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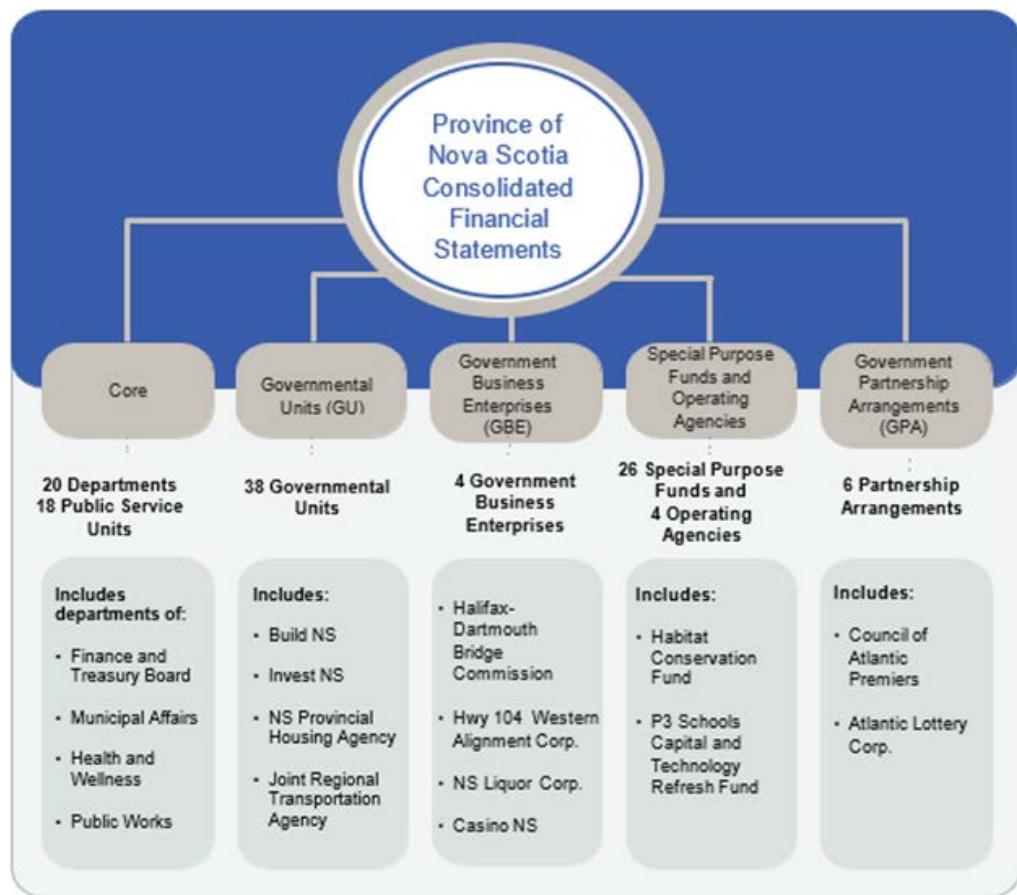
Significant Control Weaknesses at Service Nova Scotia, Finance and Treasury Board, Nova Scotia Health and Council of Atlantic Premiers

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1 Financial Audit Work and Other Topics of Interest

Reporting on Financial Audit Engagements

- 1.1 This chapter provides information on the results of the financial audit of the Province's Consolidated Financial Statements and of the many organizations that are part of the Province of Nova Scotia and highlights important matters impacting the Province.
- 1.2 The *Auditor General Act* establishes the Auditor General's mandate, responsibilities, and powers. It provides the Office with the mandate to audit all parts of the provincial public sector, which includes government departments and organizations and stipulates that the Auditor General shall audit the annual Consolidated Financial Statements of the Province.
- 1.3 The Consolidated Financial Statements of the Province combine the assets, liabilities, revenues, and expenses of the Province and the organizations under its control. The statements are published annually as part of the Public Accounts and include the following operations and organizations:



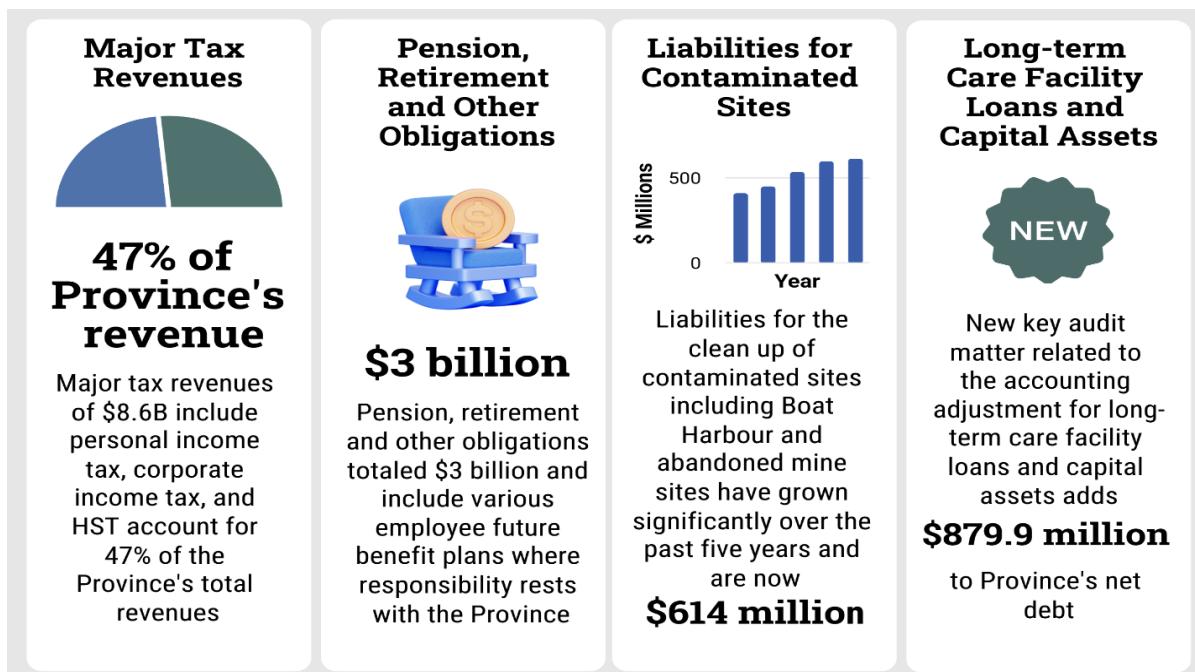
Note: The Province has gone through some restructuring during the year, the numbers shown in the above diagram are based on the organization existing during the fiscal year and Schedule 10 as presented in the 2024-25 Public Accounts.

- 1.4 We also perform financial statement audits of the Nova Scotia Health Authority (Nova Scotia Health) and the Izaak Walton Killam Health Centre (IWK Health Centre).
- 1.5 For each of these engagements, we provide information about the results of our work through communications to those charged with governance and management (the CEO and board of directors or Administrator). An Independent Auditor's Report is attached to the financial statements that includes our audit opinion on the presentation of the financial statements. We issued unmodified, or "clean" audit opinions on the financial statements of each organization for the year ended March 31, 2025.
- 1.6 We also issue a report to those charged with governance that provides information on the results of our audit and can include significant control weaknesses that management should address to protect the financial reporting and controls of the organization. These areas for improvement are also then detailed in a letter to management with recommendations that when implemented often lead to an improved financial control environment.
- 1.7 To meet our mandate, we rely on private accounting firms to conduct the financial statement audits of most government organizations. As part of the Office's audit of the Consolidated Financial Statements of the Province, we review the results of the financial audit work provided by private accounting firms for the audits they complete. Appendix I shows how the financial audit results are ultimately reported to the House of Assembly.
- 1.8 After consultations with this Office, on October 3, 2025, the *Auditor General Act* was amended through the *Justice Administration Amendment (2025) Act*. The amendment repealed Section 20 of our Act, effectively removing from our mandate, the requirement to provide assurance on revenue estimates. Previously, our Act required us to provide an assurance opinion over the Province's revenue estimates used in the preparation of each budget address of the Minister of Finance. Over the past three years, the province's revenue estimates have been understated by a total of \$4.4 billion. This trend, combined with the current unstable global environment and the unknown U.S. tariff situation, has created significant uncertainty. Despite the Department of Finance and Treasury Board's cooperation, revenue estimates are no longer appropriate for an assurance engagement, as we are unable to provide meaningful assurance on them. Given these complex circumstances related to preparing revenue estimates, we fully supported this change to our Act.
- 1.9 The Province of Nova Scotia received an unmodified or "clean" audit opinion on its Consolidated Financial Statements from the Auditor General of Nova Scotia in each of the past 25 years. That means that an auditor has no significant concerns regarding the reliability of the information reported in the financial statements. This is an accomplishment that governments over the past 25 years should take pride in. We believe it is reasonable for all Nova Scotians, including elected officials, to expect a clean audit opinion on the Province's Consolidated Financial Statements.
- 1.10 In addition, we would like to highlight that the Province released its annual Public Accounts within the legislated deadline of September 30th. These statements showed a surplus of \$264.8 million. More information on the Province's finances and this year's surplus is provided in Chapter 2.
- 1.11 The Province's Consolidated Financial Statements were prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), and we conducted our audit in accordance with Canadian auditing standards. Under these standards, an organization can receive a clean opinion while at the same time have weaknesses in its financial controls. This is because the objective of a financial statement audit is to provide an opinion on whether the financial statements are fairly presented and are free from material misstatement(s). The clean audit opinion provided indicates we are satisfied that users can place reliance on the numbers and information contained within the financial statements.

