

3.5 Auditor General Performance Audits

Policy Statement

The Government of Nova Scotia (Government) is responsible for adhering to the *Auditor General Act* and representing the province with respect to auditor general recommendations. This policy formalizes the performance audit requirements, with respect to reporting, and provides guidelines for analyzing, reporting and monitoring.

Application

This policy applies to all organizations within the Government Reporting Entity, Government Business Enterprises, Governmental Units and Crown Corporations, as defined in the *Finance Act* (Section 68 and 69).

Scope

This policy does not apply to Section 19 and 20 of the *Auditor General Act*, whereby:

- “the Auditor General shall audit the annual consolidated financial statements of the Government that are included in the public accounts required under the *Finance Act*.” (Section 19); and
- “the Auditor General shall conduct a review, in accordance with the assurance standards for review engagements of the Canadian Institute of Chartered Accountants, of the estimates of revenue used in the preparation of each budget address of the Minister of Finance to the House of Assembly.” (Section 20)

Definitions

AUDIT

Any examination of records, reports, activities or operations conducted in accordance with generally accepted auditing standards and with other professional standards as may apply. (*Auditor General Act*, Section 2(a))

AUDIT COMMITTEE

The audit committee is comprised of senior government employee officials representing governmental departments. The audit committee meets quarterly. In addition to its regular meetings, the audit committee meets annually as part of a special meeting to review, discuss, and approve responses and the statuses of recommendations that are part of the Auditor General’s recommendations follow up audit.

CROWN CORPORATION

Any body corporate conferred such status pursuant to any Act of the Legislature.

GOVERNMENT BUSINESS ENTERPRISES

Entities categorized as government business enterprises from time to time by the Minister and set out annually in the consolidated financial statements of the province.

GOVERNMENT REPORTING ENTITY

Aggregate of all organizations that are part of or controlled, for accounting purposes, by the province and includes departments, governmental units, government business enterprises, government partnership arrangements and crown corporations and, for greater certainty, does not include a university to which the *Universities Assistance Act* applies.

GOVERNMENTAL UNITS

Entities categorized as governmental units from time to time by the Minister of Finance and Treasury Board as set out annually in the consolidated financial statements of the province.

PERFORMANCE AUDITS

Performance or value-for-money audits examine government programs or operations to determine if its achieving its objectives. A performance audit may include, but is not limited to, examination of a) the governance, economy, efficiency and effectiveness of the auditable entity or any activity, program, process or function of the auditable entity; b) performance monitoring and reporting; c) internal control and systems; d) compliance with policy, legislation or appropriations; e) stewardship over and appropriate use of public funds and other resources and property; and f) maintenance of essential financial and other records. (*Auditor General Act*, Section 21(2))

PROTECTED DOCUMENTS

Protected documents include, “privileged records” that are subject to solicitor-client privilege, litigation privilege, settlement privilege or public interest immunity, which would include documents maintained in Cabinet. (*Auditor General Act*, Section 2(k))

STEERING COMMITTEE

The steering committee is led by the Department of Finance and Treasury Board’s Controller and includes Finance and Treasury Board staff. The steering committee reviews the status and responses to each recommendation that will make up the Auditor General follow up report for consistency and accuracy, ahead of the recommendations being discussed and reviewed by the audit committee.

TRACKING AUDITOR GENERAL RECOMMENDATIONS (TAGR)

Tracking Auditor General Recommendations, or TAGR, is a system software corporate tracking tool that allows auditor general recommendations and responses to be input, stored, and updated by relevant Government of Nova Scotia departments.

Policy Objectives

1. To improve internal communication and coordination when the Office of the Auditor General is commencing an audit or investigation, or reviewing recommendations released to entities.
2. To ensure a consistent approach is used for protected documents.
3. To improve and coordinate communication on auditor general reports.

Policy Directives

INITIATION OF AN AUDIT AND BEFORE ANY OFFICIAL RECOMMENDATIONS PUBLISHED

1. Inform the Department of Finance and Treasury Board when the Office of the Auditor General has selected the department, office, or agency for a performance audit.
2. Upon commencement and during the performance audit, should Cabinet documents, Department of Justice documents, or any other protected documents be requested by the Office of the Auditor General, inform the Executive Council Office when providing access to such documents.

Please see the Auditor General Protocol, dated March 1, 2011 (attached), relating to the auditor general's access to documents.

3. Notify and consult with the Executive Council Office if the impending auditor general report refers to any protected documents.
4. Inform the Department of Finance and Treasury Board of any major findings from the auditor general as they emerge.
5. Prior to the publication of the auditor general's report, a department, office, or agency will be given the opportunity to provide a written initial response on each recommendation, which will become part of the auditor general's published report. Before any initial draft responses are provided to the auditor general for the report, all departments, offices and agencies must first:
 - a. Ensure that the responses are signed-off by the Minister of the respective department/office/agency and ensure the responses have been shared with appropriate communications staff;

- b. Submit the response to the Department of Finance and Treasury Board to ensure a coordinated response to the impending auditor general's report; and
- c. Obtain Department of Finance and Treasury Board's approval prior to forwarding responses to the auditor general if contentious and/or has material financial considerations.

