

Provincial Update on the Auditor General Recommendations  
 Department of Finance  
 November 2011

Since 2009, the Office of the Auditor General (OAG) has made 40 recommendations to the Department of Finance (DOF), in efforts to improve government for the people of Nova Scotia. The DOF has made every effort to address these recommendations. Of the 40 recommendations made, 17 have already been completed, and 17 are in progress. Of the six recommendations with a status of do not intend to implement, four are duplicate recommendations which are repeated from previous years.

**Recommendations assigned to Department of Finance:**

Department of Finance	Complete	Work In Progress	Action no Longer Required	Do not Intend to Implement	Total Recommendations
<b>April 2009</b>					
Chapter 5: Follow-up of 2006 Audit Recommendations	1	-	-	-	1
<b>February 2010</b>					
Chapter 5: Government Financial Reporting	12	6	-	2	20
<b>June 2010</b>					
Chapter 5: Follow-up of 2007 Recommendations	1	-	-	-	1
<b>November 2010</b>					
Chapter 5: Government Financial Reporting	3	11	-	4	18
<b>Total</b>	<b>17</b>	<b>17</b>	<b>-</b>	<b>6</b>	<b>40</b>
Percentage	43%	43%	0%	15%	100%

**Recommendations in Detail:**

Month & Year	Chapter	Recommendation	Status	Brief summary of actions taken
April 2009	5	5.1	Complete	The status level of each recommendation from 2005 to present has been updated and is accurate.
February 2010	5	5.1	Do not Intend to Implement	Changes were made in our presentation to move more of the revenue sources into our ordinary revenue, this started in the 2007/08 budget. The Province, starting in 2005/06 Public Accounts, provides reconciliation between the estimates presentation and the Public Accounts. At this time, we do not plan

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Month & Year	Chapter	Recommendation	Status	Brief summary of actions taken
				to move towards consolidating budgeting.
February 2010	5	5.2	Complete	Necessary steps were taken to ensure the Department is provided with the appropriate authority for completion of the revenue estimates
February 2010	5	5.3	Complete	All key economic and other assumptions used in the preparation of the revenue estimates are approved by Treasury Board.
February 2010	5	5.5	Complete	The Department of Finance has adequate support for adjustments to the departmental budgets reported in the forecast updates.
February 2010	5	5.6	Work in Progress	The Management Assessment on the effectiveness of Internal Controls over Financial Reporting (ICFR) was issued for March 31, 2011. The ICFR program will continue in 2011/12.
February 2010	5	5.7	Work in Progress	The Management Assessment on the effectiveness of Internal Controls Over Financial Reporting (ICOFR) was issued for March 31, 2011. The ICOFR program will continue in 2011/12.
February 2010	5	5.8	Complete	The Capital Markets Administration division prepares monthly reconciliations to the custodian's statements and the general ledger is updated each month to reflect the results of transactions.
February 2010	5	5.9	Complete	The Capital Markets Administration division adjusts the balance of the unamortized foreign exchange account to recognize all deferred gains and losses on monetary items that have been sold and ensures the account

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**Recommendations in Detail:**

Month & Year	Chapter	Recommendation	Status	Brief summary of actions taken
				only includes deferred amounts related to existing monetary items
February 2010	5	5.10	Work in Progress	This is standard practice every year. There are no postings made if the Government Accounting division does not agree with the finding or if there is no time to permit adjusting the Public Accounts for immaterial amounts.
February 2010	5	5.11	Work in Progress	Draft policies are being completed for Management Manual 200
February 2010	5	5.12	Work in Progress	Two waves of review and adjustments were completed on old and unchanged account balances. Further review and monitoring will be completed in the future to ensure valid account balances.
February 2010	5	5.13	Work in Progress	The Government Accounting division has had discussions with Computer Competency Centre and the Treasury Board. They are evaluating the options for the best solution.
February 2010	5	5.14	Complete	Changes were made to the accounts and consolidation process.
February 2010	5	5.15	Complete	Changes were made to the accounts and consolidation process.
February 2010	5	5.16	Complete	An education session was held on Contractual Obligations & Contingencies during the Financial Managers' Forum. The Financial Managers Forum meeting includes all departments.
February 2010	5	5.17	Complete	The Government Accounting Division is in constant contact with Departments and the

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Month & Year	Chapter	Recommendation	Status	Brief summary of actions taken
				Office of the Auditor General during the audit.
February 2010	5	5.18	Complete	Management has communicated with the Province's government business enterprises (GBEs) and other government organizations (OGOs) to notify them of the amendment to the Public Sector Accounting (PSA) Handbook as well as to request information to help the Government Accounting Division determine the impacts of their GAAP transition. Management has also communicated with its government not-for-profit organizations (GNFPOs). The Government Accounting Division will be available to assist and support entities during this transition, while ensuring that these entities adopt the most appropriate GAAP for their financial statement users.
February 2010	5	5.19	Complete	The Finance Act was revised and became effective on August 1, 2010.
February 2010	5	5.20	Do not Intend to Implement	Do not intend to implement this recommendation. The Teacher's Pension Plan engages independent third party auditors.
February 2010	5	5.21	Complete	An external audit on governance controls was completed in March 2011.
June 2010	5	5.1	Complete	The status level of each recommendation from 2005 to present has been updated and is accurate.
November 2010	5	5.1	Do not Intend to Implement	At this time we do not plan to move towards consolidating budgeting. This does not mean that consolidating budgeting will not be reconsidered again at a future point. This would be a major undertaking that would