1.12 We would like to take this opportunity to express our appreciation to the Government for the cooperation, time, and effort provided to us by management and staff during the audit.

Key audit matters communicated in auditor's report provide additional information

1.13 As auditors of the Province's Consolidated Financial Statements, we communicate key audit matters to provide greater transparency about our audit and additional insight into how important items were addressed during the audit. Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements. Matters that are complex, have a high degree of uncertainty, or are important to the public are highlighted as key audit matters in the Independent Auditor's Report (see Appendix II) and include:



Topics of Interest

Long-term Care Service Providers

The Province provides significant funding to long-term care service providers

1.14 The Government of Nova Scotia plays a key role in ensuring long-term care (LTC) services are safe, accessible, and meet the needs of seniors and others who require ongoing support. Under the *Homes for Special Care Act*, the Province has a regulatory framework for licensing, operating, and setting standards for long-term care facilities.

1.15 Through the Department of Seniors and Long-term Care (SLTC), the government works closely with nursing homes and residential care facilities by setting standards, licensing operators, and providing funding to support operations. Responsibilities and funding mechanisms are outlined in service agreements between the Province and service providers.

1.16 To ensure services are delivered effectively, the Province provides substantial funding to long-term care service providers to fund both construction and operation of facilities. These facilities are an important part of the healthcare system, and the funding is significant to the Province's financial statements.

The Province issues loans to long-term care service providers which are then repaid using government funding

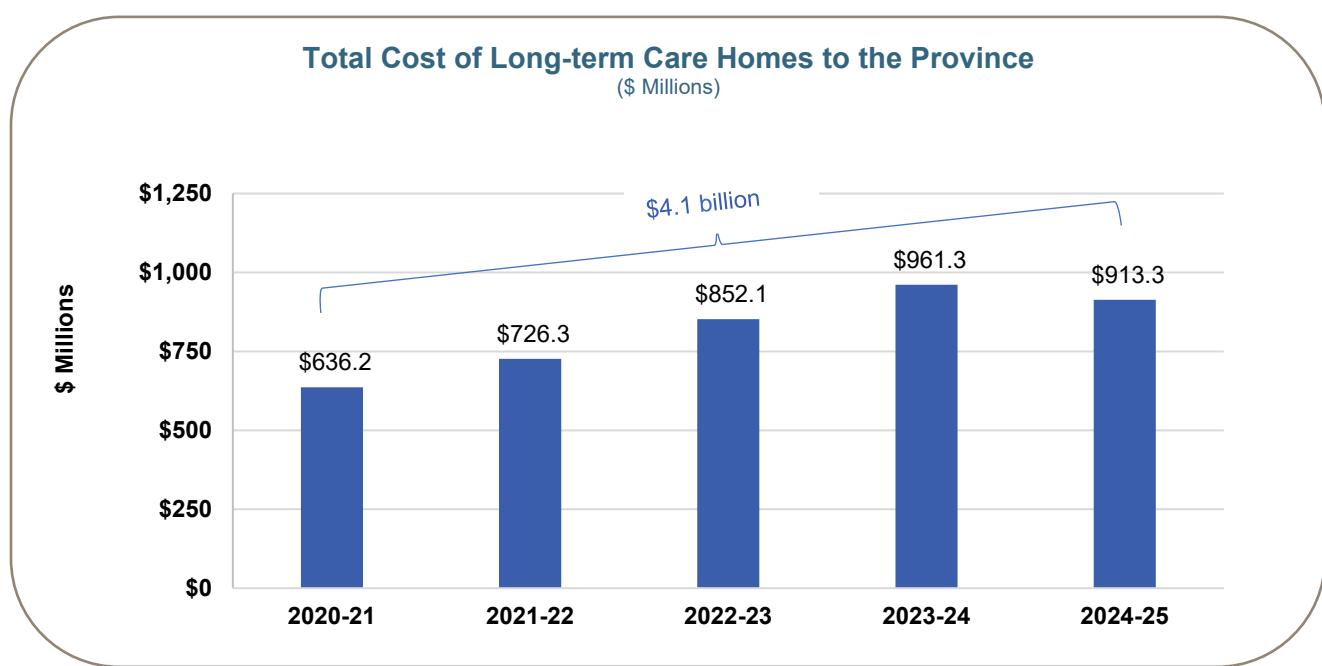
1.17 The Province finances the construction of most long-term care (LTC) facilities by providing 25-year fixed-interest mortgages to LTC service providers. These loans are offered at the Province's cost of borrowing plus a premium. Repayment of the mortgage starts the first day of the month following the issuance of the license to operate the facility and continues through monthly payments over the 25-year term. Historically, loans receivable have been recorded for these amounts in the Province's consolidated financial statements.

1.18 The Province provides bi-weekly funding for 25 years, governed by service agreements, beginning on the first day the licence is issued to the service provider. A portion of this funding is spent on essential items such as healthcare services and raw food. The remainder is for other costs, including the construction and debt servicing costs to repay the 25-year mortgage from the Province.

1.19 There is a circular flow of funding for the capital portion of the arrangement. The Province is effectively repaying itself by funding both the loan and the repayment of the loan, while also bearing many of the related risks (i.e. responsibility for infrastructure costs of the facilities) and benefits (i.e. ability to deliver long-term care services to Nova Scotians).

Cost of providing long-term care services \$4.1 billion over the last five years

1.20 Over the last five years, the Province spent \$4.1 billion on long-term care, including operating costs, staff compensation, capital expenditures, and debt servicing.



Source: Amounts provided by Department of Seniors and Long-term Care

Impact of accounting adjustment to net debt - \$879.9 million

- 1.21 As part of our audit, we obtained a detailed understanding of the agreements and worked with Government to assess the substance of the arrangements between the Province and long-term care homes, ensuring compliance with Canadian PSAS.
- 1.22 An assessment in 2024-25 concluded that there is a direct relationship between repayment of the loans and the Province's funding to long-term care service providers. As a result, \$879.9 million in loans to long-term care service providers were adjusted and the related facilities were recognized as tangible capital assets with a net book value of \$798.4 million. These adjustments were applied retroactively, affecting results reported in prior years. We included this transaction in the Key Audit Matters section of our Independent Auditor's Report (see Appendix II).
- 1.23 While the facilities are now recognized as tangible capital assets, the long-term care service providers operating them are not consolidated in the Province's financial statements. Management has stated that its position is the Province does not currently control these entities.
- 1.24 The relationship between the Province and long-term care service providers remains complex and continues to evolve. As the Province expands the number of beds in long-term care homes and the arrangements change, it will be important to reassess the substance of these relationships to determine whether control of these entities exists and ensure the accounting matches the substance of the relationship.
- 1.25 In addition to funding the cost of the facilities, the Province has also signed agreements with the long-term care providers to provide services for the residents in the facilities. These agreements commit the Province to contractual obligations totaling \$15.7 billion for both operational and capital needs for at least the next 25 years and account for more than half of the Province's contractual obligations. Further information on the contractual obligations of the Province is in Chapter 2.

Purchase of Fuel Adjustment Mechanism Receivable from Nova Scotia Power

The Province purchased \$117 million of receivables from NSPI as a measure to combat the rising costs of fuel

- 1.26 Nova Scotia Power Inc. (NSPI) is a regulated electric utility outside the Government Reporting Entity. It serves as the primary electricity provider in Nova Scotia, responsible for generating, transmitting, and distributing electricity to approximately 550,000 residential, commercial, and industrial customers.
- 1.27 A significant cost of providing electricity relates to fossil fuels like coal and natural gas. NSPI uses a Fuel Adjustment Mechanism (FAM) to ensure customers pay only for the actual cost of fuel used to generate electricity. Each year, NSPI estimates fuel costs with oversight from the new Nova Scotia Energy and Regulatory Board Tribunal (NSERBT). The difference between the estimated cost and actual cost is tracked by NSPI in a separate account balance. When fuel costs are lower than expected, the account balance decreases until costs are recouped; when they're higher, the balance increases and NSPI may apply for rate increases to recover the difference.

NSPI did not recover the true cost of fuel from customers leading to a receivable

- 1.28 Since 2018, fuel prices have hit record highs and NSPI has not recovered the true cost of fuel from its customers. Under the *Public Utilities Act*, NSPI is eligible to request NSERBT approve a rate increase to

recover the outstanding balance from customers.

- 1.29 During its 2022-2024 general rate application, NSPI filed a fuel forecast update that showed a substantial increase in its estimated fuel costs for the years 2022-2024. The updated forecast increased total fuel costs by \$681.5 million over the original forecast. This led to a receivable from customers in the FAM of approximately \$395 million as of December 31, 2023, which would require a rate increase of 7% from residential customers and 13% from industrial customers to recoup. NSPI and others involved in the decision on the application agreed that those rate increases would not be tenable for many customers, and it was decided to defer part of the costs for future collection. However, the growing balance in the FAM was negatively impacting NSPI's credit rating, which meant that the cost of debt to NSPI could become more expensive. These additional costs would also be recovered from customers.

