



AUDITOR GENERAL--October 2019 Financial Report Released

Auditor General Michael Pickup issued a report on his 2019 financial audit work today, Oct. 29. The report contains three chapters.

Chapter one: Financial Audit Work Results

In this chapter, the Auditor General provides summary comments on the results of the financial audit of the Province's Consolidated Financial Statements and many of the organizations that are part of the Government of Nova Scotia and noted that:

- Government and its organizations presented financial information that is reliable and meets accounting standards
- significant control weaknesses in financial controls were found at the Department of Service Nova Scotia and Internal Services, the Department of Lands and Forestry, Housing Nova Scotia, the IWK Health Centre, Nova Scotia Gaming Corporation, and the Nova Scotia Health Authority
- the significant control weakness at the Department of Lands and Forestry led the Auditor General to immediately begin a performance audit of the management of contaminated sites for reporting to the Legislature in spring 2020
- other weaknesses in financial controls identified in prior years at four government organizations are not fully fixed
- this is the first year the Auditor's Report of the Province's Consolidated Financial Statements draws specific attention to the accounting for costs to clean up the Province's contaminated sites

"Nova Scotians should understand that while the accounting for estimated costs relating to cleaning up the Province's contaminated sites is correct, these amounts could change significantly as Government performs more site assessments", said Mr. Pickup.

Chapter two: Nova Scotia's Finances from 2019 Public Accounts

This chapter informs Nova Scotians on some aspects of the Province's finances to promote public discussion. The Auditor General makes no comment on the actual decisions and policy choices of the current or prior governments and noted that:

- over the last 10 years, the net debt of the Province increased by \$2.7 billion, with \$200 million of this increase occurring over the past 5 years. This means that future governments are left with managing this debt, as they make revenue and expenditure-related decisions
- the Province's annual debt servicing costs remained relatively constant throughout the past 10 years, totalling \$7.4 billion in interest paid
- of the Province's \$12 billion in annual revenues, about one-third comes from the Government of Canada. This rate of federal funding remained relatively constant over the last 10 years
- annual expenses are up \$2.5 billion (28%) since 2009 to serve a population that increased by 3%
- annual revenues are up 28% from 10 years ago. Revenue growth is mainly from increased personal income tax and HST revenues

"While financial indicators of the Province show improvement over the last 5 years, the Province continues to pay on average \$742 million in interest on long term debt annually, totalling \$7.4 billion over the past 10 years", said Mr. Pickup.

Chapter three: Cybersecurity, Purchasing Cards, and Follow-up on Prior Year Observations

In this chapter, the Auditor General informs Nova Scotians on key matters related to cybersecurity, government purchasing cards and follows up on matters reported in the prior year and noted that:

- the Province’s cybersecurity risk management program continues to be developed but important work is yet to be completed

“The development of a robust cybersecurity risk management program is critically important to the Province given that most of its operations are dependent on IT”, said Mr. Pickup.

- certain government organizations are not assessing the risks related to the use of purchasing cards
- Government is not acting fast enough to manage fraud risks noting that 47% of government departments and 43% of government organizations have not completed fraud risk assessments

“Government is spending almost \$12 billion per year, and therefore needs to act more quickly to ensure it is managing its fraud risks”, he stated.

The full report and videos are available at <https://oag-ns.ca/publications/2019>.

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