



Office of the Auditor General

Auditor General's Statement to the Media

Release of November 2015 Report to the Nova Scotia House of Assembly
11/4/2015



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Good morning ladies and gentlemen. Thank you for joining me here today and thank you for your continued interest in our work.

Late yesterday, I tabled my November 2015 Report with the Speaker of the House of Assembly, for distribution to Members of the House this morning. This is our annual report on work performed in the Office's financial reporting portfolio.

The report contains four chapters on various assignments completed during 2015, including an overall message from me. In prior years, we have issued this report about 6-7 months after the Public Accounts were released.

This year, we changed the timing of this report to be closer to the July 2015 Public Accounts release date. We believe this provides more timely and relevant information on the province's finances for all Nova Scotians, including the legislature.

I want to thank the staff in my Office for their professionalism and dedication to their work. I also want to thank management and staff in various government departments and agencies for their cooperation, and for their positive attitude to the work we perform. These are essential to timely completion of our work and to bringing about change when deficiencies are identified.

The report I am releasing today includes a variety of topics. Along with providing information on the results of our legislated work, we have included a chapter explaining selected indicators of the province's financial condition. The report also contains a chapter detailing the results of our review of audit results at other government agencies.

Chapter 2 includes the results of our legislated work. We provided an unqualified opinion on the reasonableness of the revenue estimates included in the province's 2015-16 budget. We assessed the economic assumptions and concluded they were reasonable for use in estimating various provincial tax revenues. We also assessed the methods used to estimate all revenues for consistency with methods used in the prior year.

We made recommendations on the need for management to review the assumptions used in the estimation models.

It is worth noting that Nova Scotia continues to be the only province in Canada to have an annual review report on its revenue estimates. This is a significant accomplishment in stewardship and accountability.

We also issued an unqualified opinion on the province's March 31, 2015 public accounts, which were released by government on July 30, 2015.

However, we noted improvements are needed in certain financial management practices.

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In addition, this year, for the first time, we performed limited testing of senior executive compensation, hospitality expenses and accrued vacation.

We have recommended that government's hospitality policy be updated to reflect public expectations for such a policy. We also recommended that senior executive hospitality and travel expenses be publicly disclosed, including those expenses incurred by senior bureaucrats in government boards and agencies.

Most of the entities included in the consolidated financial statements of Nova Scotia are audited by private sector audit firms. We review the results of other external auditors' communications to boards and management at provincial agencies and report the overall results.

This year, in chapter 3, we focused on the results of 21 significant provincial entities, which included:

- all district health authorities;
- the IWK;
- all school boards;
- Housing Nova Scotia; and
- both the Nova Scotia Liquor Corporation and the Nova Scotia Community College.

We noted that the number of audit recommendations that remain outstanding from year to year in provincial agencies is concerning. 40% of the recommendations made by these entities' auditors have been outstanding since at least 2009-10 (e.g., \$41 million in school based funds).

I believe Management is not fulfilling its responsibility to correct these deficiencies on a timely basis. Therefore, we have recommended that the Department of Finance and Treasury Board develop a central tracking system to monitor implementation of such recommendations.

In chapter 4, we report on ten indicators of financial condition. It is important to remember that these indicators provide a picture of the province's financial condition at a point in time.

Although some indicators show that the province's financial condition improved during fiscal 2014-15, several indicators related to the sustainability, flexibility and vulnerability of government's operations remain unfavourable.

While debt interest costs as a percentage of revenues has remained stable for the past four years, net debt per capita has increased to \$15,944, the highest it has ever been.

Also for every \$1.00 in revenue earned during 2014-15, there was \$1.41 in debt. This is a slight decrease from the prior year but is still concerning.

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These are the highlights of the report. Now I would be happy to take your questions.