



Office of the Auditor General

Auditor General's Statement to the Media

Release of October 2016 Financial Report to the Nova Scotia House of Assembly

10/12/2016



Office of the Auditor General of Nova Scotia
Auditor General's Statement to the Media, October 12, 2016
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Good morning, ladies and gentlemen. Thank you for coming.

Today, I presented to the Members of the legislature my annual financial report, on work performed in the Office's financial audit portfolio. The report contains two chapters; one on the results of financial audit work and another on the province's financial numbers.

The Government of Nova Scotia spends approximately \$11 billion a year of Nova Scotians money. As such, a key way the government is accountable to the people of Nova Scotia is through the Government's financial statements. In accordance with the Auditor General Act, my office is the auditor of those financial statements.

In Chapter 1, I share with you the results of our audit of the Government's financial statements as well as information on the audits of other organizations that are part of government.

For the 16th year in a row, the Government received a clean audit opinion on the financial statements. This clean audit opinion means that Nova Scotians can rely on the numbers and information in the government's financial statements. This is a huge accomplishment for today and past Nova Scotian governments. These results set expectations that future governments should also produce clean financial statements.

New this year was the creation and audit of two new organizations, the Nova Scotia Health Authority and Tourism Nova Scotia.

My office was responsible for the audit of the Nova Scotia Health Authority, a \$2 billion corporation. I provided a clean audit opinion on the Authority's first year of operations and the Authority met its deadline to have audited financial statements by June 30th. This is a major achievement for the Board of Directors and management of NSHA.

We did note however, a number of areas for improvement. We observed that the Authority had borrowed \$7 million that was marked restricted for use, in order to pay for operational expenditures; even though the Department of Health and Wellness owed the Authority more than \$70 million. We recommended that management should take steps to ensure restricted funds are not used for operational requirements.

In addition, we identified the need to review, update or develop policies to reflect the creation of the new health authority and the changing operating environment. Management at the Health Authority also needs to review the overall control environment and determine the best controls to address the deficiencies relating to journal entry postings and changes to human resource information.

Management agreed with our observations and is planning to address them.

The other new organization, Tourism Nova Scotia, did not meet the reporting deadline, and the audited financial statements are only expected sometime this Fall. It is important that financial information be reported on a timely basis and we would expect that TNS would meet the requirements to have their financial statements finalized by June 30 next year.

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We also followed up on our prior year recommendations on travel and hospitality expenditures. Overall, we found that while some improvements have been made there is still work to be done, including disclosure of expenses at agencies, boards and commissions; and monitoring of the hospitality policy by the Department of Internal Services. However, I must say that I believe this was an important step by government to enhance openness and transparency over these type of expenses. Such openness can promote confidence for Nova Scotians on how their money is spent.

In Chapter 2 we report on the financial numbers of Nova Scotia including several indicators which provide a picture of the province's financial health at a point in time.

This year's provincial deficit was the lowest since 2011. While looking at current year information provides Nova Scotians with a picture of what happened this past year, it is equally important that we look at what happened over the past number of years to understand the Government of Nova Scotia's current financial position. We comment in our report that 5 year trends on items like long-term debt and net debt continue to increase.

The government's net debt of \$15 billion means that there is not currently money set aside to pay for past expenses. This net debt position is up from \$13 billion in 2012.

Also noteworthy is that the government owes \$14,300 per Nova Scotian in net-long term debt. This is money the government owes to outsiders and consists of debentures and long-term loans, and is up from \$13,400 in 2012.

These are just 2 examples of the usefulness of financial statement analysis as it tells a story for future generations of Nova Scotians. The government provides lots of other numbers and analysis in the 2016 public accounts for all to see. You will also find Volume 3 of the public accounts interesting as it lists all payments to individuals, companies and more, including payments for things like salary, grants and contributions and other expenses. If you want to know where the money goes it is in this report.

It is worth noting, that more than half of government expenses come from the departments of health and wellness and education. The department of health and wellness spent \$4,800 per Nova Scotian during the year, and this was an increase of \$550 per person or 13% since 2012. In addition, the government collected approximately \$5,800 per person in tax revenues from Nova Scotians, which has increased \$900 since 2012.

In terms of better financial information to Nova Scotian, we noted that the government could improve its analysis of why departments need to ask for additional money and why some departments asked for more but did not spend it.

In conclusion, I believe the March 31, 2016 audited financial statements of the Government of Nova Scotia are a good tool for Nova Scotians to look at in holding their government to account, both for current events and the accumulation of past results. These are the highlights of my report, and I invite you to visit our website to view a brief video on each chapter.

Now I would be happy to take your questions.