NSPI entered into agreement with Invest Nova Scotia

- 1.30 In 2024, Invest Nova Scotia (INS) entered into an agreement with NSPI to immediately purchase \$117 million of NSPI's FAM receivable balance and then collect the balance over a ten-year period. This provided cash upfront to NSPI, reducing the balance in the FAM. INS received the right to future customer payments collected by NSPI to satisfy the receivable. As a result, the rate increase was set at 1.1% for 2024 versus the 7% increase for residential customers, and 13% for industrial.
- 1.31 Under the terms of the agreement, NSPI will continue to collect these amounts from customers on behalf of INS using the same processes they use to collect their own receivables. As NSPI collects funds from customers, those funds are remitted to INS along with interest on the outstanding balance at a rate equal to the Province's borrowing rate. This arrangement allows NSPI to provide a longer repayment period for a portion of the FAM, helping to ease the impact on electricity rates. NSPI will continue to manage the remainder of the FAM account, requesting rate increases as needed, through the general rate application process.

Province owed \$109.7 million from customers at March 31, 2025

- 1.32 As of March 31, 2025, \$7.3 million has been collected from customers and remitted to INS, reducing the initial balance from \$117 million to roughly \$109.7 million within the first 12 months of the agreement.

Tobacco Settlement – Province Eligible to Receive up to \$785 Million

- 1.33 In 1998, British Columbia filed the first lawsuit to recover healthcare costs from tobacco companies. The companies cited in the lawsuit, which eventually included every province and territory across Canada, included JTI-Macdonald Corp., Rothmans, Benson & Hedges and Imperial Tobacco Canada Ltd. The 2025 settlement of the case means Nova Scotia could receive \$784.8 million over the next 20 years.

Tobacco Litigation Settlement



Legal Action

BC filed the first lawsuit in 1998. Nova Scotia later passed an act to sue tobacco companies for healthcare costs.



Settlement

A \$32.5B settlement was reached in 2025. Of the total \$32.5 billion awarded, Nova Scotia could receive \$784.8M over 20 years, or 3.17%.



Initial Payment

Initial payment of \$203.1M was recorded in 2024-25 as revenue. Corresponding legal fees of \$19.2M were also recorded.



Future Payments

Future annual payments are based on a formula applied to the net after-tax income of the tobacco companies.



Revenue Recognition

Due to uncertainty, future payments are not yet recognized as revenue. They will be recorded when collectible.

Impact of Halifax-Dartmouth Bridge Commission Changes

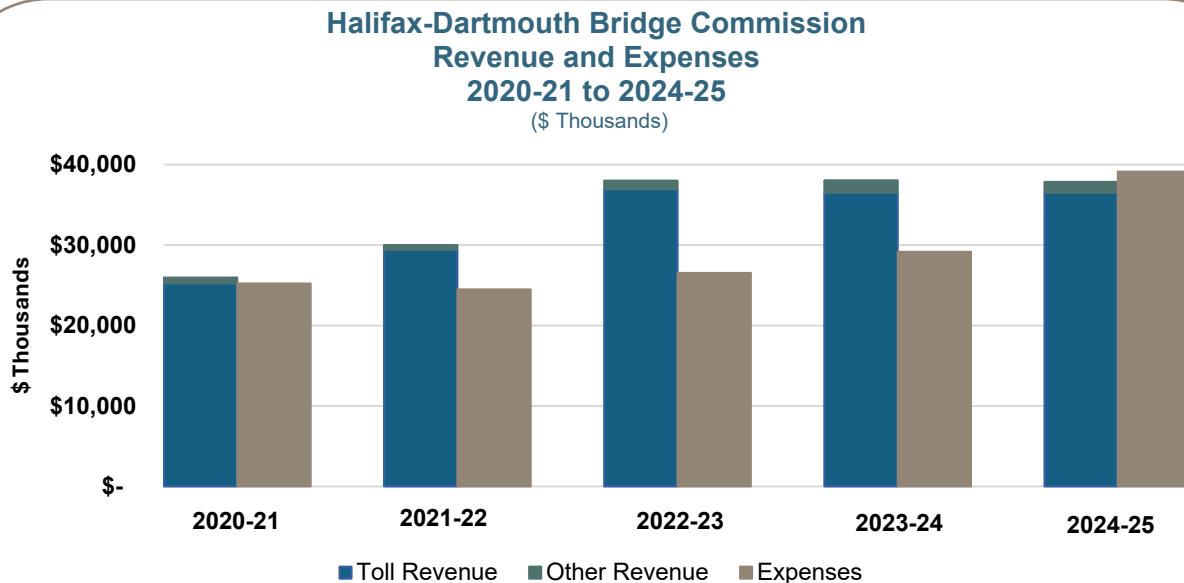
1.34 Halifax-Dartmouth Bridge Commission (HDBC), known publicly as Halifax Harbour Bridges, was established by statute in 1950 to construct, operate, and maintain bridges across Halifax Harbour and the Northwest Arm. The Commission currently manages the Angus L. MacDonald and A. Murray MacKay bridges, both of which were funded primarily through toll revenues collected from the public. Historically, HDBC generated sufficient external revenues to sustain its operations and repay debt. Accordingly, it was classified as a Government Business Enterprise and accounted for in the Province's financial statements using the modified equity method.

Elimination of bridge tolls means that HDBC operational costs will now be covered by the Province

1.35 On March 5, 2025, the government introduced Bill No. 68, the *Financial Measures Act*, which formally amended the *Halifax-Dartmouth Bridge Commission Act* to remove tolls and reclassify HDBC from a public utility effective April 1, 2025. As a result, toll collection stopped, and toll booths, electrical equipment, and roadway barriers were removed. Additionally, all debt and credit arrangements between the Province and HDBC ceased on March 31, 2025.

1.36 These changes resulted in the following accounting impacts:

- As toll revenue represented the most significant source of funding for HDBC, it is no longer able to operate on its own and won't be considered a GBE as defined by Canadian PSAS, leading to its reclassification as a governmental unit.
- Starting in fiscal 2026, HDBC operations will be consolidated into the Province's financial statements on a line-by-line basis.
- The expenses of operating HDBC will now be absorbed and covered by the Province. Based on the past five years, this would be approximately \$29 million annually.
- The \$5.7 million capital investment made by HDBC mostly for an automated tolling system was written off, as these assets no longer provide future economic benefit. The write-off contributed to HDBC's higher expenses in 2024-25.



Source: 2020-21 to 2024-25 Public Accounts

1.37 The Province's 2024-25 Public Accounts disclosed the change to HDBC and explained its impact to the way the entity is consolidated. Schedule 6 of the 2024-25 audited consolidated financial statements provides further details and information.

Additional Appropriations

1.38 The Auditor General has been highlighting additional appropriation spending in the annual Financial Report since 2022. Over the last five years, the Province has spent \$6.7 billion in this over-budget spending.

1.39 Responsible government is when the Government, or Executive Council, is held accountable to the people.

Accountability of Executive Council/Government by House of Assembly



Legislature

The Legislature's purpose is to make laws, control provincial public spending, question the Government's policies and actions, and monitor the Province's finances including Revenues.



Responsible Government

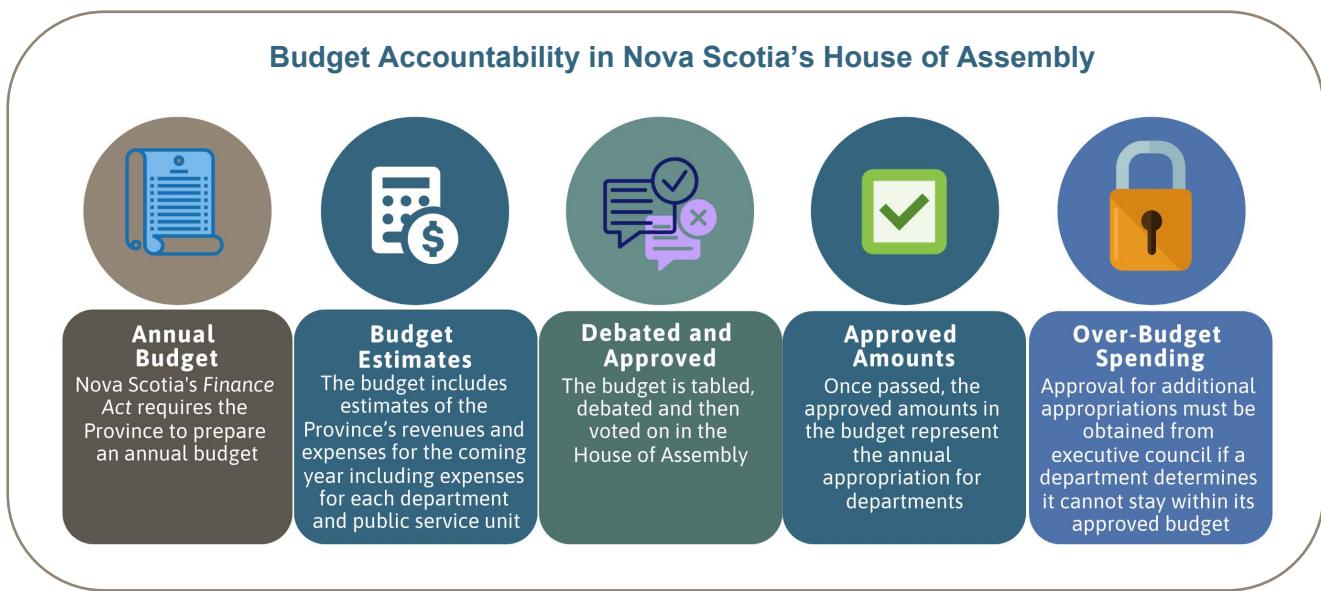
The ruling Government (Executive Council) is held accountable for its decisions through the elected MLAs (Members of the Legislative Assembly) who represent the constituents in Nova Scotia's 55 ridings.



