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# Auditor General of Nova Scotia

## **Nova Scotia's Fiscal Health Significantly Impacted By COVID-19 in 2020/21 – AUDITOR GENERAL**

*For release December 7, 2021* - The Province increased its borrowing \$1.1 billion last year to cover capital and relief spending when Nova Scotia's economy and finances were significantly impacted by COVID-19.

At the same time, Provincial source revenues were down by \$505 million compared to budget, with decreases to personal and corporate income tax, and to Harmonized Sales Tax revenues, reveals the Auditor General's December Financial Report.

"This report tracks five-year trends and we saw a number of the key financial indicators take a sudden turn for the worse in 2020-21," says Auditor General Kim Adair.

The province posted its first deficit in five years. There was a decline in the province's GDP -- a key measure of economic activity from year to year -- and the pandemic also wiped out recent progress made in the Province's net debt-to-GDP ratio.

The ratio, which is used to assess the Province's ability to pay its financial obligations, decreased in each of the past four years but increased in 2020-21. Actual net debt-to-GDP ratio climbed to 36 per cent in 2020-21, the same percentage it was four years ago, in 2016-17.

Despite the pandemic challenges and a provincial election in August, the Province was able to report reliable financial statements for 2020-21 and received a clean audit opinion from the Auditor General, the 21st year in a row.

"The Province and other government organizations were able to adapt and provide timely financial reporting," said Adair.

The independent auditor's report flagged for the second time key audit matters, including liabilities for contaminated sites such as the cleanup of Boat Harbour. Those are matters that are complex, have a high degree of uncertainty, or are important to the public. The liability to clean up contaminated sites has grown significantly over the past five years and this year is \$413 million.

While the financial statements are reliable and many processes work well, underlying significant control weaknesses need to be fixed at two government departments and seven government organizations.

Some have been flagged previously and all should be addressed in a timely manner.

"The longer a significant weakness in internal control remains unaddressed, the higher the risk that financial statements could be misstated due to fraud, error or misuse of assets," says Adair.

The December 2021 Financial Report includes a chapter on the financial impacts of COVID-19 to keep Nova Scotians up to date on the government spending initiatives and revenue impacts related to the pandemic.



The Province was initially budgeting for a surplus of \$55 million but experienced an actual deficit of \$342 million in 2020-21.

The Auditor General makes no comment on the actual decisions, policy choices or effectiveness of the Province's response to COVID-19 in this information report.

The significant increase seen in net debt and the net debt-to-GDP ratio is understandable given the impact of the pandemic and the need for government intervention to address specific short-term needs and manage the impact to the Province's economy.

It also underscores the need for a long-term provincial economic recovery plan.

Several provinces, including Alberta, British Columbia, and New Brunswick, have released their blueprints for recovery with strategies for creating jobs, increasing investment, and introducing new initiatives to increase the resiliency of their provinces.

The global pandemic has also increased the Province's cybersecurity risks because of increased demand for network access from remote, non-government locations.

The Auditor General notes that the Province still hasn't finalized regulations which govern cybersecurity, nor instituted a government-wide training program for all IT users.

"Every user of the Province's network needs to understand the potential cyberthreats and the cybersecurity policies put in place to protect against those risks. This is especially true given the ongoing situation in Newfoundland and Labrador which has impacted thousands of patients and hospital employees in the provincial healthcare system."

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The report, summary, infographic, and a highlight video can be found on the Office of the Auditor General's website at [www.oag-ns.ca](http://www.oag-ns.ca)

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