

Chapter 1

Financial Audit Work and Other Topics of Interest

Key Messages

- Province received a clean audit opinion in 2022-23 providing reliable financial information within the legislated deadline
- Transparency and accountability over additional appropriations still needs to improve
- Boat Harbour remediation cost growing while project awaits federal approval

Why We Did This Chapter

- To provide insights into the results of the financial audits of the Province and government organizations
- To report on significant control weaknesses identified within government
- To highlight important financial matters impacting the Province

Details Around Key Messages

Government provided reliable financial information for 2022-23 within the legislated deadline of September 30th

- For the 23rd year in a row, the Province of Nova Scotia received a clean audit opinion on its financial statements
 - The financial statements meet Canadian public sector accounting standards
 - Users can place reliance on the Province's financial statements
 - Accounting standards related to the fair and reliable presentation of financial information have been met, however some underlying control weaknesses exist
 - Significant control weaknesses at one government department and three government organizations increase the risk of unreliable financial reporting and misuse of assets in the future

Key audit matters reported in the 2022-23 Independent Auditor's Report

- Key audit matters are those matters that were of most significance in the audit and include matters that are complex, have a high degree of uncertainty, or are important to the public
- Key audit matters in 2022-23:
 - Major tax revenues of \$7.7 billion including personal income tax, corporate income tax, and harmonized sales tax account for 49% of the Province's revenues
 - Pension, retirement and other obligations totaled \$3.0 billion and include various employee future benefit plans where responsibility rests with the Province
 - Liabilities for the clean up of contaminated sites including Boat Harbour and abandoned mine sites have grown significantly over the past five years and are now \$539.4 million
 - Boat Harbour remediation cost growing while the project awaits federal approval
 - Liabilities for asset retirement obligations of \$608.2 million recognized this year due to new accounting standard effective April 1, 2022

Additional Appropriations:

- Nova Scotia's Finance Act does not require House of Assembly approval for budget overspending unlike other jurisdictions in Canada
- Additional appropriations process in Nova Scotia lacks accountability and transparency through the Legislature
- Additional appropriations significantly increased in recent years with \$6 billion in additional appropriations approved in the last 10 years and \$1.66 billion in 2022-23
- The Nova Scotia Legislature has fewer sitting days than national average
- Third Auditor General to raise the issue of additional appropriations
- Prior year recommendation from the Auditor General on improved accountability and transparency over additional appropriations not yet addressed by Government

Health Spending:

- The Province spent \$6.7 billion in health spending and capital asset acquisitions in 2022-23
- Annual healthcare operating expenses are up \$1.69 billion over the last five years
- The Province spent \$257 million on its retention and incentive program aimed at retaining and attracting nurses and other healthcare workers
- The Province wrote off \$22.5 million worth of PPE and rapid test kit inventory in 2022-23

Nova Scotia Teachers' Pension Plan:

- Nova Scotia Teachers' Pension Plan is 75.1% funded as of December 31, 2022
- The 2022 report and recommendations addressing challenges of the Pension Plan from the independent Nova Scotia Teachers' Pension Plan Panel not yet publicly released