Executive Council

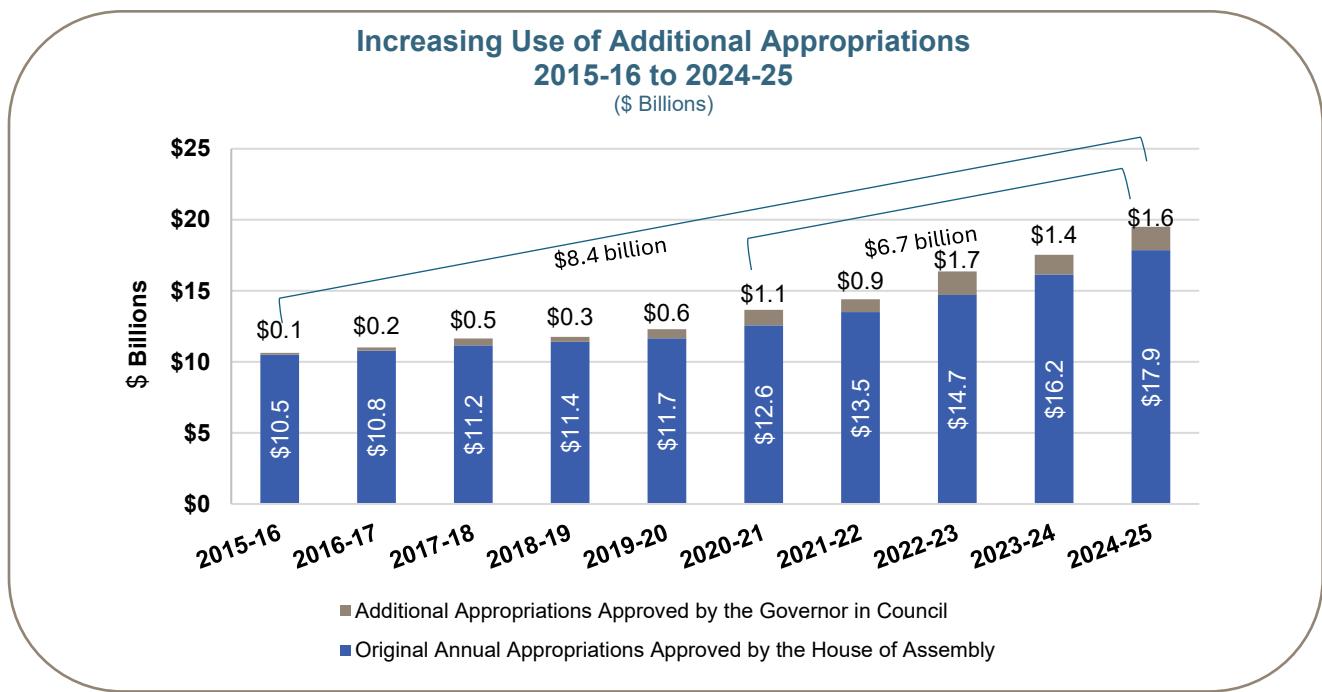
Includes all the Ministers of ruling Government, chaired by the Premier. The Executive Council determines the Government's policies and priorities and is responsible for their execution.

- 1.40 Nova Scotia's *Finance Act* requires the Province to prepare an annual budget which includes estimates of the expenses for each department and public service unit for the next fiscal period.
- 1.41 Expenses incurred over approved budget amounts can be covered by requesting additional appropriations from Executive Council. Higher than anticipated Provincial revenues impact spending and can also lead to increases in the use of additional appropriations. We recognize it is not unusual for Governments to increase spending to address unanticipated needs from time to time. However, as Auditor General, the issue of concern is that there is no official opportunity for debate on the spending of such large amounts of public funds and a lack of transparency related to what the money is being spent on.
- 1.42 Additional appropriations are allocated to individual departments as required. The largest allocations of additional appropriations in 2024-25 were for Capital Purchase Requirements and the departments of Health and Wellness; Finance and Treasury Board; Communities, Culture, Tourism and Heritage; and Public Works (See Appendix III).



\$1.6 billion in additional appropriations approved in 2024-25

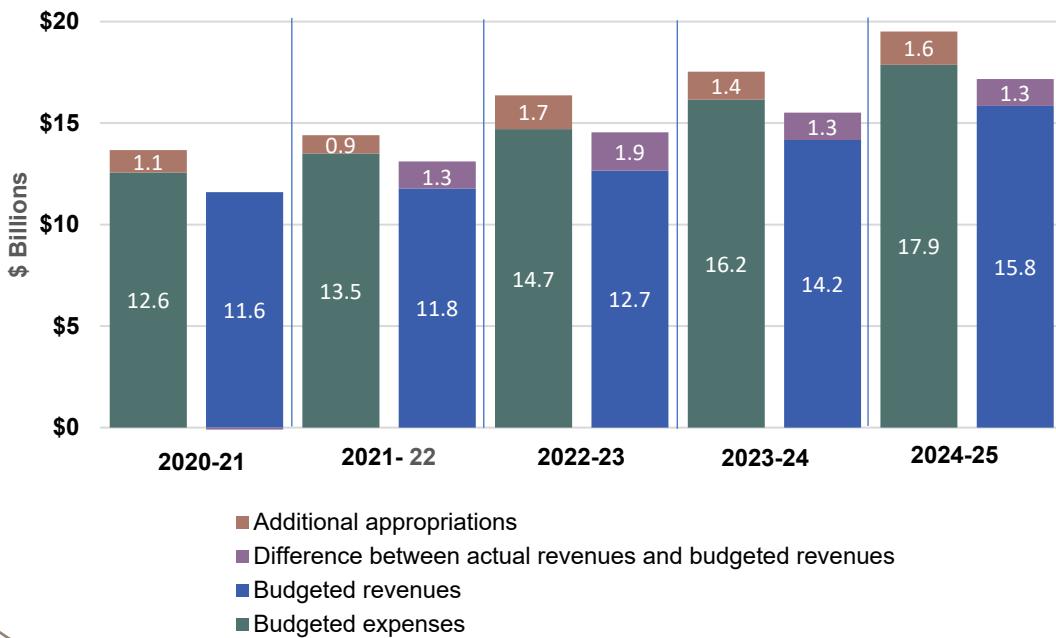
- 1.43 In fiscal 2024-25, there was \$1.6 billion in additional appropriations approved, which represents significant spending. These additional appropriations were approved by Governor in Council through Orders In Council (OICs) dated September 26, 2024, December 18, 2024, February 14, 2025, and September 18, 2025. See Appendix III for details.
- 1.44 In 2024-25, additional appropriations were 9.2 per cent of the original appropriations compared to 1.2 per cent a decade ago, in 2015-16.
- 1.45 In the last 10 years, a total of \$8.4 billion in additional appropriations were approved with \$6.7 billion approved over the last five fiscal years.



Source: 2015-16 to 2024-25 Public Accounts

1.46 The table below shows that over the past five years, the annual additional appropriation has been approximately the same amount as the excess of actual revenues over budgeted revenues. Unplanned revenues have been used to pay for these additional expenses.

Unbudgeted Revenues to Additional Appropriations
2020-21 to 2024-25
 (\$ Billions)



Source: 2020-21 to 2024-25 Public Accounts

More progress needed on recommendations related to additional appropriations

- 1.47 In our 2022 Financial Report, we issued a recommendation for the Department of Finance and Treasury Board to assess whether the current practice for the authorization of additional appropriations provides adequate accountability and transparency over expenditure of public funds by Members of the Legislative Assembly and to consider whether changes are necessary to align with legislated practices elsewhere in Canada.
- 1.48 In our 2023 Financial Report, we issued an updated recommendation to amend the *Finance Act* to align the additional appropriations process with the legislated practices of other Canadian jurisdictions to provide accountability and transparency over the spending of all public funds. The Public Accounts Committee, at its January 10, 2024 meeting, did not support the recommendation of the Auditor General.
- 1.49 In our 2024 Financial Report, we issued two additional recommendations to amend the *Finance Act* to remove the distinction regarding a new program or activity and to provide more details in the Orders in Council and fact sheets.
- 1.50 This year, we noted the Department of Finance and Treasury Board made some progress to increase transparency in how it publicly reports additional appropriations. For example, the December 2025 Budget Update referenced \$1.3 billion in additional appropriations for the 2025-26 fiscal year. The Department also separately published fact sheets and budget forecast updates detailing some information on the reasons for the additional appropriations. While this is a positive step forward, little information is included within Orders in Council which provide authority for the appropriations. The fact sheets and budget forecast updates are separate documents from the Orders in Council and may not be easily located by Nova Scotians. Better linking information from the Orders in Council to the details in

the fact sheets and budget forecast updates would improve transparency and make information more readily available to Nova Scotians.

