



1 Message from the Auditor General

Introduction

- 1.1 I am pleased to present my November 2015 Report to the House of Assembly. This report focuses on financial reporting issues and includes work completed by my Office during the past year.
- 1.2 I wish to acknowledge the efforts of my staff in completing this work. I would also like to acknowledge the cooperation and courtesy extended to my Office by staff in departments and agencies throughout government. Our audit questions were answered on a timely basis and we were provided with the information we needed to complete our work.

Overview of Report

- 1.3 The Auditor General Act prescribes two significant legislated responsibilities: a report, including an opinion, on the fair presentation of government's annual consolidated financial statements; and a review engagement report, including an opinion, on the reasonableness of government's revenue estimates in its annual budget. The Act also allows us to review the audit opinion and management letter provided by external auditors of agencies included in the government reporting entity, and report matters of interest to the House of Assembly.
- 1.4 Other provincial legislation requires the Auditor General to perform the following.
 - An audit of the financial statements of four provincial agencies.
 - An audit of controls and compliance with respect to the House of Assembly Management Commission Act.
- 1.5 In addition, the Auditor General Act allows that we may conduct audits of other entities within government. Under this authority, we will be the first auditor of the newly-created Nova Scotia Health Authority which was formed on April 1, 2015. As this new entity consolidates the operations of the nine former district health authorities, it will be the single largest government organization, accounting for approximately 20% of government expenditures. We are currently completing the planning phase of the audit and will begin transaction testing shortly.



- 1.6 This report includes three chapters in addition to this introduction.
- 1.7 Chapter 2 describes the results of our audit of the province's consolidated financial statements, included in Volume 1 of the province's Public Accounts, and the results of our review of the revenue estimates included in the province's 2015-16 budget. Both opinions were unqualified. We made recommendations in each engagement including the need to improve processes for estimating tax revenues, and to improve government reporting of contaminated sites and other contingencies and contractual obligations. We also reported the results of our limited testing of senior government executives' hospitality and vacation use. We recommended that the Department of Internal Services update government's hospitality policy to reflect public expectations of such policies, and that travel and hospitality expenses of senior personnel should be publicly disclosed.
- 1.8 Chapter 3 includes the results of our audit of four government agencies, and the results of our review of the audit opinions and management letters provided to boards and management of agencies within the government reporting entity. We limited our detailed review to 21 significant entities across government, including district health authorities and school boards. We continue to be concerned with the number of auditor recommendations that are not implemented in these agencies, and have recommended that the Department of Finance and Treasury Board track the implementation rate of these agencies and seek explanations for repeated recommendations.
- 1.9 Our comments on the financial condition of the Province of Nova Scotia are included in chapter 4, and are as a result of our analysis of several indicators related to the sustainability, flexibility, and vulnerability of the province's finances. While there was an improvement in the financial results of the province during 2015-16, unfavourable trends continue. The province's per capita debt ratio has climbed to \$15,944 per person. The province's net debt position limits its ability to expand programs and reduce taxes, and restricts the use of future revenues.
- 1.10 Departmental responses to recommendations have been included in the appropriate chapter. We will follow up on the implementation status of our recommendations in two years, with the expectation that significant progress will have been made.