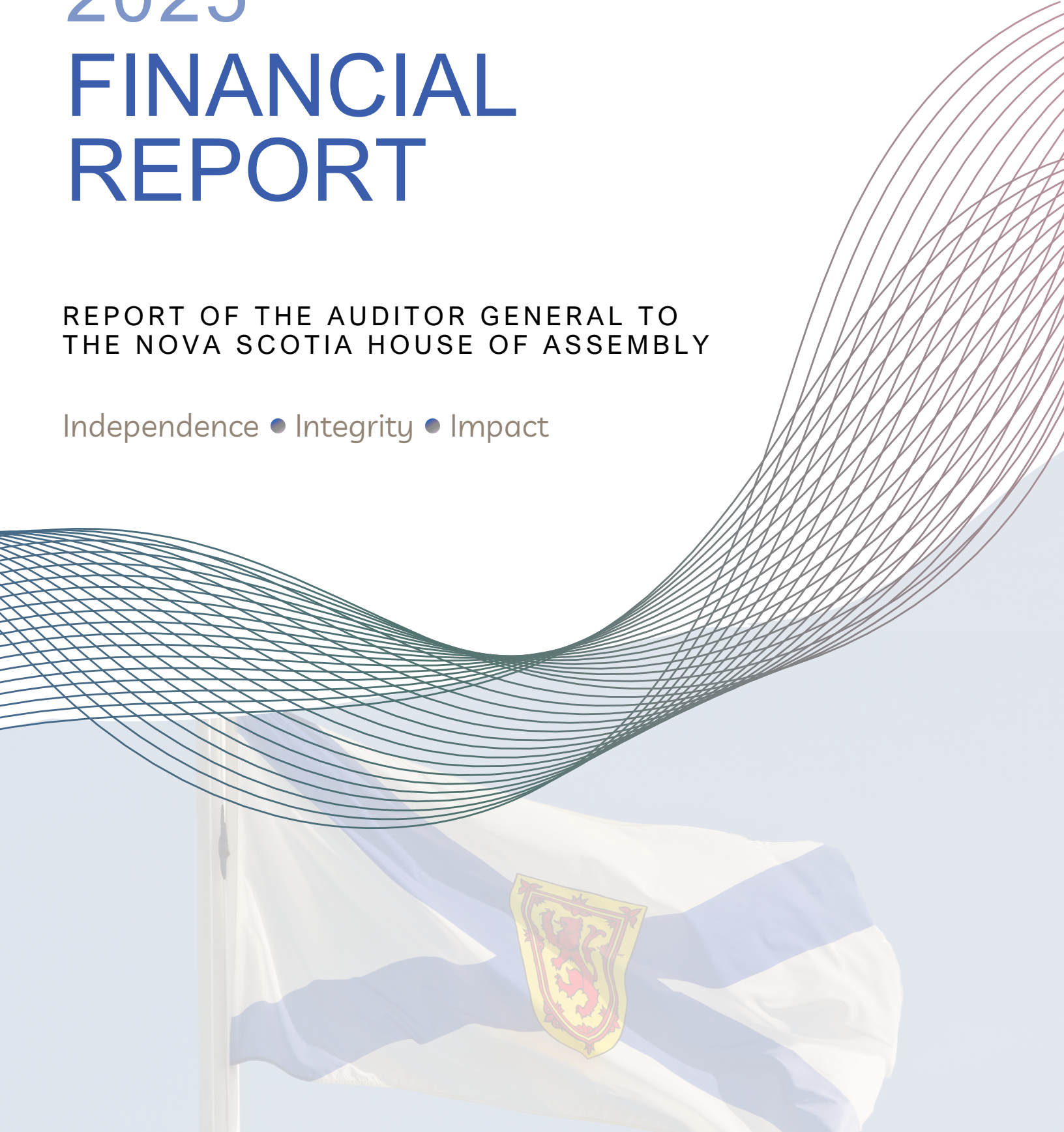
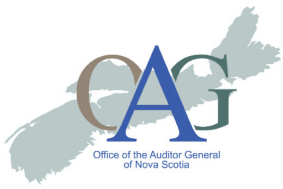


# 2025 FINANCIAL REPORT

REPORT OF THE AUDITOR GENERAL TO  
THE NOVA SCOTIA HOUSE OF ASSEMBLY

Independence • Integrity • Impact





January 13, 2026

Honourable Danielle Barkhouse  
Speaker  
House of Assembly  
Province of Nova Scotia

Dear Madam Speaker:

I have the honour to submit herewith my Report to the House of Assembly under Section 18(2) of the *Auditor General Act*, to be laid before the House in accordance with Section 18(4) of the *Auditor General Act*.

Respectfully,

**Kim Adair, FCPA, FCA, ICD.D**  
Auditor General of Nova Scotia

5161 George Street  
Royal Centre, Suite 400  
Halifax, NS B3J 1M7  
Telephone: (902) 424-5907  
[www.oag-nb.ca](http://www.oag-nb.ca)



## Table of Contents

<b>Highlights of the 2025 Auditor General Financial Report.....</b>	<b>2</b>
<b>Reference Guide – Chapter 1: Financial Audit Work and Other Topics of Interest.....</b>	<b>4</b>
<b>Reporting on Financial Audit Engagements .....</b>	<b>5</b>
<b>Topics of Interest .....</b>	<b>7</b>
Long-term Care Service Providers .....	7
Purchase of Fuel Adjustment Mechanism Receivable from Nova Scotia Power.....	9
Tobacco Settlement – Province Eligible to Receive up to \$785 Million .....	10
Impact of Halifax-Dartmouth Bridge Commission Changes .....	11
Additional Appropriations .....	12
Health Spending .....	17
Status of Boat Harbour .....	25
<b>Significant Control Weaknesses at Service Nova Scotia, Finance and Treasury Board, Nova Scotia Health and Council of Atlantic Premiers.....</b>	<b>25</b>
<b>Reference Guide – Chapter 2: Nova Scotia’s Finances from the 2025 Public Accounts ...</b>	<b>28</b>
<b>Financial Indicators – What They Show .....</b>	<b>29</b>
Sustainability.....	30
Flexibility .....	37
Vulnerability .....	40
<b>Revenue Highlights .....</b>	<b>40</b>
<b>Expense Highlights .....</b>	<b>44</b>
<b>Chapter 2 Glossary.....</b>	<b>45</b>
<b>Appendix I - Reporting on Financial Audits .....</b>	<b>46</b>
<b>Appendix II – Independent Auditor’s Report.....</b>	<b>47</b>
<b>Appendix III - Additional Appropriations.....</b>	<b>54</b>
<b>Appendix IV – Summary of Significant Control Weaknesses .....</b>	<b>57</b>

## Highlights of the 2025 Auditor General Financial Report

### Clean Audit Opinion

Province received a clean audit opinion in 2024-25, providing reliable financial information within the September 30th legislated deadline.

#### 25th Year



The province has consistently received a clean audit opinion on its financial statements since 2000-2001.

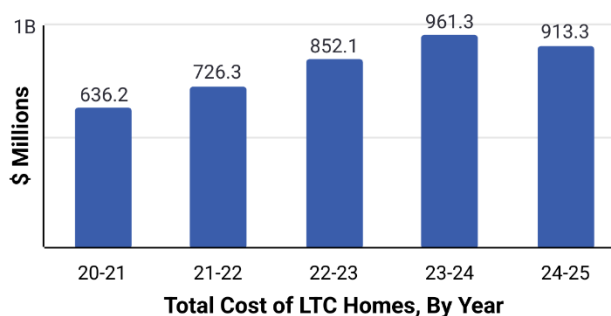
### Accounting Adjustment for Nursing Homes



Loans for long-term care service providers are now recorded in capital assets, resulting in **\$879.9M** added to net debt.

### Cost of Providing Long-term Care Services

Over the last five years, the Province spent **\$4.1 billion**. Looking forward, service agreements commit the Province to contractual obligations totaling **\$15.7 billion** for both operational and capital needs.



