

# Chapter 1

## Financial Audit Work Results

### Key Messages

- Nova Scotians can rely on government's financial information including that of the Nova Scotia Health Authority and the IWK Health Centre
- 2019 is the first year our Auditor's Report of the Consolidated Financial Statements of the Province of Nova Scotia draws attention to the accounting for contaminated sites
- While financial statements are reliable and many processes work well, significant control weaknesses need to be fixed at two government departments and four government organizations
- Key matters that required additional attention were contaminated sites liabilities, pension and retirement obligations, tax revenues, and purchasing cards

### Details Around Key Messages

#### **Nova Scotians can rely on the financial statements of both the Province and its organizations**

- For the 19th year in a row, the Province of Nova Scotia received a clean audit opinion on its financial statements
- The 2019 Auditor's Report of the Consolidated Financial Statements of the Province emphasizes the uncertainty around future remediation costs of the Province's contaminated sites and notes the accounting meets standards
- Revenues in the Province's 2019-20 budget were reasonable and fairly presented
- Most government organizations, such as the Nova Scotia Health Authority and the IWK Health Centre, received clean opinions on their 2018-19 financial statements

#### **Significant control weaknesses at two departments need to be fixed to improve the government's financial controls**

- Department of Service Nova Scotia and Internal Services:
  - purchasing goods and services without pre-approval, risking achieving value-for-money
  - not monitoring user access to the Province's accounting system, risking unwanted access
- Department of Lands and Forestry:
  - not adequately assessing the extent of contamination at the Province's abandoned mine sites, risking unknown financial exposure and unaddressed human health concerns

#### **Significant control weaknesses at four government organizations need to be fixed to improve financial controls**

- Housing Nova Scotia: poor restrictions and monitoring of user access to system
- IWK Health Centre: poor segregation of duties in finance and procurement, poor monitoring and tracking of capital assets
- Nova Scotia Gaming Corporation: no process to implement accounting-related recommendations of external advisors
- Nova Scotia Health Authority: incomplete internal control environment, poor monitoring of capital assets, and inconsistent review of employee timesheets

#### **Previously identified significant control weaknesses were not fully addressed**

- Cape Breton-Victoria Regional Centre for Education: weak controls over school-based funds
- Halifax-Dartmouth Bridge Commission: lack of segregation of duties within its finance department
- IWK Health Centre: poor restrictions and monitoring of user access to its billing system
- Strait Regional Centre for Education: weak controls over school-based funds and lack of segregation of duties for accounting personnel

#### **Significant control weaknesses previously reported were addressed in 2018-19**

- Halifax-Dartmouth Bridge Commission: addressed lack of segregation of duties within key IT-related functions
- IWK Health Centre: addressed no reconciliation of billings relating to out-of-province patients



**Key matters requiring additional attention during the audit of the Province's Consolidated Financial Statements were accounted for correctly**

<b>Key Matter</b>	<b>Resolution</b>
<ul style="list-style-type: none"> <li>• \$87 million increase in contaminated sites liabilities relating to Boat Harbour, abandoned mines, and other contaminated sites (2019 - \$372 million; 2018 - \$285 million)</li> </ul>	<ul style="list-style-type: none"> <li>• Accounted for correctly as estimates based on Government's assumptions</li> <li>• Disclosed in the financial statements as subject to change and having significant measurement uncertainty as the Province continues to refine its cleanup plans</li> </ul>
<ul style="list-style-type: none"> <li>• \$2.6 billion employee future benefit liability; \$378 million paid out for retirement allowances</li> </ul>	<ul style="list-style-type: none"> <li>• Accounted for correctly and properly disclosed</li> </ul>
<ul style="list-style-type: none"> <li>• \$5.1 billion in tax revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Accounted for correctly as estimates based on Government's assumptions</li> </ul>
<ul style="list-style-type: none"> <li>• Purchasing cards (PCards)</li> </ul>	<ul style="list-style-type: none"> <li>• Weak controls and transactions with missing documentation noted</li> <li>• No impact on audit opinion</li> </ul>

**Questions Nova Scotians may want to ask:**

1. How and when will the Department of Service Nova Scotia and Internal Services fix the significant weaknesses over departmental purchasing and who is holding the Department accountable for fixing these weaknesses?
2. Why did the Department of Lands and Forestry not have a detailed plan in place to conduct environmental assessments of abandoned mine sites?
3. Why are there multiple new significant control weaknesses at Housing Nova Scotia, IWK Health Centre, Nova Scotia Gaming Corporation, and Nova Scotia Health Authority in 2018-19 and who is holding these organizations accountable for fixing these weaknesses?
4. Do the significant control weaknesses identified at the Department of Service Nova Scotia and Internal Services, Housing Nova Scotia, IWK Health Centre, Nova Scotia Gaming Corporation, and the Nova Scotia Health Authority increase the risk of fraud and error?
5. Why are there repeating weaknesses in internal controls at Cape Breton-Victoria Regional Centre for Education, Halifax-Dartmouth Bridge Commission, IWK Health Centre, and Strait Regional Centre for Education and who is holding these organizations accountable for fixing these weaknesses?
6. As more information becomes available, how will the accounting estimates for the cleanup of Boat Harbour and the abandoned mine sites impact the financial position of the Province?