

24.1 Financial Statement Process

Policy Statement

The Province of Nova Scotia prepares its financial statements annually as at March 31. There is a legislative requirement to table this document in the House of Assembly by September 30 of the year in which the fiscal year ends.

Policy Objectives

The process of preparing the financial statements is complex. Documentation of this process provides a framework for workflow planning and information to other interested parties.

Application

The process is directly applicable to Government Accounting and requires input from all departments and members of the government reporting entity.

Policy Directives

See Appendix 24-A Detailed Process: Preparation of Consolidated Financial Statements

Policy Guidelines

Milestone dates are noted in the documentation but may have to be adjusted depending on the particular circumstances at each year-end. The Controller and Deputy Minister of Finance should be informed of any expected milestone delays and the cause of each delay.

Accountability

Departments are responsible to ensure that all events and transactions are properly reflected in their accounts and appropriate information is provided to Government Accounting and to the Office of the Auditor General for the year-end audit process.

Government Accounting is responsible for the preparation of the financial statements and the coordination of the financial statement audit.

Entities of the government reporting entity are required by legislation to provide their financial statements to the province by June 30 each year.

Monitoring

The process documentation is subject to review by Government Accounting. Government Accounting will monitor the policy's performance and effectiveness.

Enquiries

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Approval date: July 5, 2001

Manual release date: August 21, 2008

Approved by: Minister, Department of Finance

Most recent review: June 15, 2006

Appendix 24-A

Detailed Process: Preparation of Consolidated Financial Statements

Department of Finance, Office of the Controller

Financial Statements – Background

Section 10 of the *Provincial Finance Act* legislates that:

“The Minister shall lay the Public Accounts before the House of Assembly not later than September 30th of the calendar year in which the fiscal year to which the Public Accounts relate ends or, if the House of Assembly is not sitting, the Minister shall file the Public Accounts with the Clerk of the House of Assembly.” 1997, c. 3, s. 11; 2004, c. 3, s. 32.

The Financial Statements are developed in four phases:

Phase 1: Planning

Phase 2: Departmental Year-end Accounting Process and Consolidated Fund Audit

Phase 3: Consolidated Financial Statements Preparation and Audit

Phase 4: Financial Statements Release

Note: The Consolidated Fund Audit refers to the financial statements and audit of the departments and agencies of the Province of Nova Scotia. The resulting financial statements are one input into the Consolidated Financial Statements Preparation process. As a result of the adoption of generally accepted accounting principles in 1999, the government reporting entity includes a broader community of entities such as district health authorities, school boards, etc.

Summary of Phases (Items, Timing, Responsibility)

PHASE 1: PLANNING

Entire Process:

January

- conduct prior year post-mortem (Government Accounting Team) which includes a review of last year’s process and outcomes and identification of areas for improvement
- review of auditors’ summary of unadjusted differences
- review annual management letter sent to the Deputy Minister and Controller

- determine if there are new issues for the current year that should be given extra attention
 - consider meeting with Office of the Auditor General (OAG) as part of the post-mortem process
 - determine if there are any new reporting requirements that may impact timing or nature of information required
 - prepare initial audit requirements and meet with OAG to confirm requirements and timing
 - focus on relationship management*
- * This is a proactive effort to ensure clear understanding of expectation, early detection of issues or impediments to achieving milestones, and ensuring all participants are aware of their contribution to a successful financial statement process. Participants include Government Accounting, departments of the Consolidated Fund, entities of the government reporting entity and auditors.

Consolidated Fund related

February

- communicate audit requirements and timing to the departments so that they can incorporate any new requests into their practices and workflow

Consolidation Process related

January

- review consolidation package* and make any necessary changes - e.g., new Handbook sections incorporated into package
- review Orders in Council (OICs) and hold discussions with departments to determine if there are any new entities created in the year to be added to the government reporting entity
- communicate with all entities to determine if contact information the same (e.g., CFO, CEO, address, etc.) and to determine if there are any issues that may impact the entities' ability to meet the reporting deadline of June 30 (end of January)

* Consolidation package provides a detailed list of the information that must be submitted by an entity for consolidation purposes. Two different versions are prepared at this time – one for governmental units and one for government business enterprises.