### \$117M For NS Power

In 2024, the Province purchased **\$117 million** of receivables from Nova Scotia Power to ease rising electricity rates and prevent a significant rate increase for customers.



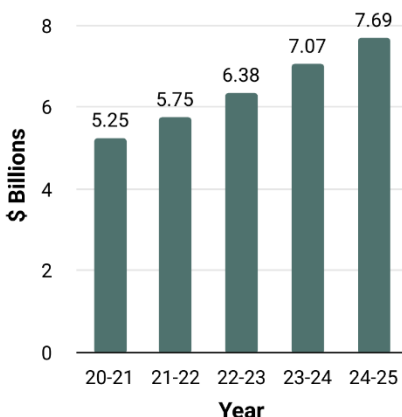
### Future Spending Commitments On the Rise



Overall, Nova Scotia's future spending commitments continue to increase and reached **\$29.7 billion** in 2024-25. These contractual obligations represent money that Government has committed to spend **in the future**.

### Healthcare Costs Up Over Five Years

The Province's annual healthcare operating expenses were **\$7.7B** in 2024-25; an increase of **\$2.4B** over last five years.



### Tobacco Lawsuit Settlement

The Province may receive up to **\$784.8M** over 20 years from Canadian tobacco companies to help offset costs of smoking on the healthcare system.



### \$203M received in 2024-25



## Impact of Removing Bridge Tolls

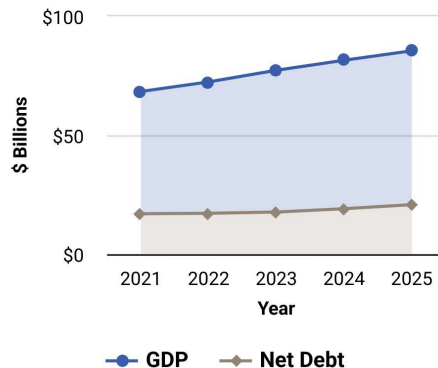


Since tolls were eliminated, roughly **\$25-37M** in annual toll revenue is now gone. Province is now responsible for future capital and operating expenses for both bridges, which averaged **\$29M** a year for the past five years.



The **\$5.7M** related to capital investment for toll modernization was written off as those assets are no longer needed.

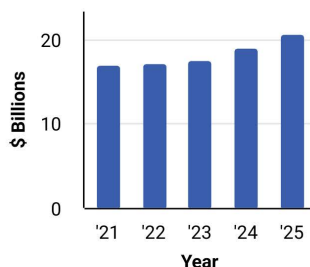
## The net debt to GDP ratio has remained relatively stable over the past five years



At **33.4%**, 2024-25 ratio remains below the rate reported in 2020-21. Economic growth helped maintain the ratio.

## Net debt continues to increase

Nova Scotia's net debt continues to grow despite recent reported surpluses and was **\$20.8 billion** at the end of 2024-25. A trend of increased net debt weakens a government's financial position.



- Increase of **\$1.7B** over last year
- Driven by **\$2.6B** in net capital acquisitions, including **\$0.8B** from long-term care home loan agreements

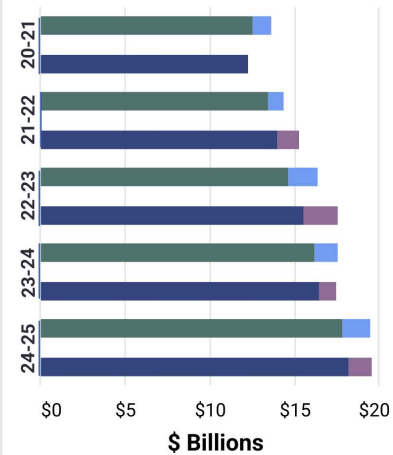
## Unmatured debt and interest increases

- 2024-25 unmatured debt **\$19.3B**
- Increase of **\$1.7B** over last year
- \$4.2B to be repaid over the next five years
- Interest on unmatured debt for 2024-25 was **\$756M**
- Increased **\$85M** over last year

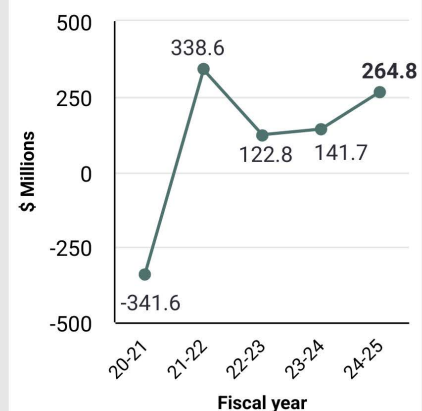


## For three years, AG's over-budget spending concerns unaddressed

- Government has spent more than **\$6.7B** in over-budget spending since 2020-21, and **\$1.6B** in 2024-25 alone
- Recommendations to improve accountability and transparency remain largely unaddressed since 2022



## Provincial surpluses in four of the past five years



Each year's Provincial surplus or deficit is applied to net debt.

## Reference Guide – Chapter 1: Financial Audit Work and Other Topics of Interest

### *Reporting on Financial Audit Engagements*

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

### *Topics of Interest*

#### **Long-term care service providers**

- 1.14 The Province provides significant funding to long-term care service providers
- 1.17 The Province issues loans to long-term care service providers which are then repaid using government funding
- 1.20 Cost of providing long-term care services \$4.1 billion over the last five years
- 1.21 Impact of accounting adjustment to net debt - \$879.9 million

#### **Purchase of Fuel Adjustment Mechanism Receivable from Nova Scotia Power**

- 1.26 The Province purchased \$117 million of receivables from NSPI as a measure to combat the rising costs of fuel
- 1.28 NSPI did not recover the true cost of fuel from customers leading to a receivable
- 1.30 NSPI entered into agreement with Invest Nova Scotia
- 1.32 Province owed \$109.7 million from customers at March 31, 2025

#### **Tobacco Settlement**

- 1.33 Tobacco settlement - Province eligible to receive up to \$785 million

#### **Impact of Halifax-Dartmouth Bridge Commission Changes**

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

#### **Additional Appropriations**

- 1.43 \$1.6 billion in additional appropriations approved in 2024-25
- 1.47 More progress needed on recommendations related to additional appropriations

#### **Health Spending**

- 1.52 The Province incurred \$8.9 billion in health-related spending and capital asset acquisitions in 2024-25
- 1.53 Health-related operational spending increased \$2.44 billion over five years
- 1.55 In 2024-25, \$493 million was spent on health transformation initiatives
- 1.57 In 2024-25, \$1.2 billion was spent on health-related capital assets
- 1.59 Department of Health and Wellness had the most health-related capital spend in 2024-25
- 1.63 Travel nurse spending decreased by \$31 million in 2024-25 to \$123 million
- 1.67 Canada Health Transfer remained consistent in 2024-25 at \$1.36 billion