1.51 While the fact sheets and budget forecast updates provide some information on what the additional spending is for, limited information is available on why the additional appropriations were not contemplated as part of the original budget estimate and are now needed. We also noted these additional appropriations continue to not be subject to debate by Members of the Legislative Assembly. This year we have reissued these recommendations and obtained the following responses from the Department.

Recommendation 1.1

We recommend the Minister of Finance and Treasury Board amend the *Finance Act* to align the additional appropriations process with legislated practices elsewhere in Canada and provide accountability and transparency over the spending of all public funds.

Department of Finance and Treasury Board Response

The Department's position remains unchanged. The Minister of Finance and Treasury Board appreciates the work of the Auditor General on this matter. The Minister remains satisfied that the current parameters of the *Finance Act* ensure accountability and transparency over the spending of all public funds. The Province's entire fiscal reporting cycle, from releasing the Budget and Estimates in the Spring prior to the next fiscal year, releasing three Public Forecast Updates, and completing the financial reporting cycle with the tabling of Public Accounts before September 30th of every year, provides a high standard of public financial reporting. A summary of Additional Appropriations (AA), including explanations for the spending, are published at each Budget, Forecast, and Public Accounts release. They are also publicly available on the Department's web site.

Recommendation 1.2

We recommend the Minister of Finance and Treasury Board amend the *Finance Act* to remove the distinction regarding a new program or activity, similar to other Canadian jurisdictions and provide accountability and transparency through the Legislature over all over budget spending.

Department of Finance and Treasury Board Response

The Minister of Finance and Treasury Board is satisfied that the current parameters of the *Finance Act* ensure accountability and transparency over the spending of all public funds. The Province's entire fiscal reporting cycle, from releasing the Budget and Estimates in the Spring prior to the next fiscal year, releasing three Public Forecast Updates, and completing the financial reporting cycle with the tabling of Public Accounts before September 30th of every year, provides a high standard of public financial reporting. Retaining the distinction of a new program or activity in the *Finance Act* ensures that any additional funding is consistent with the purpose of the appropriated entity's appropriation.

The approval process for government initiatives that may require additional appropriations is the purview of the elected government. The Department of Finance and Treasury Board works within the legislated framework of the Province to support and advise government. The Department ensures that funding matters that require additional appropriations are considered and reviewed when submissions to Treasury and Policy Board and Executive Council provide opportunity for documented support.

Recommendation 1.3

We recommend the Department of Finance and Treasury Board better inform the public by providing more details in the Orders in Council on the use of additional appropriations and outlining reasons they were needed. The Department of Finance and Treasury Board can improve connection between the Orders in Council, Budget Forecast Updates, and fact sheets so that they are readily available and easy to access for Nova Scotians.

Department of Finance and Treasury Board Response

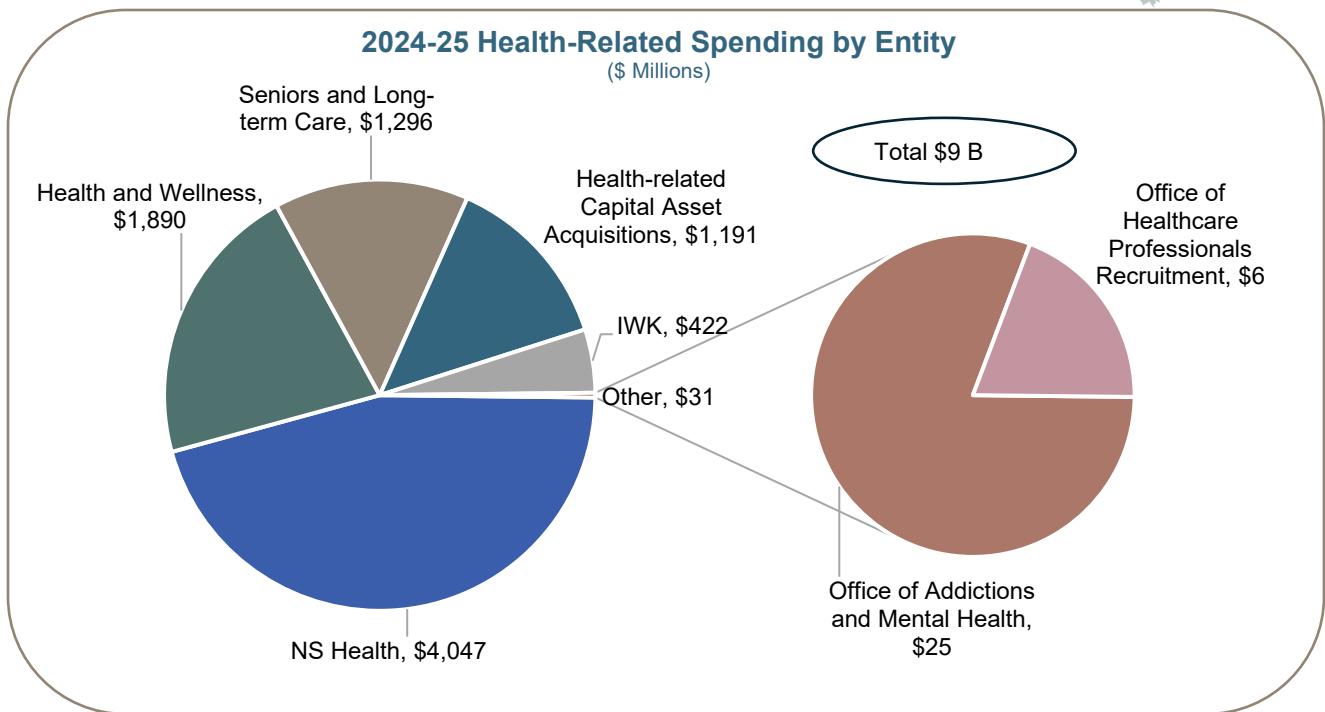
The Department has enhanced the transparency of additional appropriations by adding more detailed explanations in the Orders in Council and AA Fact Sheets that are released publicly. The Department also provides public Forecast Update documents containing detailed explanations of shifts in economic forecast, revenue, and departmental expenses. Additional appropriations are approved by Governor in Council concurrent with the Budget, Public Forecast Updates, and Public Accounts, at which time changes in the Province's financial position are explained publicly. The Department also conducts a technical briefing of the documents with media prior to being released publicly during the Minister's press release. The additional appropriations are tabled in the House of Assembly, or with the Clerk of the Assembly, within 15 days of obtaining an Order In Council.

The Minister of Finance and Treasury Board remains satisfied that the current parameters of the *Finance Act* ensure accountability and transparency over the spending of all public funds. The Province's entire fiscal reporting cycle, from releasing the Budget and Estimates in the Spring prior to the next fiscal year, releasing three Public Forecast Updates, and completing the financial reporting cycle with the tabling of Public Accounts before September 30th of every year, provides a high standard of public financial reporting. The Department will continue to work on enhancing the availability and accessibility of the related documents.

Health Spending

The Province incurred \$8.9 billion in health-related spending and capital asset acquisitions in 2024-25

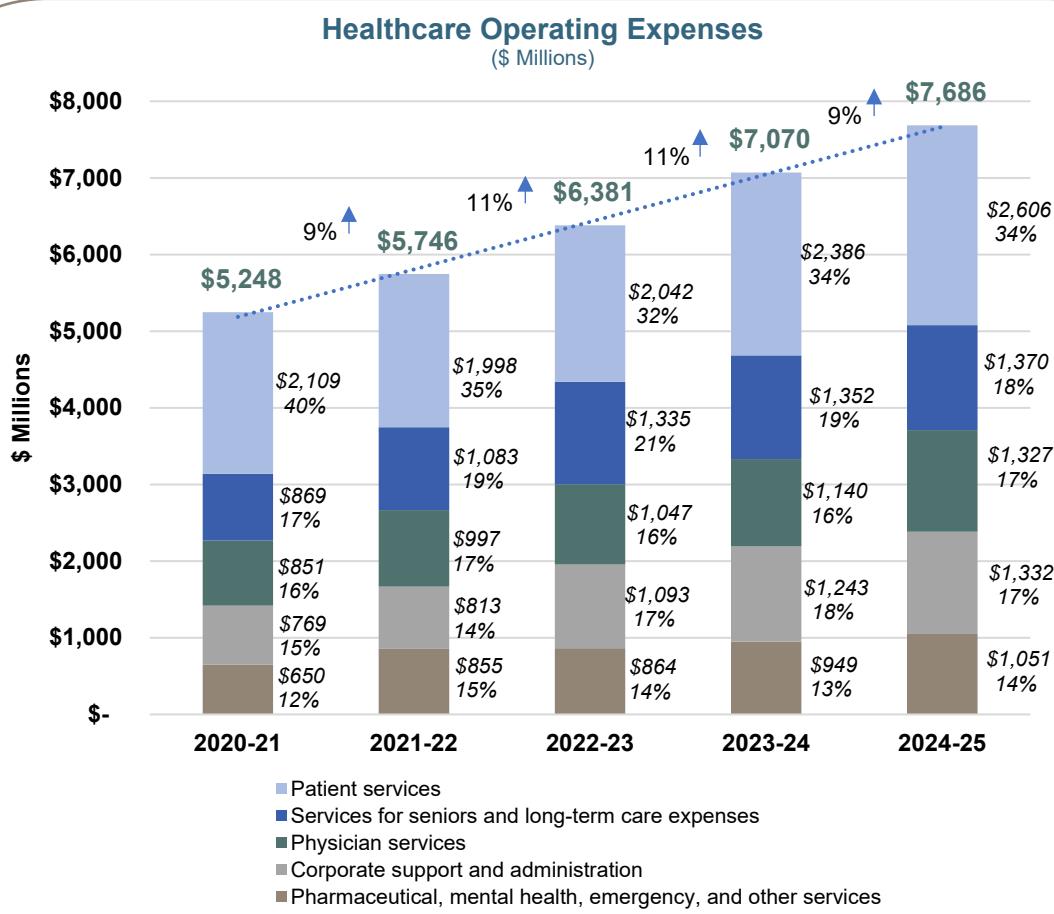
1.52 There are six entities that together reported \$7.7 billion in healthcare operational expenses during 2024-25. Additionally, \$1.2 billion was spent on health-related capital assets during that same period, bringing the total spending to \$8.9 billion.