AUDITOR GENERAL RECOMMENDATIONS ONCE THEY ARE PUBLISHED

Once the auditor general report has been published, the following process for responding to and tracking of the auditor general recommendations shall be:

1. All recommendations and initial responses from the auditor general report will be added to the TAGR system by the administrator within four to six weeks following the release of the auditor general report.
2. The TAGR administrator will send a communication to the TAGR liaisons/ coordinators once recommendations have been input into the system, requesting responses for each recommendation be updated in the system.
3. The TAGR liaisons/coordinators will circulate the recommendations to appropriate staff requesting responses for each auditor general recommendation.
4. The TAGR liaison/coordinator will input responses received from staff into the TAGR system and:
 - a. Review the responses and action plans of each recommendation with the Deputy Minister and seek their sign-off approval.
 - b. After sign-off has been granted by the Deputy Minister, the TAGR liaison/ coordinator will release the responses within the TAGR system to the audit committee.
 - i. The steering committee will review responses to ensure clarity, consistency, and approach across responses. The steering committee may request additional information or follow up on recommendations as deemed necessary. The steering committee will prepare and present a summarized report of all recommendations to the audit committee.
 - c. Once the audit committee reviews and grants approval to release the recommendation responses to the auditor general for their review and testing, the TAGR administrator notifies the TAGR liaison/coordinators to release the responses to the auditor general from the TAGR system.

REPORTING TO TREASURY AND POLICY BOARD

Reporting to Treasury and Policy Board Committee will be at the discretion of Agenda Management and the request of the Ministers. All information reported to Treasury and Policy Board will be considered confidential.

Policy Guidelines (Post Recommendations)

1. The generally accepted time frame for completion of agreed upon auditor general recommendations is two years.
 - a. Each recommendation should list an estimated time frame for completion. Review of time frames, periodic follow up, and request for updated time frames for delayed projects should be requested from appropriate staff and documented by the TAGR coordinator/liaison.
2. Where practical, when a recommendation, or set of related recommendations have been finished and the status has been changed to complete, the recommendation, or set of recommendations should be forwarded to the Deputy Minister for their review and agreement of recommendation status.
3. Under the normal course of operations, the TAGR liaison/coordinator is to periodically request status updates on outstanding recommendations with appropriate staff.

Confidentiality

All staff privy to the information gathered during the audit process, including but not limited to: human resources, progress, and upcoming risks and/or pressures, must ensure the information is managed in accordance with the *Freedom of Information and Protection of Privacy Act*, regulations, and pertinent government privacy policies.

Accountability

Deputy heads will:

- Ensure implementation of this policy and its supporting materials
- Lead their department/office/agency in enhancing government transparency and accountability through the audit process
- Designate a point of contact for liaison with respect to the performance audits
- Be responsible for responding and maintaining a response to the recommendation

TAGR liaison will:

- Be the contact with the Office of the Auditor General and the department/office/agency (audit plans, auditor general audits, recommendations, etc.)
- Review the recommendations and responses prior to submitting to the deputy head, steering committee, and Office of the Auditor General
- Assign a coordinator, where possible

TAGR coordinator will:

- Be the contact for inter-departmental communications
- Coordinate the responses to the recommendations and ensure the TAGR system is kept up to date

TAGR administrator will:

- Maintain a list of performance audits
- Maintain a list of major findings from performance audits
- Maintain and review initial responses to the recommendations prior to submission to the steering committee
- Administer the TAGR system

Steering committee will:

- Review initial responses to the recommendations prior to their publication in the auditor general report.
- Review department/office/agency responses and action plans to recommendations
- Summarize and report upon recommendations statuses to the audit committee on an annual basis

Audit committee will:

- Review and approve all responses and action plans to recommendations prior to releasing responses to the Office of the Auditor General.

Monitoring

Department of Finance and Treasury Board is responsible for the review and update of this policy.

References

This policy is further supported by the following provincial legislation, and provincial policies:

Auditor General Act

Finance Act

Public Service Act

Freedom of Information and Protection of Privacy Act

Enquiries

TAGR Administer, Department of Finance and Treasury Board

(902) 424-6061

TAGRsystem@novascotia.ca

Appendices

Appendix 1: Auditor General Protocol

Appendix 2: TAGR Flowchart

Approval date: **February 5, 2019**
Approved by: **Treasury & Policy Board**

Effective date: **February 5, 2019**
Administrative update:

Appendix I

Auditor General Protocol (as per Office of the Auditor General)