#### **Status of Boat Harbour**

- 1.69 Boat Harbour remediation cost continues to grow due to delays

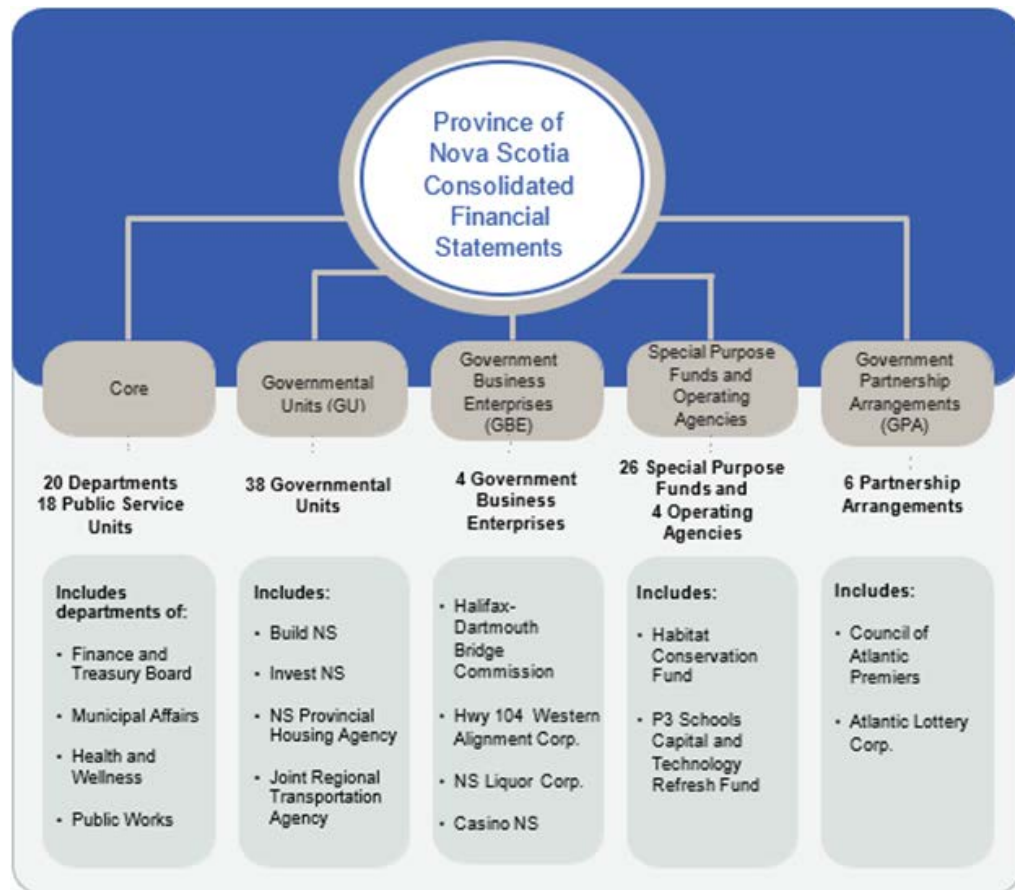
### *Significant Control Weaknesses at Service Nova Scotia, Finance and Treasury Board, Nova Scotia Health and Council of Atlantic Premiers*

- 1.74 There are six significant control weaknesses identified at two government departments
- 1.76 Significant control weaknesses at two government organizations

# 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:



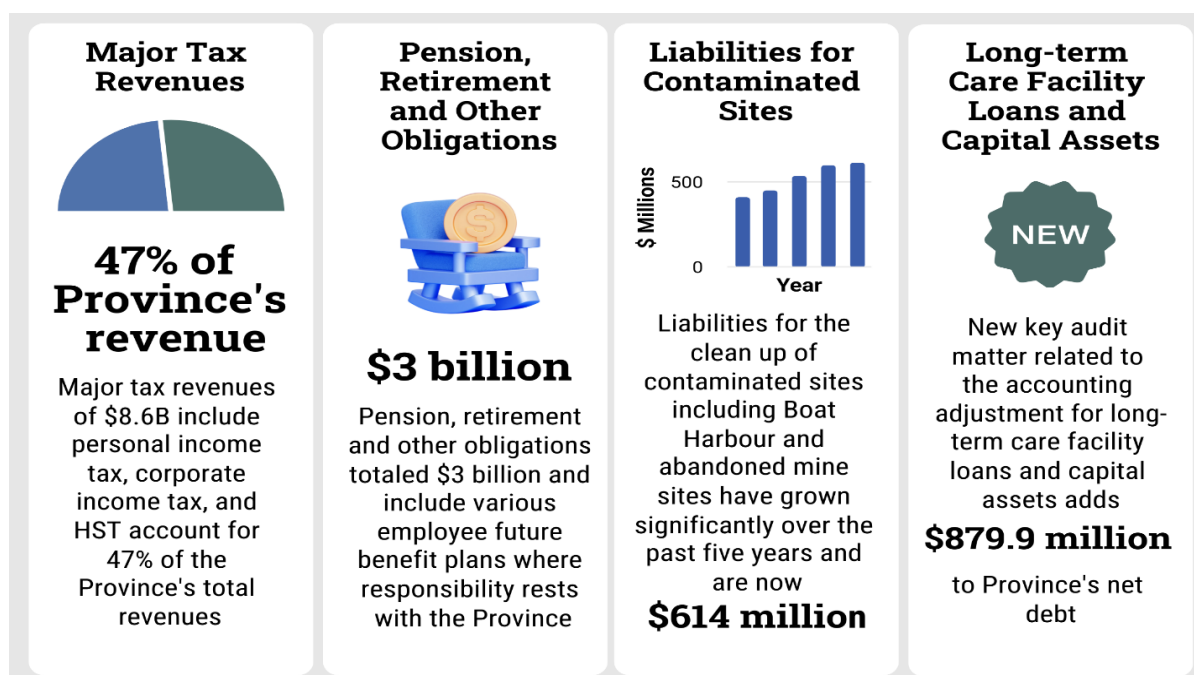
Note: The Province has gone through some restructuring during the year, the numbers shown in the above diagram are based on the organization existing during the fiscal year and Schedule 10 as presented in the 2024-25 Public Accounts.

- 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.



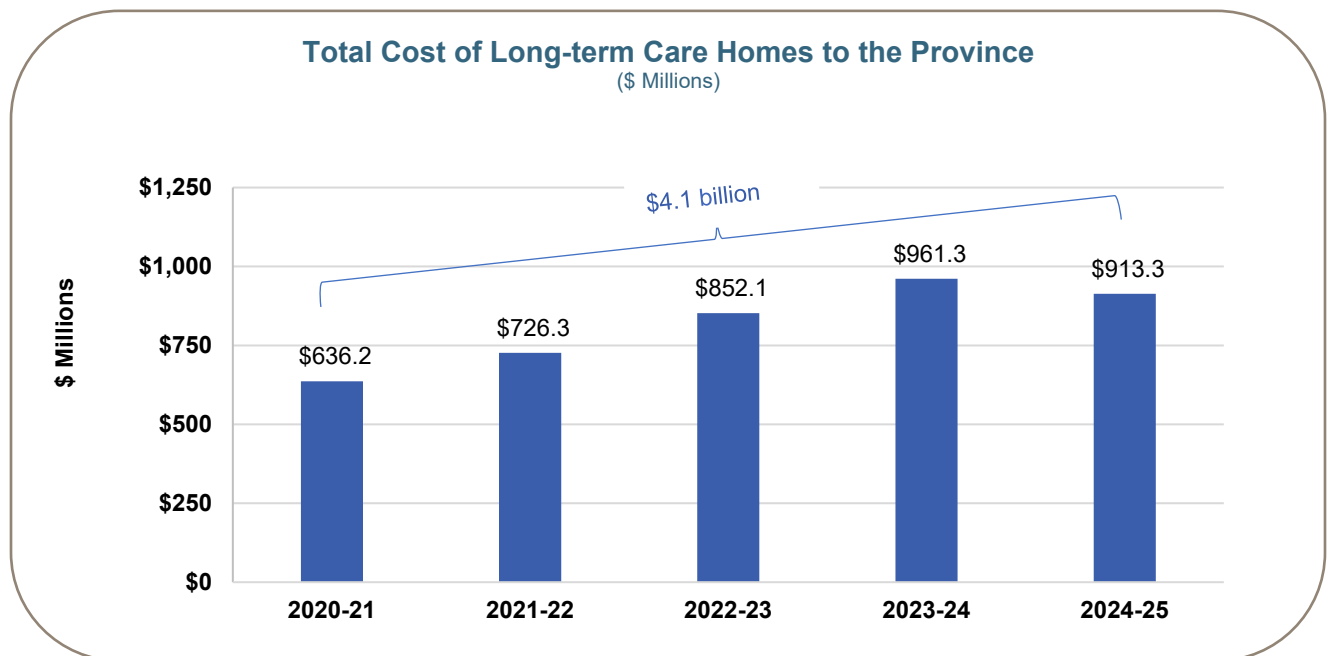
- 1.16 To ensure services are delivered effectively, the Province provides substantial funding to long-term care service providers to fund both construction and operation of facilities. These facilities are an important part of the healthcare system, and the funding is significant to the Province's financial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

