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Office of the Auditor General

Nova Scotia

AUDITOR GENERAL--November 2015 Financial Report Released

Although some financial indicators show that the province's financial position improved during 2014-15, other indicators related to the sustainability, flexibility and vulnerability of government operations remain unfavourable, Auditor General Michael Pickup said in his report issued today, November 4.

"Provincial debt is placing an increasing burden on the economy," Mr. Pickup noted. "For every \$1.00 in revenue, there is \$1.41 in debt."

The amount of Government of Nova Scotia debt owed by the Province of Nova Scotia increased two per cent during 2014-15, to \$15,944 per Nova Scotian. The province has not taken in sufficient revenue over the years to cover the expenses it incurs for the services it delivers."

The report, which focuses on the results of work performed in the office's financial reporting portfolio, includes three chapters as well as a message from the auditor general.

The auditor general issued unqualified opinions on both the \$9.9 billion revenue estimates included in the province's 2015-16 budget and on the province's March 31, 2015 consolidated financial statements, which showed a deficit of \$144 million. However, improvements are needed in certain financial management practices, particularly surrounding tax model changes.

In addition, the auditor general performed limited testing of hospitality, travel and compensation of senior government bureaucrats.

"The current hospitality policy does not address the many situations these senior officials may find themselves in," said Mr. Pickup. "Senior executives may be hosting delegations or visitors to the province, or may be conducting other business that requires them to incur hospitality expenses.

"The current policy needs to be updated to reflect these situations and to provide guidance in accordance with the public's expectations for these events."

As a result of this testing, the report includes recommendations that the policy be updated and that its use be monitored. The auditor general also recommended that senior government officials' hospitality and travel expenses be publicly disclosed, including those expenses incurred by the senior bureaucracy in government boards and agencies. This will promote transparency of public expenditures.

In chapter three, the auditor general comments on the results of external audits of provincial agencies. This year, the review focused on the audit results of 21 significant entities including all former district health authorities, the IWK Health Centre, all school boards, Housing Nova Scotia, and both the Nova Scotia Liquor Corporation and the Nova Scotia Community College.

The number of audit recommendations that remain outstanding from year-to-year in these entities is high. About 40 per cent of the 36 recommendations to address weaknesses in internal control made to these entities have been repeated for several years, as far back as 2009-10.

"In order to fulfil their oversight role, boards and other governing bodies should ensure management is implementing audit recommendations in a timely manner."



The chapter includes a recommendation to Finance and Treasury Board to monitor external auditor recommendation implementation results. Entities with low results should be encouraged to fix deficiencies in their operations on a timely basis. Where this is not done, these entities should explain to Nova Scotians, possibly through the public accounts committee, why action has not been taken.

In addition, the report includes information on financial indicators that provide a measure of the sustainability, flexibility and vulnerability of the province's financial position. Although certain indicators show that the province's financial condition improved during 2014-15, other indicators such as net debt per capita and the continued reliance on federal transfers, point to continued need for concern over the province's financial condition.

The 57-page report contains 13 recommendations to government. The full report is available at www.oag-ns.ca.

FOR BROADCAST USE:

In his November financial report, Auditor General Michael Pickup says certain accepted indicators which demonstrate the province's financial condition showed improvement during 2014-15, but other indicators related to the sustainability, flexibility and vulnerability of government operations have not.

For every \$1.00 in revenue earned by the province, there is \$1.41 in debt.

He says the amount of debt held by the province is placing an increasing burden on the economy of Nova Scotia.

The auditor general issued unqualified opinions on the revenue estimates included in the 2015-16 provincial budget, and on the March 31, 2015 public accounts. However, the report includes several recommendations for improvements in financial management processes.

In addition, a significant number of recommendations from external auditors of provincial agencies remain outstanding from year-to-year.

The 57-page report contains 13 recommendations to government. The full report is available on the auditor general's website.

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