Source: 2024-25 Public Accounts

Health-related operational spending increased \$2.44 billion over five years

- 1.53 Since 2020-21, annual healthcare operating spending has increased by \$2.44 billion. Year-over-year growth was 9% from 2023-24 to 2024-25.
- 1.54 Healthcare operating spending includes everything from patient services and corporate support to physician services and long-term care. A breakdown of each, by type of service, for the last five years based on information from the Province's financial accounting system and the Public Accounts is as follows:



Source: Breakdown of funding obtained from the Province's financial accounting system and Nova Scotia Health analysis
Note: Health expenses of 2021 to 2023 have not been restated for the LTC facilities adjustment noted above.

In 2024-25, \$493 million was spent on health transformation initiatives

1.55 Per the Department of Health and Wellness, in 2024-25, the Province spent \$493 million of healthcare operating expenses on health transformation initiatives.

Health Transformation Spending by Department/Entity

Department/Entity (\$ Millions)	2023-24	2024-25
Nova Scotia Health	\$208.5	\$384.2
Department of Health and Wellness	\$54.8	\$76.8
Izaak Walton Killam Health Centre	\$8.5	\$22.3
Office of Addictions and Mental Health	\$5.3	\$9.2
Total	\$277.1	\$492.5

Source: Department of Health and Wellness

1.56 The Health Transformation Office established in 2022-23 supports the Provincial Government's investment in health care by implementing the priority initiatives outlined in the *Action for Health* Plan. The *Action for Health* strategic plan establishes the investment in people, tools, technology, and infrastructure in health care and includes:

Health Transformation Initiatives (\$ Millions)

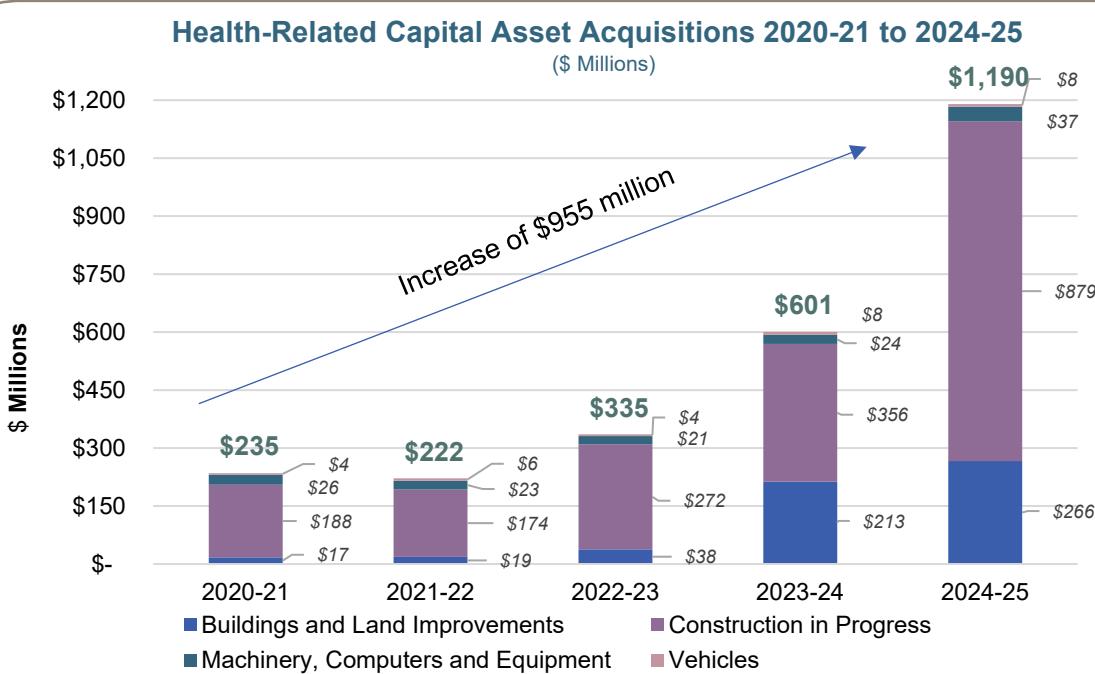
Initiative	Department Explanation	2024-25
Surgical Access & Quality Improvement Strategy	Multi-year strategy to improve access and care that will clear COVID-19 related backlogs, increase surgical and endoscopy volumes, decrease wait lists, and deliver care within wait time targets.	\$38.1
Access and Stabilization	The Access & Stabilization business cases strategically target the reduction of unnecessary waiting for care and the most appropriate alignment of care needs with care teams and environments, considering three critical components to improve organizational performance: People, Processes, and System.	\$34.7
Virtual Care	Virtual Care is in place in Nova Scotia, but existing service models do not reach all unattached patients and do not provide a virtual model for all Nova Scotians. The province has requested that these gaps be addressed.	\$26.1
Stabilization of Cancer Centres	Providing more timely access to safe, equitable, people-centered, and sustainable cancer and other specialized care services to all Nova Scotians.	\$20.5
Google Health	Utilizing and implementing AI solutions, clinicians and citizens will be able to access and navigate relevant health and service information faster, and clinicians will have access to a higher degree of precision to areas of work and service.	\$19.1
Diagnostic Imaging (DI) Access and Quality Management System (QMS)	Implementing an electronic requisition system and meeting national wait time standards for computed tomography (CT), magnetic resonance imaging (MRI), and ultrasound (U/S).	\$17.2
Professional Services Health Transformation Office	Procuring sources of support, as requested and vetted as priority gaps by the Health Transformation Office for critical government commitments.	\$17.0
Nursing Workforce Initiatives	Nursing-focused activities such as Registered Nurse Prescribing, Mentorship, Simulation Learning, Just in Time supports and Transition to Practice programs to support the workforce.	\$16.4
Interprofessional Teams	To support continuity of care delivery seven days a week, thereby avoiding delays during the case process that can contribute to longer lengths of stay.	\$16.3
Data Infrastructure	Data Infrastructure will allow Nova Scotians to access their patient health records and support health service navigation through the Your Health NS application. The application will empower the patient to be informed and engaged.	\$16.0
SPRINT: International Professionals	A comprehensive program for the recruitment and retention of internationally educated and trained health professionals.	\$15.0

Pathology and Laboratory Medicine	Pathology and Laboratory Medicine (PLM) plays a vital role in the healthcare system and serves as a cornerstone of diagnostics and treatment decisions for patients.	\$11.8
Care Coordination Centre (C3)	Phase I of the NSH & IWK PLM Strategy will support standards and guidelines, improve processes and enhance equitable and timely patient access to community-based blood collection.	\$11.2
Think Research Innovations & Solutions for NS	C3 improves the movement of patients throughout their healthcare journey.	\$8.3
Digital Front Door	Enables access to the right care at the right time for Nova Scotians by creating a patient navigation and chat tool for the Your Health NS app and providing access to urgent virtual care.	\$7.9
Various other initiatives (each expensed less than \$7.9 million in 2024-25)	A single digital platform 'Front Door' to health care, providing Nova Scotians with information about and access to health services, and their personal health information.	\$216.9
Total 2024-25		\$492.5

Source: Department of Health and Wellness

In 2024-25, \$1.2 billion was spent on health-related capital assets

1.57 The Province spent a total of \$1.2 billion in health-related capital asset acquisitions in 2024-25 as detailed in the chart below.