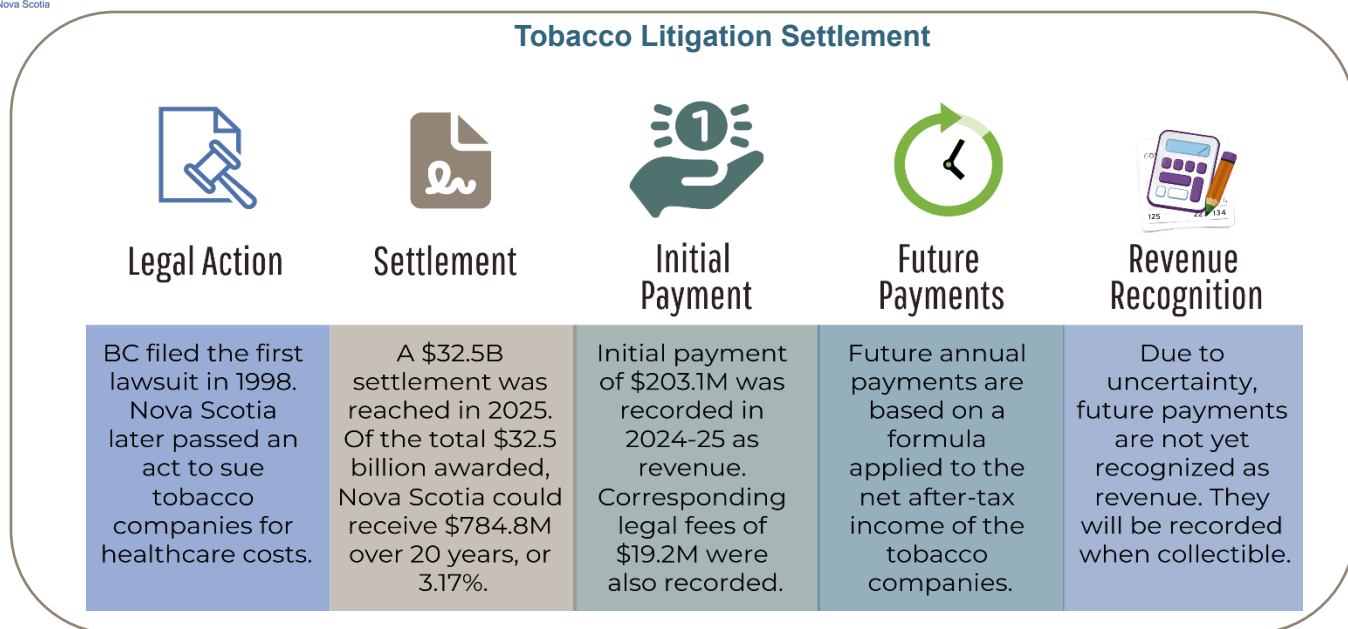
### **Province owed \$109.7 million from customers at March 31, 2025**

- 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



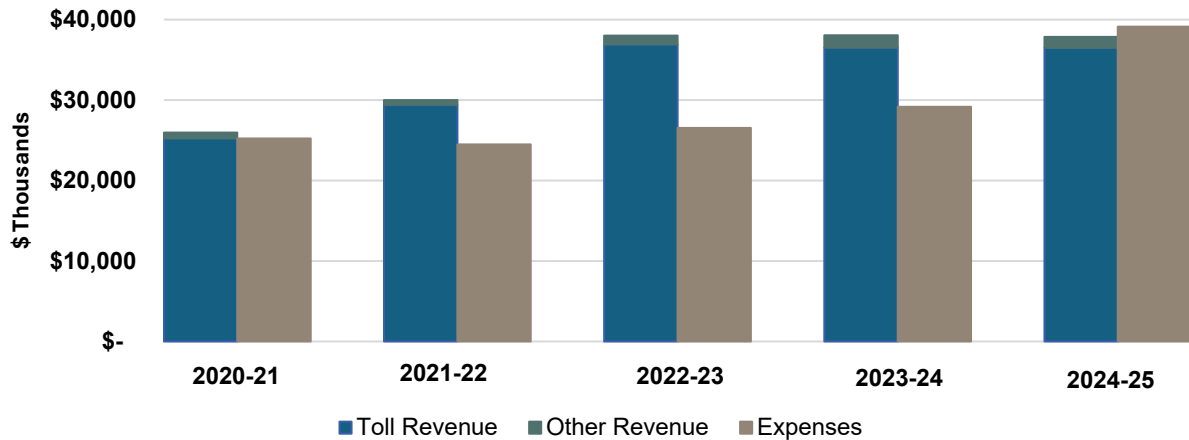
### Impact of Halifax-Dartmouth Bridge Commission Changes

- 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.

### Halifax-Dartmouth Bridge Commission Revenue and Expenses 2020-21 to 2024-25 (\$ Thousands)



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.

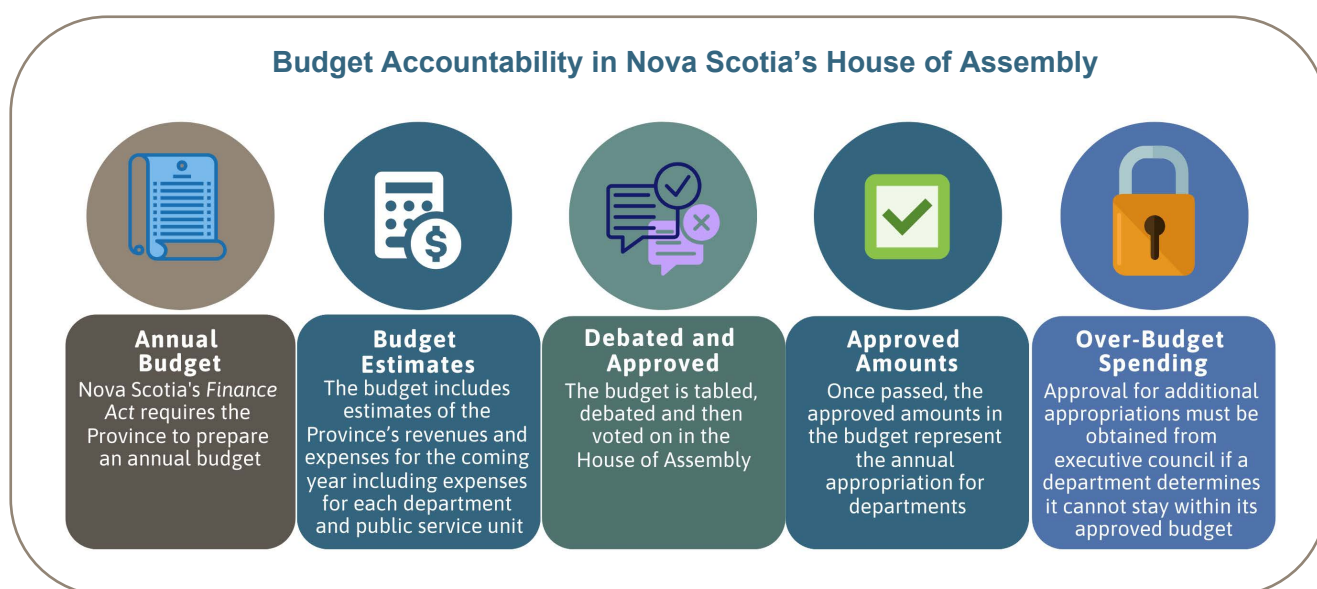


#### Executive Council

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.

