Corporation

1.21 To enhance accountability and transparency, these eight government organizations should disclose the travel and hospitality expenses of their senior management in accordance with this administrative directive.



In some cases, the disclosure of travel and hospitality expenses is only for one senior individual of the organization

1.22 Under the directive, senior management is defined as including “*Deputy Ministers, Associate Deputy Ministers, Deputy Heads, Chief Executive Officers and any other like position*”. In our view, this “*any other like position*” should include the chief financial officer, vice-president, or other executive-type position to ensure the spirit of openness and transparency is met.

1.23 In reviewing public disclosure statements, we noted that in several organizations where it is likely that there are multiple members of the senior management team incurring travel and hospitality expenses, only the expenses of the most senior person in the organization were disclosed.

1.24 To encourage more travel and hospitality disclosure in government organizations, the administrative directive should be expanded to include other executive-type positions. As well, government organizations should review their assessments on what constitutes senior management as it relates to the administrative directive to ensure that their disclosures meet the spirit and principles behind good public disclosure.



## IWK – Opportunity for Learning

- 1.25 During the process of complying with the Province’s administrative directive, as recommended by the Auditor General in 2015, the IWK and the media identified discrepancies in the expenses of the IWK’s Chief Executive Officer (CEO). In response, the Board of Directors of the IWK requested an independent review of the transactions, key controls, and processes relating to the former CEO’s expenses for the period August 2014 to June 2017. The CEO expense review is complete and can be found on the IWK’s website. IWK officials have indicated the Board’s Finance, Audit and Risk Committee is overseeing the implementation of the recommendations arising from the review and the Board of Directors now receives weekly updates from management on progress.
- 1.26 The independent review identified that \$47,273 in potential personal expenses of the former CEO were charged to the IWK, of which \$38,219 (as of September 25, 2017) was reimbursed. IWK Board officials indicate that they expect the CEO to reimburse the amount owing in its entirety.
- 1.27 The review noted that operating controls were not always working and made recommendations to improve internal controls over:
- expense claim support and approvals;
  - timeliness of expense report submissions;
  - Board review and oversight of CEO-related expenditures; and
  - policies and procedures relating to expenses.
- 1.28 Following a request to conduct audit work, our Office met with IWK officials on several occasions. We determined that doing the annual financial statement audit (starting April 1, 2018) and the performance audit work is within our authority, and we believe it would serve the public interest to do so. The scope and extent of the performance audit is yet to be determined, as planning has just begun. The audit will not be a forensic audit as my Office and the IWK officials have agreed that the IWK will turn the information it currently has related to the former CEO’s expenses over to the police for their consideration on any possible legal matters. As well, if we uncover additional relevant information during the performance of our audit work, it will also be turned over to the police.
- 1.29 It is important that management in government departments and organizations review the control weaknesses and issues identified at the IWK and assess if their organization is exposed to similar risks. In addition, it is equally essential that those charged with governance over government departments and organizations – Ministers and Boards – look to the organizations they oversee and seek assurance that this has been done.





## Board Vacancies

➡ 33% of organizations have board vacancies

1.30 The enabling legislation for many government organizations requires that a governing board be established. From our inquiries of government organizations, we noted board member vacancies as being a concern for some organizations.

1.31 Many board positions are provincial appointments, while other board positions are appointed by an industry organization or another level of government. Individuals apply for positions through the Executive Council Office. A department screening panel reviews applications to determine eligibility and presents a list of qualified applicants to the applicable Minister.

1.32 We examined the status of board vacancies as at June 30, 2017, and noted 16 of the 48 (33%) government organizations had board vacancies, and on average, these positions have been vacant for more than 13 months.

Government Organization Boards with Vacancies		
Name	Number of Vacancies	Vacant Since
Art Gallery of Nova Scotia	1 of 20	February 2017
Arts Nova Scotia	3 of 11	May 2017
Halifax-Dartmouth Bridge Commission	3 of 9	March 2017
Harbourside Commercial Park Inc.	1 of 6	October 2016
Invest Nova Scotia Board	2 of 9	July 2016
Izaak Walton Killam Health Centre	2*	Unknown
Nova Scotia Business Inc.	2 of 12	May 2016
NS Crop and Livestock Insurance Commission	3 of 6	October 2015
Nova Scotia Farm Loan Board	1 of 7	February 2017
Nova Scotia Health Research Foundation	4 of 10	July 2014
Nova Scotia Innovation Corporation	2 of 10	September 2016
Nova Scotia Legal Aid Commission	4 of 17	February 2016
Public Archives of Nova Scotia	4 of 8	March 2017
Resource Recovery Fund Board Inc.	2 of 10	October 2015
Tourism Nova Scotia	2 of 10	February 2017
Waterfront Development Corporation Limited	2 of 12	April 2014

\* The Minister of Health has the authority to appoint two directors, but has historically not exercised this option.