February

- prepare letters to entities of the government reporting entity requesting information for the consolidation process for the Minister's signature (mid February)
- preparation of the PSAB checklist (late February)

March

- send requests for financial statements and consolidation reporting packages (if applicable) to all entities, including those in Volume 2 of the Public Accounts (beginning of March)
- prepare analysis of government reporting entity (e.g., new entities, entities removed, etc) and send to OAG (mid-late March)
- make necessary changes to the consolidation model (LOTUS/EXCEL file) to incorporate new entities, additional reporting requirements, etc. including update of the Accumulated Deficits carry-forward figure (this is a key figure used to ensure all adjustments have been assessed and properly recorded)

PHASE 2: DEPARTMENTAL YEAR-END ACCOUNTING PROCESS AND CONSOLIDATED FUND AUDIT

May

- general ledger closes for period 12
- departments prepare and submit working paper packages to OAG
- Government Accounting prepares Draft 1 of consolidated fund financial statements and other working paper packages (e.g., corporately managed items such as pensions, TCA continuities, etc.)
- Government Accounting sends its information to OAG
- OAG begins Consolidated Fund audit
- subsequent events may occur – review for materiality, impact, etc., and incorporate into consolidated fund results if necessary

June

- OAG and department will meet to finalize issues (member from Government Accounting may attend closing exit meeting if department needs additional support, e.g., complex accounting issue)
- Draft 2 of Consolidated Fund statements prepared

July

- Government Accounting will meet with OAG to finalize results of Consolidated Fund audit
- final Consolidated Fund statements agreed to and incorporated in the consolidation process
- no further work/changes on/to Consolidated Fund statements necessary unless major significant event occurs

PHASE 3: CONSOLIDATED FINANCIAL STATEMENTS PREPARATION AND AUDIT

July

- determine which entities have not submitted audited financial statements and consolidation packages by June 30 and, at the beginning of July, start to communicate with those entities to determine why and when the information is expected
- ongoing monitoring of submissions from entities
- prepare consolidation summaries including accounting policy* and elimination adjustments** which are entered into the consolidation model by one person to ensure data integrity of the model (eliminates duplication, errors and file corruption)
- consolidation summaries reviewed by Director or Manager as a quality control check
- prepare assessment of governmental units and government partnerships not consolidated to ensure not material impact on financial statements
- administrative staff of Government Accounting prepare volume 2 of the Public Accounts using the audited financial statements received as part of the consolidation process

* Accounting policy adjustments are made to convert different accounting policies of entities to match those policies as followed by the Province.

** Elimination adjustments are made to eliminate inter-entity transactions so that corresponding accounts are not overstated (e.g., a Department of Health payable to a DHA is eliminated against the corresponding DHA receivable from Department of Health.) Eliminations adjustments should be confirmed among entities.

August:

- finalize consolidation model and prepare consolidated financial statements, supporting schedules and notes
- submit copies of working papers and Draft I of the consolidated financial statements to OAG
- OAG audits the consolidated financial statements (the consolidation process only, not the individual financial statements making up the consolidated entity as those are audited by others)
- meet with OAG to discuss issues
- finalize consolidated financial statements including quality control review by Government Accounting, the Controller and Deputy Minister and the Director of Liability Management

PHASE 4: FINANCIAL STATEMENTS RELEASE

July

- discuss timing and other requirements with Communications Nova Scotia for printing and publication of the Public Accounts, both volumes 1 and 2, including need for “security printing”

September

- send volume 2 to CNS
- send volume 1 to CNS for formatting, proof statements and send to OAG for final review and sign off
- coordinate with Finance Communications staff respecting release of Public Accounts