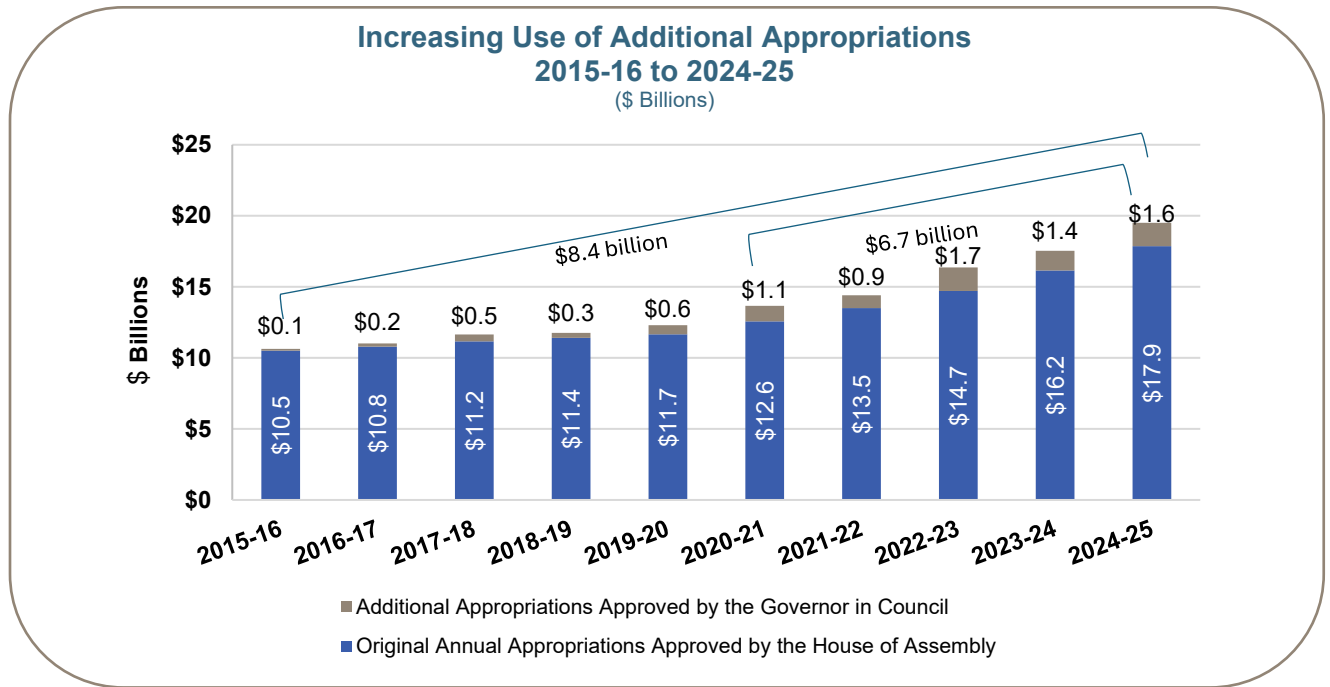


- 1.40 Nova Scotia's *Finance Act* requires the Province to prepare an annual budget which includes estimates of the expenses for each department and public service unit for the next fiscal period.
- 1.41 Expenses incurred over approved budget amounts can be covered by requesting additional appropriations 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).



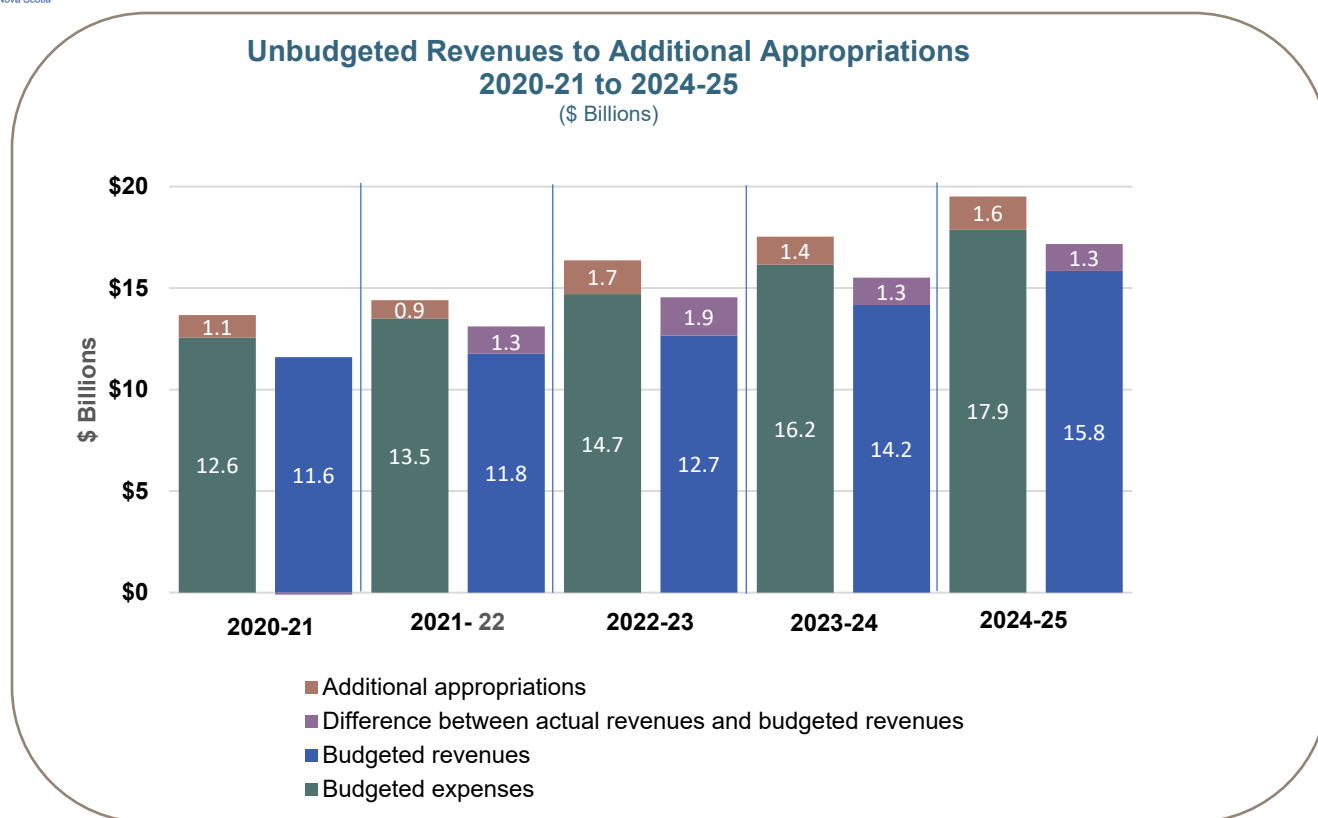
## **\$1.6 billion in additional appropriations approved in 2024-25**

- 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.



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 30<sup>th</sup> 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 30<sup>th</sup> 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.

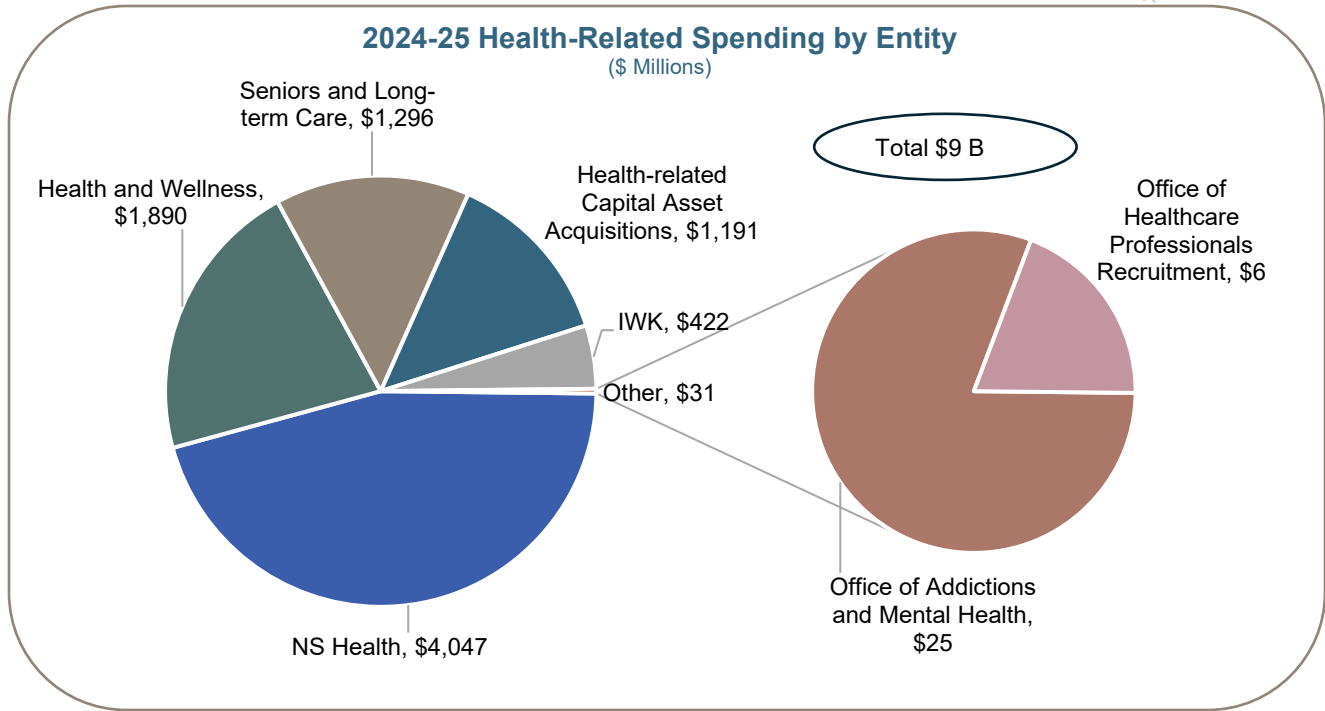
The Minister of Finance and Treasury Board remains satisfied that the current parameters of the *Finance Act* ensure accountability and transparency over the spending of all public funds. The Province's entire fiscal reporting cycle, from releasing the Budget and Estimates in the Spring prior to the 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.

