

## Chapter 1

# Financial Audit Work and Other Topics of Interest

### Key Messages

- Province received a clean audit opinion in 2023-24 providing reliable financial information within the legislated deadline
- Transparency and accountability over additional appropriations still not addressed by Government
- Auditor General adds two additional recommendations to improve accountability and transparency over spending of all public funds
- Auditor General repeats concern of significant uncertainty impacting 2024-25 Revenue Estimates
- The Province and Nova Scotia Health used alternative procurement for over \$2.4 billion in contracts over the last five years

### Why We Did This Chapter

- To provide insights into the results of the financial audits of the Province and government organizations
- To report on significant control weaknesses identified within government
- To highlight important financial matters impacting the Province

### Details Around Key Messages

Government provided reliable financial information for 2023-24 within the legislated deadline of September 30<sup>th</sup>

- For the 24<sup>th</sup> year in a row, the Province of Nova Scotia received a clean audit opinion on its financial statements
  - The financial statements meet Canadian public sector accounting standards
  - Users can place reliance on the Province's financial statements
  - Accounting standards related to the fair and reliable presentation of financial information have been met, however some underlying control weaknesses exist
  - Significant control weaknesses at Service Nova Scotia and Nova Scotia Health may increase the risk of unreliable financial reporting and misuse of assets

Key audit matters reported in the 2023-24 Independent Auditor's Report

- Key audit matters are those matters that were of most significance in the audit and include matters that are complex, have a high degree of uncertainty, or are important to the public
- Key audit matters in 2023-24:
  - Major tax revenues of \$7.8 billion including personal income tax, corporate income tax, and harmonized sales tax account for 47% of the Province's total revenues
  - Pension, retirement and other obligations totaled \$3 billion and include various employee future benefit plans where responsibility rests with the Province
  - Liabilities for the clean up of contaminated sites including Boat Harbour and abandoned mine sites have grown significantly over the past five years and are now \$600.3 million
  - Boat Harbour remediation cost grew while the project awaited federal approval

#### Revenue Estimates:

- Section 20 of the *Auditor General Act* requires the Auditor General to review the estimates of revenue in Province's annual budget
- The Auditor General expresses no opinion as to whether the Revenue Estimates will be met as budgeted
- 2024-25 Revenue Estimates included a significant inherent limitation by the Auditor General reminding users that actual major tax revenues have proven to vary significantly from budget
- Actual revenue has exceeded the budgeted amount for four of the past five years by \$4.7 billion

#### Additional Appropriations:

- Additional appropriations process in Nova Scotia lacks accountability and transparency through the Legislature
- Nova Scotia's *Finance Act* does not require House of Assembly approval for budget overspending unlike other jurisdictions in Canada
- New recommendation from the Auditor General to remove the distinction regarding a new program or activity in the *Finance Act* similar to other Canadian jurisdictions will provide accountability and transparency over the spending of all public funds
- New recommendation from the Auditor General to better inform the public as to why additional appropriations are needed with more details in the Orders in Council and factsheets

#### Alternative Procurement:

- The Province and Nova Scotia Health used alternative procurement for over \$2.4 billion in contracts over the last five years
- The reliance on alternative procurement may carry certain risks, including increased vendor reliance, reduced transparency, lack of competition, and diminished value for money
- Province's Procurement Portal missing millions of dollars in procurement disclosures

#### Health Spending:

- The Province's health spending and capital asset acquisitions totaled \$7.5 billion in 2023-24 (\$6.7 billion in 2022-23)
- Annual healthcare operating expenses are up \$2.13 billion over the last five years
- In 2023-24, \$278 million was spent on Health Transformation Office operating initiatives, including virtual care support and the YourHealthNS app
- Travel nursing costs increased by \$95 million in 2023-24 to \$154 million
- The Province is paying travel nurses up to double the hourly rate of full-time nurses working for Nova Scotia Health