1.33 We illustrate these vacancy issues with the following examples:

- The Public Archives of Nova Scotia cannot achieve its five-member quorum because four of its eight board positions are vacant. Therefore, the board is not able to fulfill its duty to advise the Provincial Archivist on the general direction of the Public Archives or perform its oversight role.



- The Nova Scotia Health Research Foundation has had board vacancies since July 2014. Management indicated that five of the six sitting board members are currently serving beyond their appointed terms.
- The Nova Scotia Crop and Livestock Insurance Commission currently has three of its six board positions vacant. Another board position expires at the end of 2017, which could then result in four vacancies. Quorum is achieved when three of its board members are present. Consequently, without quorum, there is a risk that the Board may not be able to fulfill its duties and key responsibilities, one of which is approving insurance claims of farmers.

1.34 It is important that board positions be filled in a timely manner to achieve the level of oversight that was envisioned when the board was established.

### **Recommendation 1.1**

Executive Council should ensure those responsible for oversight of government departments and organizations address the weaknesses and risks to the Province in the following critical areas:

- Fraud management
- Travel and hospitality expenses
- Board vacancies

***Executive Council Response:** Government agrees that those responsible for oversight of government departments and organizations should continually address weaknesses and risks to the Province in the critical areas outlined. Government has zero tolerance for fraud in any form and remains committed to protecting government operations from fraudulent activity. The Province is also committed to transparency with respect to expense reporting. It also agrees with the importance of ensuring board vacancies in government organizations are filled in a timely manner.*

*See additional comments at end of chapter.*

### **Update on 2016 Observations**



Tourism Nova Scotia in compliance with Finance Act reporting requirements for fiscal 2017

1.35 For fiscal 2016, in its first year of operations, Tourism Nova Scotia did not meet the reporting requirement of the Finance Act which required that the Corporation submit its audited financial statements to the Minister of Business by June 30. Tourism Nova Scotia finalized its 2016 financial statements in December 2016. Management of Tourism Nova Scotia advised that operational systems and procedures were not in place when the creation



of the Corporation was announced. It took the organization a significant amount of time to work through the changes required to produce the 2015-2016 financial statements.

- 1.36 For fiscal 2017, the Corporation met the Finance Act reporting requirement.
- 1.37 Last year we discussed the three recommendations from the November 2015 Report of the Auditor General to the House of Assembly that were not fully completed by September 2016. We provide an update below.

2015 Recommendation	Status
2.11 The Department of Internal Services should put in place a government hospitality policy that captures modern public sector expectations, and monitor that this policy is being met.	Complete
2.12 To enhance openness and transparency, the Department of Finance and Treasury Board should require senior management of government departments, agencies, boards and commissions, to publicly disclose travel and hospitality claims.	Complete
3.1 The Department of Finance and Treasury Board should have a central tracking system to monitor external auditor recommendation implementation results in government agencies, boards and commissions. Entities with low implementation rates should be monitored and encouraged to fix the deficiencies.	Not complete – The Department of Finance and Treasury Board continues to review options and ways to capture all the recommendations.

- 1.38 In addition, we regularly follow up on the Government's implementation of our audit recommendations after two years. In February 2017, we provided an update on all recommendations from the January 2014 Report of the Auditor General to the House of Assembly. We provide a current update below of the recommendations from Chapter 2 that were reported as not complete at that time.

2014 Recommendation	Status
2.7 The Department of Finance and Treasury Board's Capital Markets Administration, Taxation and Fiscal Policy, and Liability Management and Treasury Services divisions, and the division responsible for Treasury Board functions, should each sign a statement of management responsibility that the information submitted for audit by their respective divisions is complete, accurate and in accordance with public sector accounting standards. These statements should also be signed by the Deputy Minister of Finance and Treasury Board.	Complete



2014 Recommendations	Status
2.9 The Controller's Office should prepare an appropriate and effective assessment of the risk of material misstatement to the consolidated financial statements, due to fraud or error. This assessment should include identifying risks of fraud and error, estimating the significance of each risk, assessing the likelihood of each risk, and documenting the action, if any, required to address the identified risks.	Not complete – Internal Controls over Financial Reporting program continued for 2016-17 and will continue for 2017-18. Draft guidelines and policy on internal controls over financial reporting are under review by management for inclusion in the Corporate Policy Manuals.
2.10 The Controller's Office should prepare a description of the process for monitoring of internal controls to be included in Government's Management Manuals. The results of monitoring activities should be communicated to the Province's Audit Committee. Any control deficiencies identified as a result of monitoring should be addressed on a timely basis.	Not complete – Internal Controls over Financial Reporting program continued for 2016-17 and will continue for 2017-18. Draft guidelines and policy on internal controls over financial reporting are under review by management for inclusion in the Corporate Policy Manuals.

