

Office of the Auditor General

Nova Scotia

AUDITOR GENERAL--October 2017 Financial Report Released

Auditor General Michael Pickup issued a report on his 2017 financial audit work today, Oct. 4. The report contains three chapters.

Chapter one: Financial audit work results: a tool to hold government accountable shows that:

-- government presented financial information that is reliable and meets accounting standards which it can be proud of and means overall public reporting is working well

-- significant weaknesses in financial controls were found at IWK Health Centre, Nova Scotia Health Authority and Housing Nova Scotia

-- some weaknesses in financial controls are still not fixed although raised by auditors annually

-- 88 per cent of organizations have not completed a fraud risk assessment to determine risks of abuse. They include the Nova Scotia Liquor Corporation, school boards, IWK Health Centre and Nova Scotia Health Authority

-- 33 per cent of surveyed government organizations have vacancies on their boards potentially risking oversight. They include, Nova Scotia Crop and Livestock Insurance Commission and Public Archives of Nova Scotia

-- in response to 2015 Auditor General recommendations, there was disclosure of travel and hospitality expenses, but disclosure should cover more executives

"While the government can be commended for producing reliable financial statements, it should fix the weaknesses in internal controls and gaps in overall fraud risk management that threatens the good use of public money," said Mr. Pickup.

Chapter two: Nova Scotia's finances from 2017 Public Accounts shows that:

-- 2017 results have a bottom line surplus of \$150 million and government discloses financial information in published documents with supporting analysis and description



-- in the last 10 years, net long-term debt has risen 30 per cent in order to pay for capital expenditures and a 37 per cent increase in expenses which were not fully covered by increases in revenues

-- personal income taxes per Nova Scotian who filed taxes are up 49 per cent since 2007

-- health-care spending has increased 46 per cent since 2007 while the population only increased two per cent

-- the Government of Nova Scotia has paid \$7.5 billion in interest on debt in the past 10 years, about two years of health-care costs

The financial statements show the significant fiscal challenges that continue to face the province as a result of the cumulative impacts of past actions.

"The financial results for the province show Nova Scotians that the risks are real as to how the province will succeed financially given the cumulative results to date," said Mr.Pickup.

Chapter three - Public sector pensions: promoting public discussion shows that:

The three major pension plans for workers in Nova Scotia's public sector cover about 110,000 people including current and retired members. These plans need to be healthy today and in the future for members, their families and the economy, all of which are impacted by the results of these plans. Over the past five years, these three plans paid over \$4 billion in pension benefits.

Key highlights of this chapter are:

-- the Nova Scotia teachers' pension plan is in very concerning financial shape, funded at only 77.7 per cent with a deficit of \$1.4 billion shared equally between teachers and the government.

-- retiring teachers may not get an increase in their pensions for the foreseeable future

-- the public service and health care workers' pension plans are both funded at over 100 per cent and surpluses have provided for pension increases to their retirees

"It is troubling that while there is a \$1.4 billion deficit in the teachers' pension plan, there is no clear plan how this deficit will be dealt with and this may impact all Nova Scotians now and in the future," said Mr. Pickup.

"Teachers and Nova Scotians need to ask why this plan is in such worrisome financial shape and what will be done to fix it. Teachers and the economy count on this plan that had a payout of \$2 billion in benefits to retired teachers in the past 5 years alone."

The full report and videos are available at www.oag-ns.ca.

FOR BROADCAST USE:

Auditor General Michael Pickup, reported today, (October 4th) on his financial audit work.

In the report he says retiring teachers may never get pension increases because of a \$1.4 billion pension deficit, government is not sufficiently assessing fraud risks on the \$11 billion a year it spends, personal income taxes per Nova Scotian who filed taxes rose 49 per cent since 2007 and the province's debt increased by \$3 billion or 30 per cent to cover capital expenditures and the increases in expenses which outweighed revenue increases.

He also says 33 per cent of government organizations have board vacancies potentially risking oversight and while government's financial statements are reliable, there are significant weaknesses in financial controls that puts the good use of public money at some risk.

The full report and videos are available on the auditor general's website.

-30-

Media Contact: Darleen Langille
902-424-4108
Email: Darleen.Langille@novascotia.ca