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Statement to Media - December 1, 2020

Release of December 2020 Financial Report to the Nova Scotia House of Assembly

This is the fifth regular report to the legislature from the Office of the Auditor General this year.

That's worth noting because of the impact of COVID-19 on the Office, the employees, and all the organizations we audit.

As a result, I want to thank the staff for their dedication and professionalism. They worked hard to achieve results for the legislature and for the people of Nova Scotia. Through their efforts, we were able to release four reports in the three months of May, June, and July. The reports are one tool for MLAs – and Nova Scotians – to hold the government accountable.

This report is the last one for 2020 and it contains three chapters:

- A chapter on financial audit work of the consolidated financial statements of the Province of Nova Scotia and the more than 110 entities within government
- A second chapter, an information report on the financial impacts of COVID-19 on the Province of Nova Scotia
- And a third, which circles back on areas of interest and a follow-up on previous year items, including cybersecurity, fraud risk management, internal meetings and employee social events expenses

Chapter 1 – Financial Audit Work Results

For the 20th year in a row, the Province of Nova Scotia received a clean audit opinion on its financial statements.

It's important to note that the Province was able to adapt and provide timely financial reporting, despite the challenges of COVID-19.

While the financial statements are reliable, there are issues that came out during our work for Government to fix. In our report, we identified significant control weaknesses at two departments, and eight government organizations.

These include the Department of Service Nova Scotia and Internal Services, the Department of Lands and Forestry, and government organizations including Canadian Sports Centre Atlantic, Housing Nova Scotia, and Nova Scotia Innovation Corporation.

For example, at the Department of Service Nova Scotia and Internal Services, we found weaknesses in the processing controls for purchases and payments. As a result, the Department has a reduced ability to prevent or detect unauthorized or fraudulent payments.

At the Department of Lands and Forestry, site investigations are insufficient at abandoned mine sites. This could potentially lead to risks to human health and the environment remaining unaddressed. As well, the Province is unable to get a full picture of the potential clean up costs for these sites.



Some organizations have gaps in controls that have continued without being fixed. This is happening at Housing Nova Scotia, the IWK Health Centre, and the Nova Scotia Health Authority.

Underlying control weaknesses increase the risk of unreliable financial reporting and misuse of assets in the future. Therefore, they should be addressed in a timely manner.

Chapter 2 – Information Report on the Financial Impacts of COVID-19 on the Province of Nova Scotia

Since the beginning of the year, COVID-19 has significantly impacted people around the world and across this province.

Our information report on COVID-19 spending is a first look at the financial impacts of the pandemic.

It's important to note that this is not a commentary on government policy or decisions. It's also not an audit: The financial measures and funding presented here are unaudited. We'll take a more in-depth look when we release a performance audit in 2021 on the various provincial spending programs established to support Nova Scotians through the COVID-19 pandemic.

The Nova Scotia Government declared a State of Emergency on March 22, which enabled the special powers to implement safety measures to contain the spread of the virus. But it also impacted every aspect of life in Nova Scotia, from running a business and going to school, to visiting a hospital and going out to a restaurant.

As a result, the Nova Scotia Government is experiencing significant economic disruptions brought on by COVID-19. The economy is projected to shrink by 5.5%, and total revenue is forecasted to decrease by \$599.2 million in fiscal 2020-21 from what was originally budgeted.

The annual operating deficit is expected to grow to \$853 million in fiscal 2020-21, while net debt is forecasted to increase by an additional \$1.2 billion from original estimates.

In addition, the Government introduced special financial measures to help Nova Scotians, including \$100 million in COVID-19 relief to be administered by Dalhousie University, and \$151 million in deferred Government loan payments. The Government also committed \$270 million in cash advances for university and colleges, \$380 million in loans for municipalities and is projected to spend \$228 million in infrastructure stimulus funding next year.

The Department of Health and Wellness has played a frontline role in the Province's response to COVID-19. As a result, the Department is incurring significant additional expenses for ramped-up health care costs for in-person, tele-health, and virtual care visits. In 2020-21, the Department projects its COVID-19 spending, which also includes personal protective equipment supplies, will cost \$331 million.

Other departments are following suit with elevated spending. The Department of Education and Early Childhood expects an additional \$60 million will be needed to keep schools and daycares open this year, and the Department of Business projects \$46 million will be required in funding to help stimulate the economy.

Chapter 3 – Follow-up on Cybersecurity, Fraud Risk Management and Internal Meetings and Employee Social Events Expenses

Chapter 3 provides an opportunity for the Office to follow up on previous year issues and investigate topics that are important to Nova Scotians.

This year, we followed up on previous reports including cybersecurity and fraud risk management. Last year, we highlighted the status of cybersecurity risk management programs and found that important work still needed to be done. So, we wanted to take another look at how the Province is responding to its cybersecurity risks.

We surveyed management in government departments, public service units and organizations for our report. We didn't audit these topics, but they are important enough to raise questions again this year, in part because of the heightened importance of cybersecurity due to COVID-19.

As with other jurisdictions, the global pandemic forced many provincial employees to work from home, further increasing the risks to the Province's cybersecurity with employees accessing the network from remote, non-government locations.

Despite that, Service Nova Scotia and Internal Services still hasn't finalized regulations to define roles and responsibilities for cybersecurity.

In addition, its government-wide cybersecurity risk register is still under development, and training programs are not provided to all IT users.

Fraud in the public sector is concerning because it can result in the loss of taxpayer assets and reduce the public's confidence in the government, so we circled back this year for an update on fraud risk management.

Overall, I find that government continues to take steps to manage fraud risk, but it's still not acting fast enough. For example, 10 government departments, nine public service units and 19 government organizations still haven't completed fraud risk assessments.

Conclusion

I want to thank my staff for their efforts to produce this report. Like many offices in Nova Scotia, ours had to adjust to a new normal with the majority of employees working from home to prevent the spread of COVID-19. My thanks also go out to the leagues of public servants across government whose cooperation is critical to complete our work.