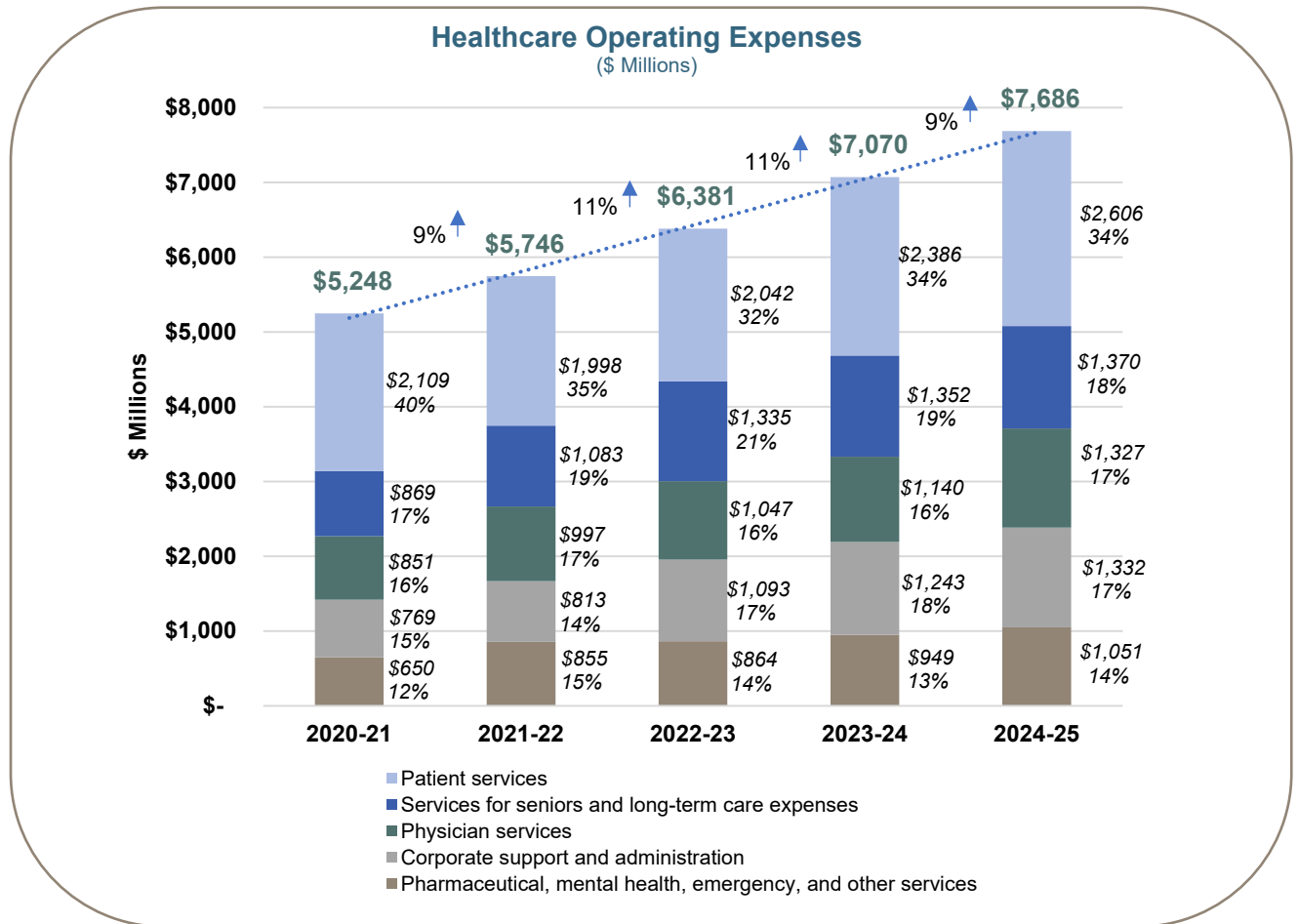




Source: 2024-25 Public Accounts

### 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)

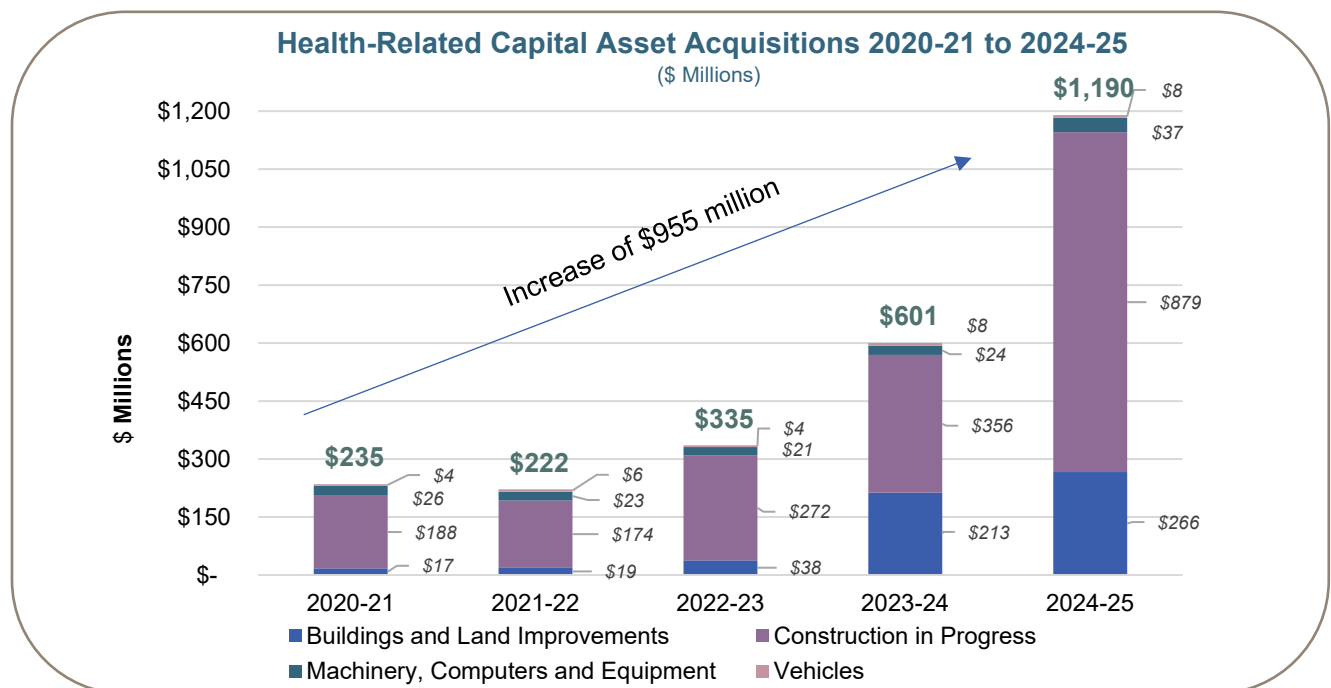
Initiative	Department Explanation	2024-25
Surgical Access & Quality Improvement Strategy	Multi-year strategy to improve access and care that will clear COVID-19 related backlogs, increase surgical and endoscopy volumes, decrease wait lists, and deliver care within wait time targets.	\$38.1
Access and 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.  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.	\$11.8
Care Coordination Centre (C3)	C3 improves the movement of patients throughout their healthcare journey.	\$11.2
Think Research Innovations & Solutions for NS	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.	\$8.3
Digital Front Door	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.	\$7.9
Various other initiatives (each expensed less than \$7.9 million in 2024-25)		\$216.9
<b>Total 2024-25</b>		<b>\$492.5</b>

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.