1.39 When we first reported these observations regarding the lack of risk assessment and monitoring of controls in January 2014, the Controller's Office agreed with these recommendations. We urge the Controller's Office to complete these recommendations so that management identifies and assesses risks in order for them to design, implement, and ultimately monitor controls to mitigate the risks of fraud and error in the consolidated financial statements.



## Executive Council: Additional Comments

*The Province responds more fully as follows:*

- *Fraud management: The Province will continue the implementation of its new Fraud Policy and required fraud training for all public servants. Introduced on June 1, 2017, the policy has a companion online training program entitled “Understanding Fraud in the Public Sector” that became available to public servants on July 3, 2017. The goal is to have all civil servants complete the training by the end of the fiscal year 2018-19. Additionally, managers are required to complete “Fraud Management Training for Managers” to learn more about the incident reporting process. The Province will monitor the completion of this training and will continue its support of the development of a fraud risk assessment tool for use by government departments and organizations. The Province will also encourage and support government organizations to implement appropriate fraud management practices, and will identify the Province’s Fraud Policy as the appropriate reference point for the creation of their entity-specific policies and programs. Moreover, the Province commits to continued support of the processes available through the Public Interest Disclosure of Wrongdoing Act. The Province will also evaluate the usefulness of a dedicated fraud hotline.*
- *Board vacancies: Executive Council Office, through its administrative support for the making of board appointments by government organizations, will continue its work to support the filling of board vacancies. To expedite these appointments, on September 7, 2017, the Executive Council Office rolled out an online application system for appointments to provincial agencies, boards, and commissions.*
- *Travel and hospitality expenses: In respect of this recommendation, the Province undertakes as follows:*
  - *Any organizations which fail to disclose travel and hospitality expenses of senior officials will be directed to comply with the administrative directive issued in September, 2016.*
  - *Organizations will be directed to review their definition of senior management as it relates to the administrative directive to ensure that their disclosures meet the spirit and principles behind good public disclosure.*



## Appendix I

## Who We Are and What We Do

### Who we are

- 1.1 The Auditor General is an independent nonpartisan officer of the Legislature, appointed by the House of Assembly for a ten-year term. The current Auditor General, Michael A. Pickup, CPA, CA, began his ten-year term on July 4, 2014. He is responsible to the House for providing independent and objective assessments of the operations of government, the use of public funds, and the integrity of financial reports. The audit work of the Office of the Auditor General helps the House hold the government to account for its use and stewardship of public funds.

### What financial audit work does the Office of the Auditor General do?

- 1.2 The Auditor General Act (the Act) establishes the Auditor General's mandate, responsibilities and powers. The Act also provides the Office with a mandate to audit all parts of the provincial public sector, including government departments and all agencies, boards, commissions or other bodies responsible to the Crown, such as regional school boards, as well as funding recipients external to the provincial public sector. In addition, other legislation appoints the Auditor General, or a person designated by the Auditor General, as the auditor of an entity's financial statements.
- 1.3 Sections 19 and 20 of the Act stipulate that the Auditor General shall audit the annual consolidated financial statements of the Province; and conduct a review of the estimates of revenue used in the preparation of the budget address of the Minister of Finance and Treasury Board.
- 1.4 The consolidated financial statements of government are an accumulation of the assets, liabilities, revenue, and expenses of all the activities that it controls. This includes many parts of the provincial public sector. Schedule 10 of the consolidated financial statements shows 77 active entities that include special operating agencies, special purpose funds, governmental units, government business enterprises, and government partnerships.
- 1.5 In its work, the Office of the Auditor General is guided by, and complies with, the professional standards established by Chartered Professional Accountants (CPA) Canada. We also seek guidance from other professional bodies and audit-related best practices in other jurisdictions.
- 1.6 The Office of the Auditor General audits the consolidated financial statements of the Province. We provide an audit opinion which lets users know that the financial statements are fairly presented. In addition, as auditors, we



make recommendations to improve or strengthen internal controls. Internal controls are important as they may reduce the risk of asset loss, improve the completeness and accuracy of financial information, or ensure that the organization complies with laws and regulations.

1.7 The Province's audited consolidated financial statements add value and serve the following purposes:

- Elected officials use financial information to make decisions, including the allocation of scarce resources.
- Nova Scotians and elected officials use this information to assess the Government's stewardship over the resources entrusted to it.
- Other users, such as lenders and credit rating agencies, use financial reports to meet their specific needs.

1.8 The Auditor General also issues a report on the reasonableness of the estimates of revenue used in the preparation of the annual budget address of the Minister of Finance and Treasury Board to the House of Assembly.



