



## AUDITOR GENERAL--October 2018 Financial Report Released

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Auditor General Michael Pickup issued a report on his 2018 financial audit work today, Oct. 2. The report contains three chapters.

### Chapter one: Financial Audit Work Results

In this chapter the auditor general presents information reported by his office and by auditors of government's organizations and noted that:

- government presented financial information that is reliable and meets accounting standards
- significant deficiencies in financial controls were found at IWK Health Centre, Halifax-Dartmouth Bridge Commission, Cape Breton-Victoria Regional School Board, and Strait Regional School Board
- significant deficiencies in financial controls reported in 2017 at Housing Nova Scotia and Nova Scotia Health Authority have been addressed
- some weaknesses in financial controls, raised by auditors annually, remain unfixed year after year
- guidance needed for managers to identify and account for social events and meeting costs

*"While financial statements from government organizations are fairly presented, several organizations, such as the IWK Health Centre, and the Nova Scotia Health Authority, need to fix their financial controls on a more timely basis,"* said Mr. Pickup.

### Chapter two: Nova Scotia's Finances from 2018 Public Accounts

This chapter provides highlights to encourage public discussion on the province's financial results and condition. The auditor general makes no comment on the actual decisions and choices of the current or prior governments in relation to such policy choices. The key messages are:

- over the last ten years, the long-term debt of the province increased by \$4.1 billion and the last decade shows a trend of worsening sustainability. This means that future governments are left with managing this debt as it makes revenue and expenditure decisions
- the province's annual debt servicing costs remained relatively constant throughout the past 10 years with a total of \$7.4 billion in interest paid on net long-term debt. This represents funds that could not be used for other purposes
- of the province's \$12 billion in annual revenues, about one-third comes from the Government of Canada. A significant portion of the province's revenue, it has remained relatively constant over the last ten years. At over 30 per cent of revenues, this indicator provides a sense of how important federal dollars are to the province
- annual expenses are up \$2.9 billion (32 per cent) since 2008 to serve a population that increased by 2 per cent
- annual revenues are up 29 per cent from 10 years ago. Revenue growth is mainly from increased personal income tax revenues.



*“Financial indicators as one measure of the province’s financial condition show that over the past 10 years there has been a significant decline, however, the last five years have seen less increases to total debt than the five years before that,”* said Mr. Pickup.

### **Chapter three: Follow-up of Prior Year Observations and Recommendations**

In this chapter, the auditor general provides updates on the status of various matters reported in prior years and notes that:

- government is not acting fast enough to manage fraud risks. Nearly 80 per cent of government departments and organizations have not completed fraud risk assessments
- overall, government departments and organizations not disclosing travel and hospitality expenses in 2017 are now disclosing travel and hospitality expenses. Five other organizations were not until the requirement was brought to their attention by us
- while steps were taken to address board vacancies, some vacancies remain
- the Nova Scotia Teachers’ Pension Plan remains in serious financial condition and there is no formal plan to address the deficit. The plan is 78.4 per cent funded and has a \$1.4 billion deficit with the province responsible for half

*“It is troubling that while there is a \$1.4 billion deficit in the Nova Scotia Teachers’ Pension Plan, there is no formal plan on how this deficit will be dealt with,”* said Mr. Pickup.

*“The Province of Nova Scotia, in working with the Nova Scotia Teachers’ Union, should present Nova Scotians with a formal plan to address this significant matter which is costing working teachers, retirees, and Nova Scotians,”* he stated.

The full report and videos are available at [www.oag-ns.ca](http://www.oag-ns.ca).

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FOR BROADCAST USE:

Auditor General Michael Pickup, reported today (October 2nd) on his financial audit work.

In his report, he says the province and the Nova Scotia Teachers’ Union do not have a formal plan to address a \$1.4 billion pension deficit in the Nova Scotia Teachers’ Pension Plan. Nova Scotians should have a plan on how this significant deficit will be addressed.

Mr. Pickup also says government departments and organizations are not acting quickly enough to manage fraud risks on the nearly \$12 billion a year it both collects and spends annually.

In addition, while the province’s financial statements are reliable, there are deficiencies in financial controls at some organizations putting the use of public money at risk.

This includes organizations such as the IWK Health Centre and the Nova Scotia Health Authority that are taking too long to fix their weaknesses in financial controls.

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

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