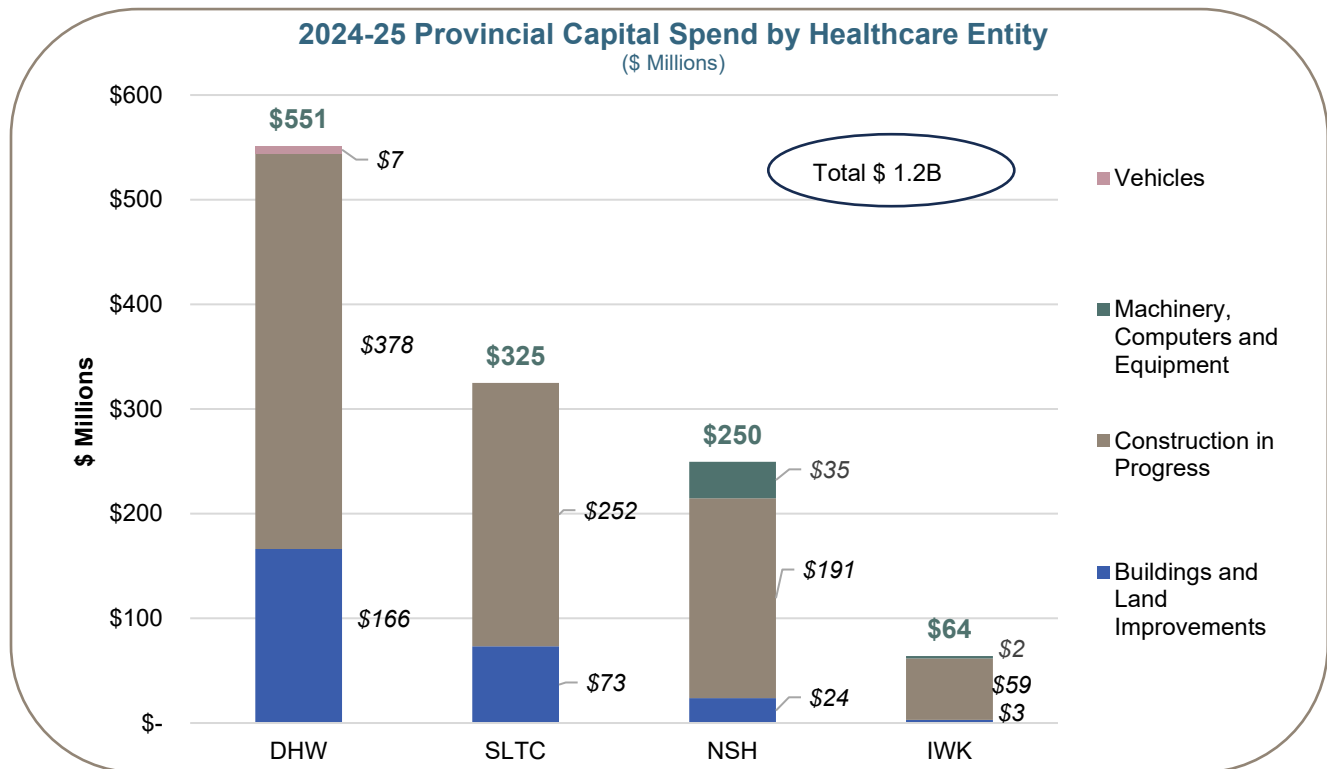


Source: Breakdown 2020-21 to 2024-25 from Province's financial accounting system; NS Health consolidated financial statements; IWK financial statements

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

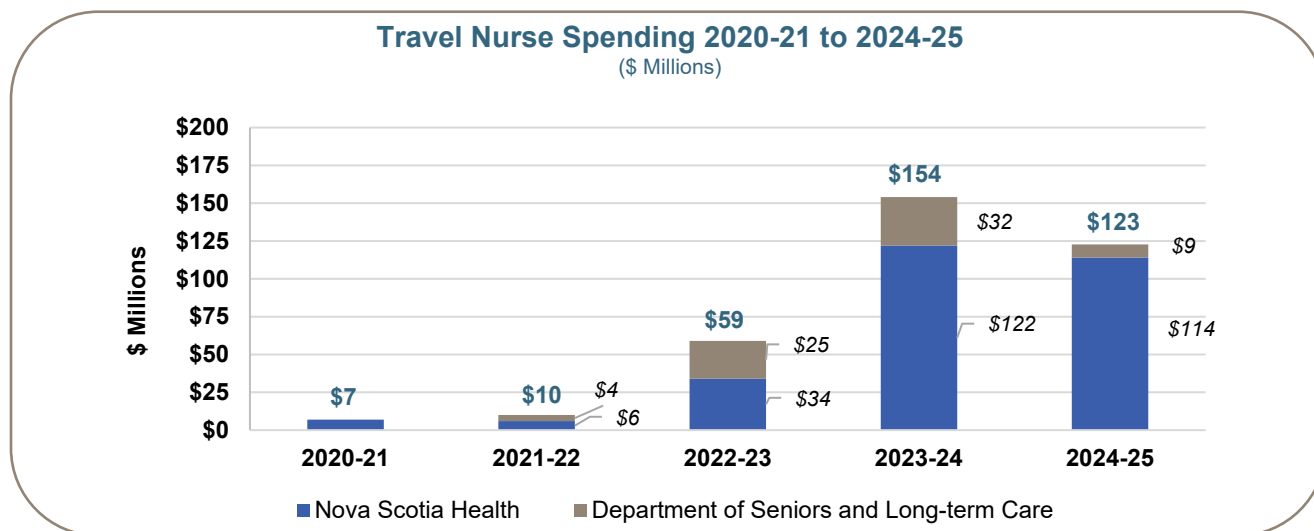


of capital additions, \$35 million, was spent on machinery, computers, and equipment, to purchase items such as imaging equipment and patient monitors.