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Month & Year	Chapter	Recommendation	Status	Brief summary of actions taken
				affect all Government Departments.
November 2010	5	5.2	Do not Intend to Implement	To fully implement the suggested recommendation, the Province would have to change the basis used for the budget (i.e. move to line by line consolidated budgeting). There are no plans at this time to move to this form of budgeting. The assumption made by the Department of Finance is that these revenues are offset by expenditures that roughly net each other out, so there is no significant impact.
November 2010	5	5.3	Do not Intend to Implement	To fully implement the suggested recommendation, the Province would have to change the basis used for the budget (i.e. move to line by line consolidated budgeting). There are no plans at this time to move to this form of budgeting. The assumption made by the Department of Finance is that these revenues are offset by expenditures that roughly net each other out, so there is no significant impact.
November 2010	5	5.4	Complete	The Economics and Statistics Division prepares a detailed memo for the Office of the Auditor General, outlining the modeling process, external challenge sessions (and responses to challenges), approvals as well as interim and final results of the economic forecast. This memo is shared with the Minister and Deputy Minister as well. Interim versions of the memo are shared with OAG staff periodically throughout the process. Division staff prepare lengthy binders that substantiate all model inputs and results.

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November 2010	5	5.5	Work in Progress	A formal documented process for the review and challenge of the assumptions used in the preparation of the petroleum royalties estimates is being drafted.
November 2010	5	5.6	Work in Progress	A draft guidelines and policy was developed on internal controls over financial reporting. Both documents are currently under review by management and will eventually be included in the Corporate Policy Manuals.
November 2010	5	5.7	Work in Progress	A draft guidelines and policy was developed on internal controls over financial reporting. Both documents are currently under review by management and will eventually be included in the Corporate Policy Manuals.
November 2010	5	5.9	Work in Progress	This is a joint effort between the following three divisions; Taxation & Fiscal Policy, Finance CSU and Government Accounting. They continue to review AR sub-ledger processes and transactions in the year to ensure payments and forecasts are correctly posted.
November 2010	5	5.10	Complete	The Government Accounting division follows the Department of Finance exit policy.
November 2010	5	5.11	Work in Progress	This is standard practice every year. There are no postings made if the Government Accounting division does not agree with the finding or if there is no time to permit adjusting the Public Accounts for immaterial amounts.
November 2010	5	5.12	Work in Progress	No change recommended for 2010-11. However, this will be considered as part of

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Month & Year	Chapter	Recommendation	Status	Brief summary of actions taken
				next threshold analysis to be done in 2011-12.
November 2010	5	5.13	Work in Progress	The Loans Project will remove the Housing Corporation accounts from the Department of Community Services business area.
November 2010	5	5.14	Work in Progress	A briefing was given to managers at the Financial Managers' Forum. A summary and follow up, where necessary, of all departmental lists was coordinated.
November 2010	5	5.15	Work in Progress	The Government Accounting division prepares a detailed listing of tasks to be completed for year end. The lists are sent to the Fiscal Policy division and a follow up is completed to ensure the AR and revenue accounts have been correctly updated based on the numbers prepared by the Fiscal Policy division. The Government Accounting division has made it a requirement for Fiscal Policy to sign all related journal entries and to review all balances in the sub ledger at year end. It is the responsibility of the Fiscal Policy division to ensure the models are prepared correctly.
November 2010	5	5.16	Complete	The Department of Finance revised Schedule 4 of the consolidated financial statements to disclose the gross debt and sinking fund assets of the consolidated entity.
November 2010	5	5.17	Work in Progress	The Government Accounting division prepares a detailed listing of tasks to be completed for year end. The listing is sent to government departments. A follow up on submission deadlines is completed based on discussions with the Office of the Auditor General.

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Month & Year	Chapter	Recommendation	Status	Brief summary of actions taken
November 2010	5	5.18	Work in Progress	The Controller's Office and the Government Accounting Division have been monitoring the GAAP selections made by entities. Entities are working with their boards and auditors to ensure they have an appropriate source of GAAP. The Controller's Office and the Government Accounting division are in the process of determining the best direction for government not-for-profit organizations (GNFPOs ) and provide support to these entities as needed during the transition.
November 2010	5	5.19	Do not Intend to Implement	We do not intend to implement this recommendation until results are consolidated. When results are consolidated we will consider implementation of this recommendation. In 2010-11 Public Accounts, we expanded the FSD&A to include more financial information about indicators of financial performance.