Appendix II

**Analysis of Responses from Government Departments Regarding Certain Aspects of a Fraud Management Program**

We inquired of the 18 government departments listed in Schedule 10 of the 2017 Public Accounts on the status of certain aspects of a fraud management program and obtained the following information:

<b>Government Department</b>	<b>Fraud Policy</b>	<b>Fraud Risk Assessment</b>
Agriculture	Yes	No
Business	Yes	No
Communities, Culture and Heritage	Yes	No
Community Services	Yes	No
Education and Early Childhood Development	Yes	No
Energy	Yes	No
Environment	Yes	No
Finance and Treasury Board	Yes	No
Fisheries and Aquaculture	Yes	No
Health and Wellness	Yes	Yes
Internal Services	Yes	No
Justice	Yes	Yes
Labour and Advanced Education	Yes	No
Municipal Affairs	Yes	No
Natural Resources	Yes	No
Public Service	Yes	No
Seniors	Yes	No
Transportation and Infrastructure Renewal	Yes	Yes
<b>Total</b>	<b>18 Yes (100%)</b>	<b>3 Yes (17%) 15 No (83%)</b>





## Appendix III

### Analysis of Responses from Government Organizations Regarding Certain Aspects of a Fraud Management Program

Of the 52 active government organizations (governmental units, government business enterprises, government partnership arrangements) listed in Schedule 10 of the 2017 Public Accounts, we obtained the following information from 48 organizations. We did not include the Gambling Awareness Foundation of Nova Scotia or Trade Centre Limited as these organizations have or will wind up, nor the Law Reform Commission of Nova Scotia as it no longer receives government funding.

Nova Scotia Primary Forest Products Marketing Board is the only government organization that did not respond to our inquiries.

Government Organization	Fraud Policy	Fraud Risk Assessment
<b>A. Education Sector</b>		
Annapolis Valley Regional School Board	No	No
Atlantic Provinces Special Education Authority	No	No
Cape Breton-Victoria Regional School Board	No	No
Chignecto-Central Regional School Board	No	No
Conseil scolaire acadien provincial	No	No
Halifax Regional School Board	Yes	No
Nova Scotia Community College	Yes	No
Nova Scotia School Boards Association	No	No
Nova Scotia School Insurance Exchange	No	No
Nova Scotia School Insurance Program Association	No	No
South Shore Regional School Board	No	No
Strait Regional School Board	No	No
Tri-County Regional School Board	No	No
<b>B. Health Sector</b>		
Izaak Walton Killam Health Centre	No	No
Nova Scotia Health Authority	No	No
Nova Scotia Health Research Foundation	No	No
<b>C. Sizeable Organizations</b>		
Art Gallery of Nova Scotia	No	No
Canada-Nova Scotia Offshore Petroleum Board	Yes	Yes
Halifax-Dartmouth Bridge Commission	No	Yes
Harbourside Commercial Park Inc.	No	No
Highway 104 Western Alignment Corporation	No	No
Housing Nova Scotia	Yes	No



Appendix III – Continued

Government Organization	Fraud Policy	Fraud Risk Assessment
<b>C. Sizeable Organizations</b>		
Nova Scotia Business Inc.	Yes	No
Nova Scotia Crop and Livestock Insurance Commission	Yes	Yes
Nova Scotia Farm Loan Board	Yes	No
Nova Scotia Fisheries and Aquaculture Loan Board	Yes	No
Nova Scotia Innovation Corporation	No	No
Nova Scotia Lands Inc.	No	No
Nova Scotia Legal Aid Commission	Yes	No
Nova Scotia Liquor Corporation	No	No
Nova Scotia Municipal Finance Corporation	No	No
Nova Scotia Power Finance Corporation	No	No
Nova Scotia Provincial Lotteries and Casino Corporation	Yes	Yes
Nova Scotia Utility and Review Board	No	No
Public Archives of Nova Scotia	No	No
Tourism Nova Scotia	Yes	No
Waterfront Development Corporation Limited	No	Yes
<b>D. Others</b>		
Arts Nova Scotia	No	No
Canadian Sports Centre Atlantic	No	No
Council of Atlantic Premiers	No	No
Creative Nova Scotia Leadership Council	No	No
Invest Nova Scotia Board	Yes	Yes
Nova Scotia Strategic Opportunities Fund Incorporated	Yes	No
Perennia Food & Agriculture Incorporated	No	No
Resource Recovery Fund Board Inc.	No	No
Schooner Bluenose Foundation	Yes	No
Sherbrooke Restoration Commission	No	No
Sydney Steel Corporation	No	No
<b>Total</b>	<b>14 Yes (29%) 34 No (71%)</b>	<b>6 Yes (12%) 42 No (88%)</b>