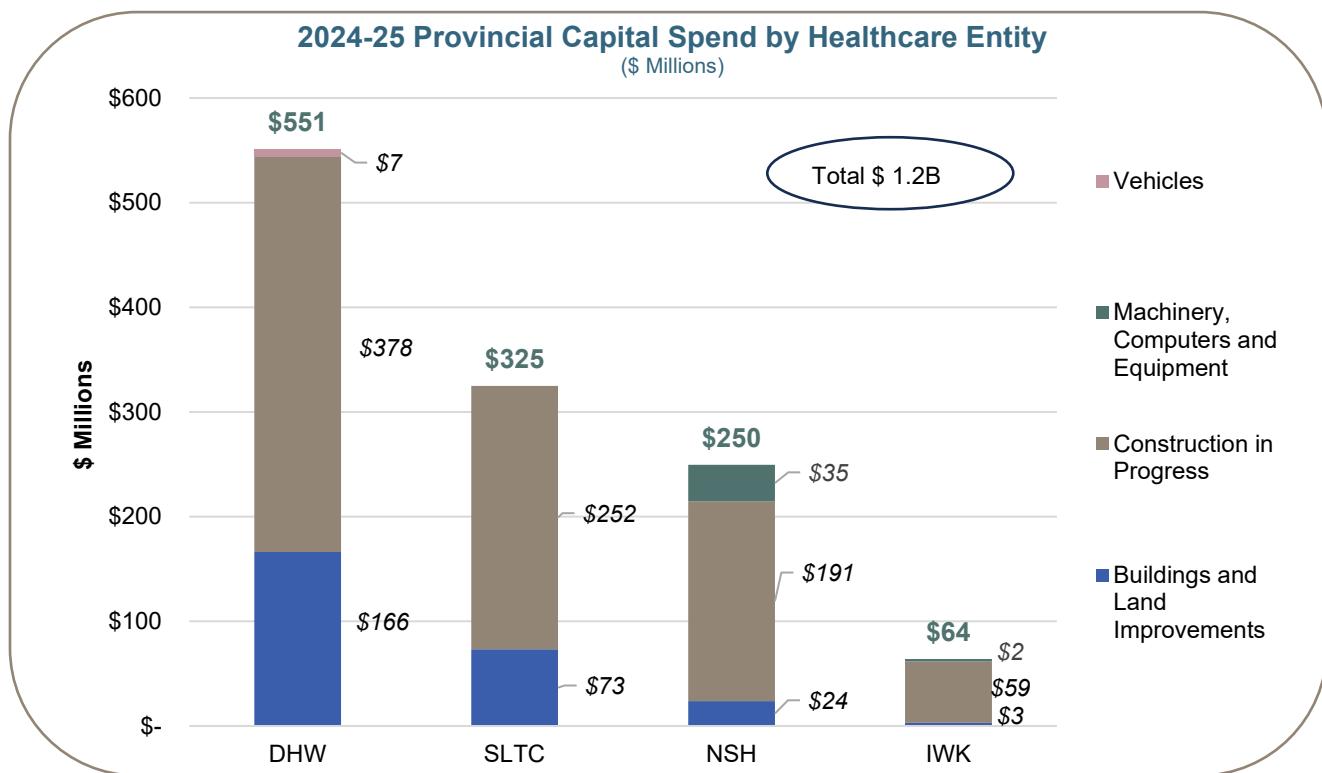


Source: Breakdown 2020-21 to 2024-25 from Province's financial accounting system; NS Health consolidated financial statements; IWK financial statements

Note: Health expenses of 2021 to 2023 have not been restated for the LTC facilities adjustment noted above

1.58 Over the past five years, health-related asset acquisitions have increased by \$955 million or 406 per cent. In 2024-25, projects include the Halifax Infirmary Expansion Project (\$461.1 million), the Cape Breton Regional Municipality Health Care Redevelopment Project (\$376.6 million), One Person One Record (\$87.9 million), and the new children's health emergency department at the Izaak Walton Killam Health Centre (\$73.4 million).

Department of Health and Wellness had the most health-related capital spend in 2024-25



Source: 2024-25 Public Accounts, Audited Financial Statements of 2024-25 for Nova Scotia Health and IWK Health Centre

1.59 Newly acquired tangible capital assets for the Department of Health and Wellness totaled \$551 million in 2024-25. The majority of these additions were in buildings and land improvements and construction in progress:

- \$361 million related to the Halifax Infirmary Expansion Project;
- \$146 million for the Cape Breton Regional Municipality Health Care Redevelopment Project;
- \$35 million for the Transitional Care Facility in Bedford; and
- \$1 million for the Bayers Lake Community Outpatient Centre construction.

1.60 The Department of Seniors and Long-term Care recorded \$325 million in tangible capital asset additions during 2024-25. These additions are the result of an accounting adjustment made during the year, as outlined in paragraph 1.22. The adjustment reclassified loans previously granted to long-term care providers as expenses and recognized the associated facilities as tangible capital assets.

1.61 Nova Scotia Health spending on additions to tangible capital assets totaled \$250 million in 2024-25. The majority of these additions were recorded in construction in progress including the South Shore Regional Hospital redevelopment project (\$29 million) and One Person One Record (\$41 million). A smaller portion

of capital additions, \$35 million, was spent on machinery, computers, and equipment, to purchase items such as imaging equipment and patient monitors.

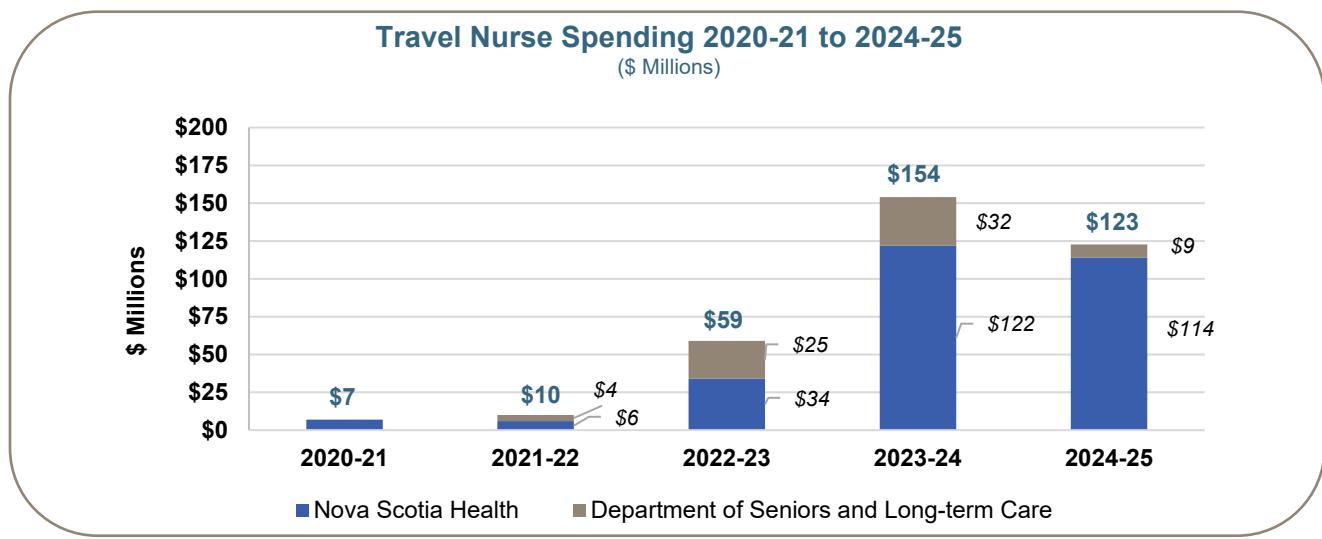
1.62 The Izaak Walton Killam Health Centre spent \$64 million on capital additions in 2024-25. The majority of spending was recorded in construction in progress, including the construction of the new children's health emergency department (\$35 million) which began in fiscal 2022-23. Machinery, computers, and equipment made up \$2 million, including the purchase of a genomic analyzer and various other medical and laboratory equipment.

Travel nurse spending decreased by \$31 million in 2024-25 to \$123 million

1.63 A travel nurse is a registered or licensed practical nurse who works in Nova Scotia under contract with a staffing agency, travel nurse agency or other independent organization. Many provinces hired travel nurses during the COVID-19 pandemic as a solution to severe staffing issues.

1.64 Nova Scotia has relied on travel nurses to fill vacancies while it awaits the hiring and training of more nurses. While the temporary hires have been crucial to maintain the healthcare system, travel nurses have higher associated costs and do not have permanent contracts, leading to staffing instability.

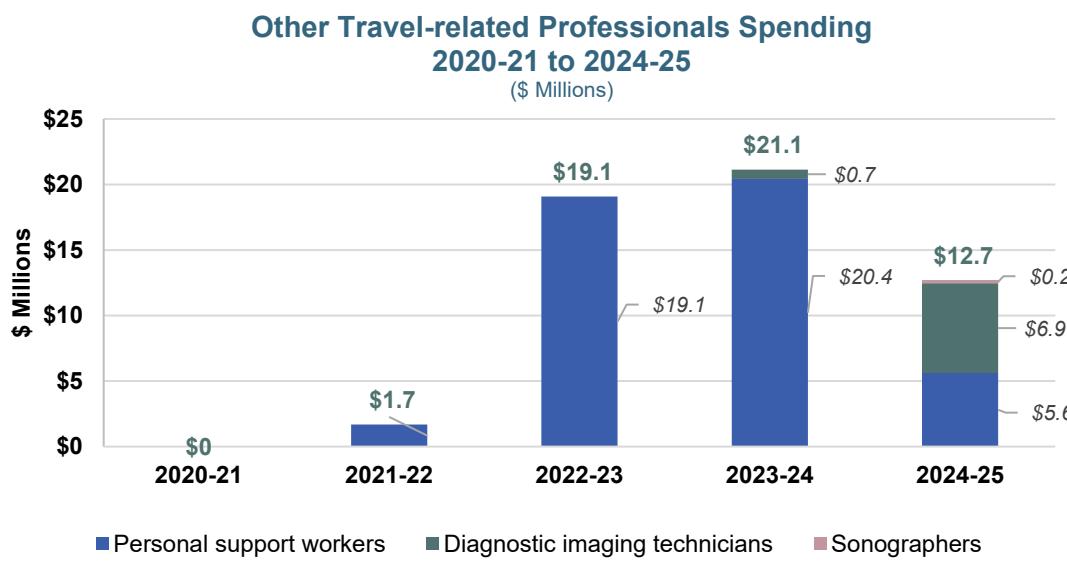
1.65 The Province incurred a total of \$123 million in travel nurse spending in 2024-25 as detailed in the graph below, which is a reduction from the all-time high of \$154 million in 2023-24. The Province also provides funding to third-party organizations such as long-term care homes that may contract travel nurses. As a result, Provincial funding of travel nurses may be higher than reported below.



