



Auditor General of Nova Scotia

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AUDITOR GENERAL--February 2015 Financial Report Released

The result of years of various employer-employee agreements and decisions by governments related to employee retirement benefits and other compensated absences have created significant financial obligations for the province, Auditor General Michael Pickup said in his report issued today, Feb. 25.

The report, which focuses on the results of work performed in the office's financial reporting portfolio, contains seven chapters including a message from the auditor general.

The obligation for retirement health benefits, retiring allowances and accumulated sick leave totalled \$1.8 billion at March 31, 2014, increasing by \$81 million between 2013 and 2014.

This liability is unfunded, meaning payments are made through the province's annual operations and cash flows.

"We are satisfied these obligations are accounted for appropriately," Mr. Pickup said. "This \$1.8 billion unfunded liability carries risks to the future finances of Nova Scotia, and requires ongoing attention."

In addition, the report includes information on financial indicators that provides a measure of the sustainability, flexibility and vulnerability of the province's financial position. Indicators, such as net debt per capita and the continued reliance on federal transfers, point to the province being in poor financial shape. Provincial debt is placing an increasing burden on the economy. The amount of Government of Nova Scotia debt owed by each Nova Scotian increased almost six per cent during 2013-14, to \$15,659 per capita.

"Our audit on accountability reporting by Crown corporations and agencies indicated that improvements are needed," said Mr. Pickup. "The impact of activities by health authorities and school boards on health and education in the province needs to be better communicated in accountability reports to the public."

In addition, the expected impact of activities undertaken by other provincial agencies needs to be better communicated to users of accountability reports.

"Provincial agencies incur almost \$4 billion in annual expenditures," Mr. Pickup said. "It is critical that government and the public hold them accountable for what they intended to accomplish each year as outlined in their business plans."

The auditor general issued unqualified opinions on both the revenue estimates included in the province's 2014-15 budget, and on the province's March 31, 2014 consolidated financial statements. However, as noted in chapter five, improvements are needed in certain financial management practices

The auditor general reviews the results of external audits of provincial agencies. The number of audit recommendations that remain outstanding from year-to-year in provincial agencies is concerning. Fifty-two

per cent or 45 of the 86 recommendations made to 35 entities in 2013-14 were also made in 2012-13, and 40 per cent were carried forward from years prior to that.

"Boards and other governing bodies should ensure management is implementing audit recommendations and correcting deficiencies in their operations," the auditor general said.

The report notes that, for the first time, all school boards in Nova Scotia received unqualified audit opinions on their March 31, 2014 financial statements.

The report also includes the results of followup on the implementation of recommendations included in the auditor general's January 2012 report.

The implementation rate of 70 per cent represents a decline in the rate reported last year. This is a disappointing result. Outstanding recommendations relate to important internal control issues and completion of financial reporting risk assessments. Details of all financial recommendations included in the January 2012 report along with their current status can be found at www.oag-ns.ca.

Mr. Pickup also commented on a recent development in the office's audit responsibilities. The office will be the annual financial statement auditor of the new provincial health authority, starting in its first year of operation on April 1.

"We are working co-operatively with government to arrange the details of our role as independent auditor, and we look forward to working with the new board and management as we take on this important audit," Mr. Pickup said.

The 103-page report contains 11 recommendations to government. The full report is available at www.oag-ns.ca.

FOR BROADCAST USE:

In his February financial report, Auditor General Michael Pickup says employee retirement benefits and other compensated absences have created significant financial obligations for the province.

The obligation for retirement health benefits, retiring allowances and accumulated sick leave totalled \$1.8 billion at March 31st, 2014, increasing by \$81 million between 2013 and 2014.

The report notes that Nova Scotia's net debt per capita increased almost six per cent in 2013-14 and now sits at \$15,659 for each Nova Scotian.

Improvements are needed to accountability reporting by Crown corporations and agencies, including the need for health authorities and school boards to better communicate their intentions in annual business plans.

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

The report also notes a disappointing implementation rate of only seventy per cent for the auditor general's January 2012 recommendations.

The 103—page report contains 11 recommendations to government. The full report is available on the auditor general's website.

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