Office of the Auditor General Protocol for Accessing Documents

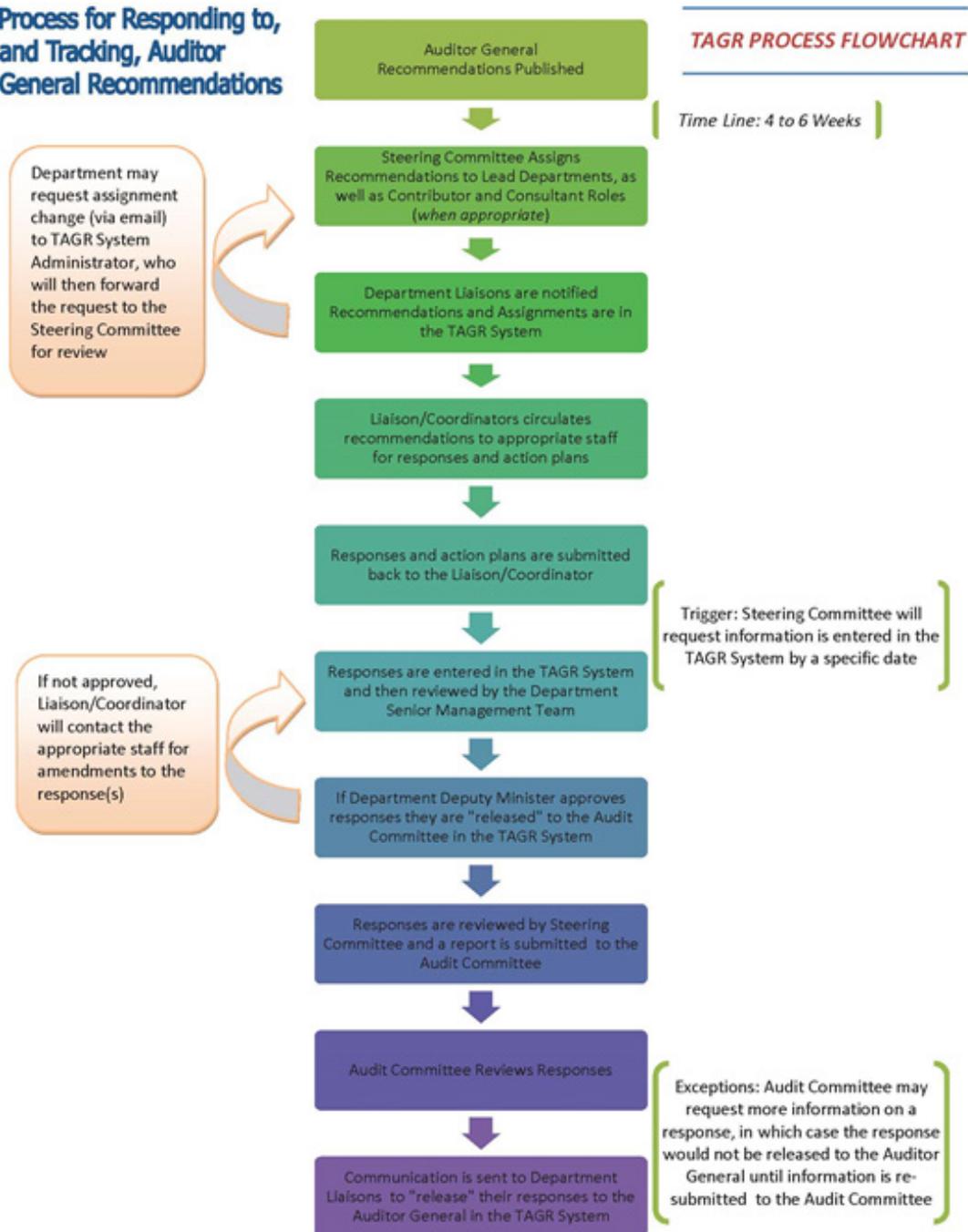
1. The auditor general's access to information in departments, offices and agencies is governed by the provisions of the *Auditor General Act*. This protocol provides some specific guidance in the application of those provisions.
2. The staff of the Office of the Auditor General will be provided timely unrestricted access to all documents and other records required in the selection, planning and conduct of audits, reviews and investigations, including confidential or sensitive documents, and documents over which privilege may be claimed.
3. In cases where staff from the Office of the Auditor General are given direct access to data bases or file storage areas and certain files are selected for examination, the Office of the Auditor General will provide a list of the files or documents examined. In other cases, the Office of the Auditor General may ask for specific documents or records. In either case, the department/office/agency may make a list of those documents over which privilege is claimed and may provide it to the Office of the Auditor General; this process should not the Office of the Auditor General's access to the documents.
4. The Office of the Auditor General will not publicly disclose the contents of any privileged documents unless authorization is granted by the holder of the privilege.
5. In the event of a dispute as to whether a document is privileged, either party may apply for a ruling in accordance with the *Auditor General Act* and the Office of the Auditor General will not disclose the contents of the document until a ruling is made.

Date: March 1, 2011

Appendix 2

TAGR Flowchart

Process for Responding to, and Tracking, Auditor General Recommendations



Approved by TAGR Steering Committee, May 31, 2010