Source: Nova Scotia Health Authority and Department of Seniors and Long-term Care

1.66 In addition to travel nurses, health spending in Nova Scotia includes other travel-related professionals, including:

- Travel diagnostic imaging technicians at NS Health
 - \$7 million in 2024-25 (\$1 million in 2023-24)
- Travel personal support workers at the Department of Seniors and Long-term Care
 - \$6 million in 2024-25 (\$20 million in 2023-24)
- Travel sonographers at the IWK Health Centre
 - \$158 thousand in 2024-25 (\$0 in 2023-24)

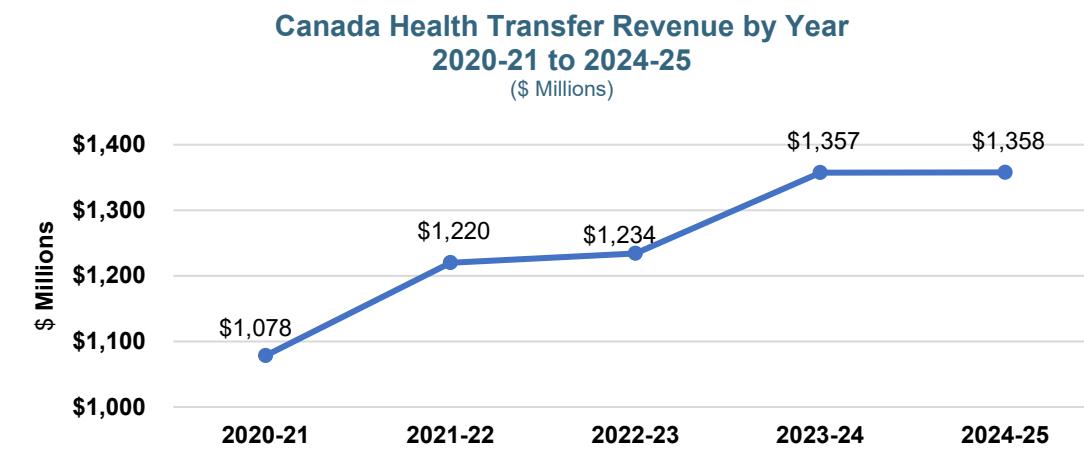


Source: Nova Scotia Health Authority, IWK Health Centre and Department of Seniors and Long-term Care

Canada Health Transfer remained consistent in 2024-25 at \$1.36 billion

1.67 The Canada Health Transfer (CHT) is the largest health-related transfer from the Federal Government to the Province. It provides long-term funding for health care and supports the principles of the *Canada Health Act*. CHT payments are made on a per capita basis to each province to provide comparable treatment for all Canadians regardless of where they live.

1.68 During 2024-25, the Province received CHT revenue of \$1.36 billion, an increase of \$1 million from prior year. Over the past five years, the CHT has increased by \$280 million, mostly due to two top-up payments from the federal government to assist provinces and territories. The largest growth between 2020-21 and 2021-22 (\$142 million) was in response to increased costs due to COVID-19. In 2023-24, the province received a share of the \$2 billion Working Together to Improve Health Care for Canadians plan. There was no additional funding initiative for 2024-25.



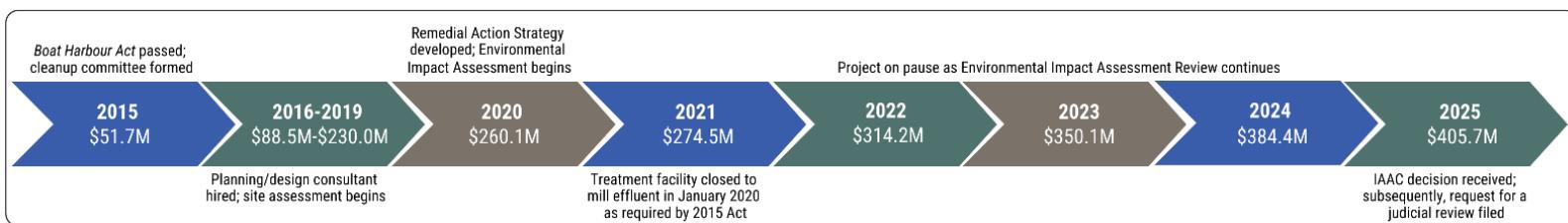
Source: 2020-21 to 2024-25 Public Accounts (Amounts do not include Prior Year Adjustments)

Status of Boat Harbour

Boat Harbour remediation cost continues to grow due to delays

1.69 The liability for Boat Harbour, a tidal estuary severely polluted by a nearby paper mill, represents the estimated cost to clean up the contaminated site to a level that conforms with environmental standards. The Boat Harbour liability is included in Liabilities for Contaminated Sites on the Statement of Financial Position. It has increased to \$405.7 million while the project has been essentially on hold, pending studies and environmental assessments. Approval from the federal government's Impact Assessment Agency of Canada (IAAC) was received in January 2025; however, a request for a judicial review was filed by an affected party in February 2025. Work has been paused and timelines remain uncertain until the court decision is known. As time passes, inflationary cost pressures will escalate the liability.

1.70 The following historical timeline illustrates the Boat Harbour liability growth along with key project milestones.



Significant Control Weaknesses at Service Nova Scotia, Finance and Treasury Board, Nova Scotia Health and Council of Atlantic Premiers

1.71 A significant weakness in internal controls is a weakness or combination of weaknesses that are deemed by the auditor to be important enough to be reported to an organization's audit committee or those charged with governance. The presence of significant control weaknesses in an organization does not mean that its financial statements are materially misstated. Even though we reported significant control weaknesses, we were able to address the associated risks through our audit work and provide a clean audit opinion on the Province's 2024-25 Consolidated Financial Statements.

1.72 The longer a significant weakness in internal control remains unaddressed, the higher the risk that financial statements could be misstated due to fraud, error, and/or the misuse of assets, both now and in the future. Internal control weaknesses that remain unaddressed over multiple years can diminish an organization's internal control culture; therefore, significant weaknesses in internal controls should be addressed in a timely manner.

1.73 The table below summarizes the number of significant control weaknesses identified in Government. Appendix IV provides details of each weakness outstanding, including its potential impact and management's response.

Government Departments and Organizations with Significant Control Weaknesses in 2024-25

Government Department/Organization and Nature of Significant Control Weakness	Number Identified in Prior Years	Less: Number Resolved or No Longer Significant in 2024-25	Plus: Number Identified in 2024-25	Total Outstanding at March 31, 2025
Service Nova Scotia <ul style="list-style-type: none"> • Insufficient purchase and payment processing controls, including purchasing goods and services without pre-approval and not monitoring established procedures. • Insufficient scrutiny of alternative procurement requests by Service Nova Scotia 	7	2	0	5
Finance and Treasury Board - Government Accounting <ul style="list-style-type: none"> • Errors identified in commitment and contingency schedules 	0	0	1	1
Nova Scotia Health <ul style="list-style-type: none"> • Non-compliance with <i>Public Procurement Act</i> and the Sustainable Procurement Policy 	1	0	0	1
Council of Atlantic Premiers <ul style="list-style-type: none"> • There are a limited number of individuals involved in the financial reporting function • Funds held in trust are not retained in a separate bank account 	1	0	1	2
Total	9	2	2	9

There are six significant control weaknesses identified at two government departments

- 1.74 As detailed in Appendix IV, Service Nova Scotia has a total of five unresolved significant control weaknesses, all of which relate to prior years with one dating back to fiscal 2016-17. Service Nova Scotia made some progress this year by making continuous improvements to address the observations. However, based on testing completed as part of the financial audit of the Province's Consolidated Financial Statements, issues continue to be observed, and additional work is required to resolve these findings.
- 1.75 During the work we performed on the disclosure in the financial statements of the commitments, contingencies, contractual obligations and contractual rights, we discovered several errors that required adjustments. This lack of internal control over a material financial statement item is a significant deficiency. The details of our finding can be found in Appendix IV with a response from management at the Department of Finance and Treasury Board, which is responsible for the disclosure.

Significant control weaknesses at two government organizations

1.76 Two government organizations included in the Province's 2024-25 Consolidated Financial Statements, Nova Scotia Health and the Council of Atlantic Premiers, had significant control weaknesses reported as part of their March 31, 2025 year-end audit work. Appendix IV provides details of the weaknesses identified including the potential impact and management's response.