- 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

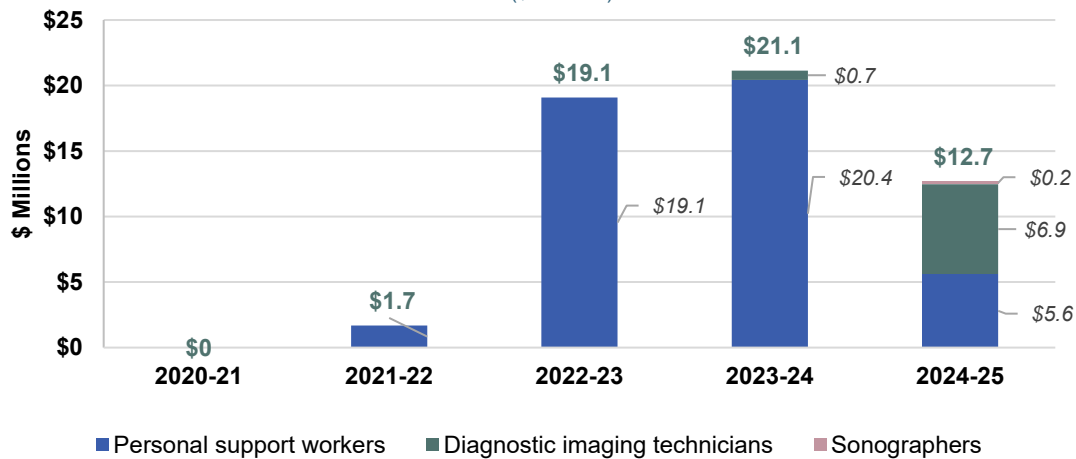
- 1.63 A travel nurse is a registered or licensed practical nurse who works in Nova Scotia under contract with a staffing agency, travel nurse agency or other independent organization. Many provinces hired travel nurses during the COVID-19 pandemic as a solution to severe staffing issues.
- 1.64 Nova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

### Other Travel-related Professionals Spending 2020-21 to 2024-25 (\$ Millions)

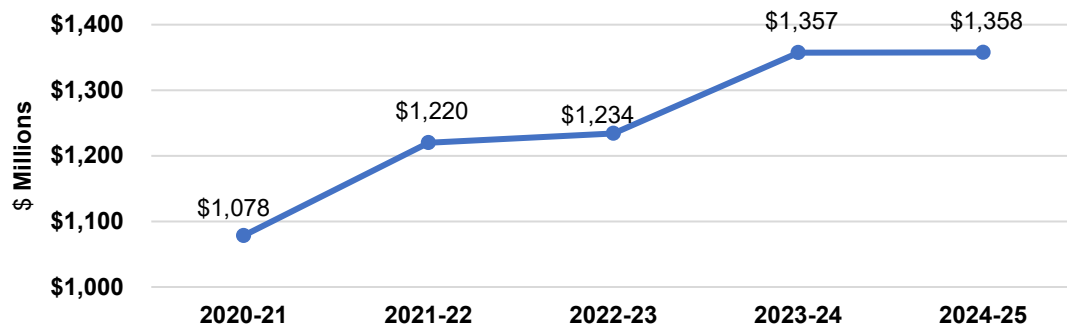


Source: Nova Scotia Health Authority, IWK Health Centre and Department of Seniors and Long-term Care

### 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.

### Canada Health Transfer Revenue by Year 2020-21 to 2024-25 (\$ Millions)



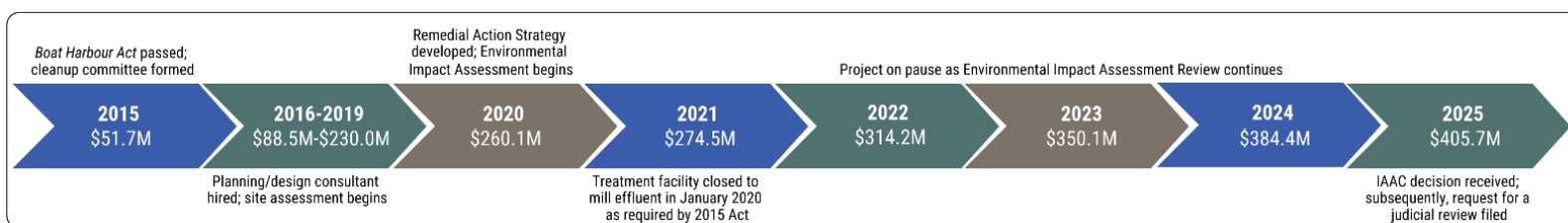
Source: 2020-21 to 2024-25 Public Accounts (Amounts do not include Prior Year Adjustments)

## 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"> <li>Insufficient purchase and payment processing controls, including purchasing goods and services without pre-approval and not monitoring established procedures.</li> <li>Insufficient scrutiny of alternative procurement requests by Service Nova Scotia</li> </ul>	7	2	0	5
Finance and Treasury Board - Government Accounting <ul style="list-style-type: none"> <li>Errors identified in commitment and contingency schedules</li> </ul>	0	0	1	1
Nova Scotia Health <ul style="list-style-type: none"> <li>Non-compliance with <i>Public Procurement Act</i> and the Sustainable Procurement Policy</li> </ul>	1	0	0	1
Council of Atlantic Premiers <ul style="list-style-type: none"> <li>There are a limited number of individuals involved in the financial reporting function</li> <li>Funds held in trust are not retained in a separate bank account</li> </ul>	1	0	1	2
<b>Total</b>	<b>9</b>	<b>2</b>	<b>2</b>	<b>9</b>

#### 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.

## Reference Guide – Chapter 2: Nova Scotia's Finances from the 2025 Public Accounts

### *Financial Indicators – What They Show*

2.2 Indicators are showing both favourable and unfavourable trends

### **Sustainability**

2.6 The Province reports a provincial surplus of \$264.8 million for the year 2024-25  
 2.8 The Province's net debt continues to increase and reached \$20.8 billion in 2024-25  
 2.13 The Province's contractual obligations continue to increase and reached \$29.7 billion in 2024-25  
 2.15 Province's net debt to GDP ratio has remained relatively stable due to continued economic growth  
 2.18 Net debt to total revenue improved over the last five years  
 2.20 Province's unmatured debt increased by \$1.7 billion to \$19.3 billion in 2024-25

### **Flexibility**

2.24 Interest on unmatured debt increased \$85 million in 2024-25  
 2.26 Provincial source revenue to GDP worsened in 2024-25, increasing to 19.6%  
 2.28 Debt servicing costs to total revenue have increased slightly from 2023-24  
 2.30 Debt servicing costs per capita is the highest of the past five years

### **Vulnerability**

2.33 Dependency on federal government transfers has slightly decreased from prior year

### *Revenue Highlights*

2.35 Provincial source revenue \$1.5 billion higher than budget  
 2.40 Personal income tax revenue was higher than both the budget and prior year amounts  
 2.42 Harmonized sales tax revenue was lower than the budget and higher than prior year amounts  
 2.44 Corporate income tax revenue has more than doubled over the past five years  
 2.46 Net income from Government Business Enterprises increased

### *Expense Highlights*

2.47 Expenses have increased \$5.4 billion over five years

## 2 Nova Scotia's Finances from the 2025 Public Accounts

### Purpose

- 2.1 The purpose of this chapter is to inform Nova Scotians on the Province's finances and to promote discussion. Additional information, including economic highlights, is presented in the Financial Statement Discussion and Analysis section in Volume 1 of the 2025 Public Accounts of Nova Scotia where there are almost 60 pages of detailed analysis and explanation.

### Financial Indicators – What They Show

#### Indicators are showing both favourable and unfavourable trends

- 2.2 The indicators reported in this chapter are meant to provide additional information on the Province's financial condition but are not intended as commentary on the financial impact of government policies or fiscal management. Indicators included are among those recommended for reporting by the Public Sector Accounting Board's Statement of Recommended Practice – 4: *Indicators of Financial Condition*.
- 2.3 The indicators provide an overview of the Province's financial performance for the five-year period ending March 31, 2025, and are summarized in the table below.

#### Financial Highlights

Indicator	Five-Year Trend
<b>Sustainability</b>	
Annual surplus or deficit	Favourable
Net debt	Unfavourable
Net debt to GDP	Favourable
Net debt to total revenue	Favourable
Unmatured Debt	Unfavourable
<b>Flexibility</b>	
Interest on unmaturred debt	Unfavourable
Provincial source revenue to GDP	Unfavourable
Debt servicing costs to total revenue	Favourable
Debt servicing costs per capita	Unfavourable
<b>Vulnerability</b>	
Federal transfers to total revenue	Favourable

- 2.4 It is important to note the significant impact of the COVID-19 pandemic on trends of the Province's financial indicators. The pandemic caused unexpected costs, disrupted normal operations, and resulted in a downturn in the Province's economy and finances. What followed was an economic rebound that resulted in unprecedented levels of growth in GDP and total revenues. The rebound may cause some indicators to appear more favourable than usual, and it is important to recognize



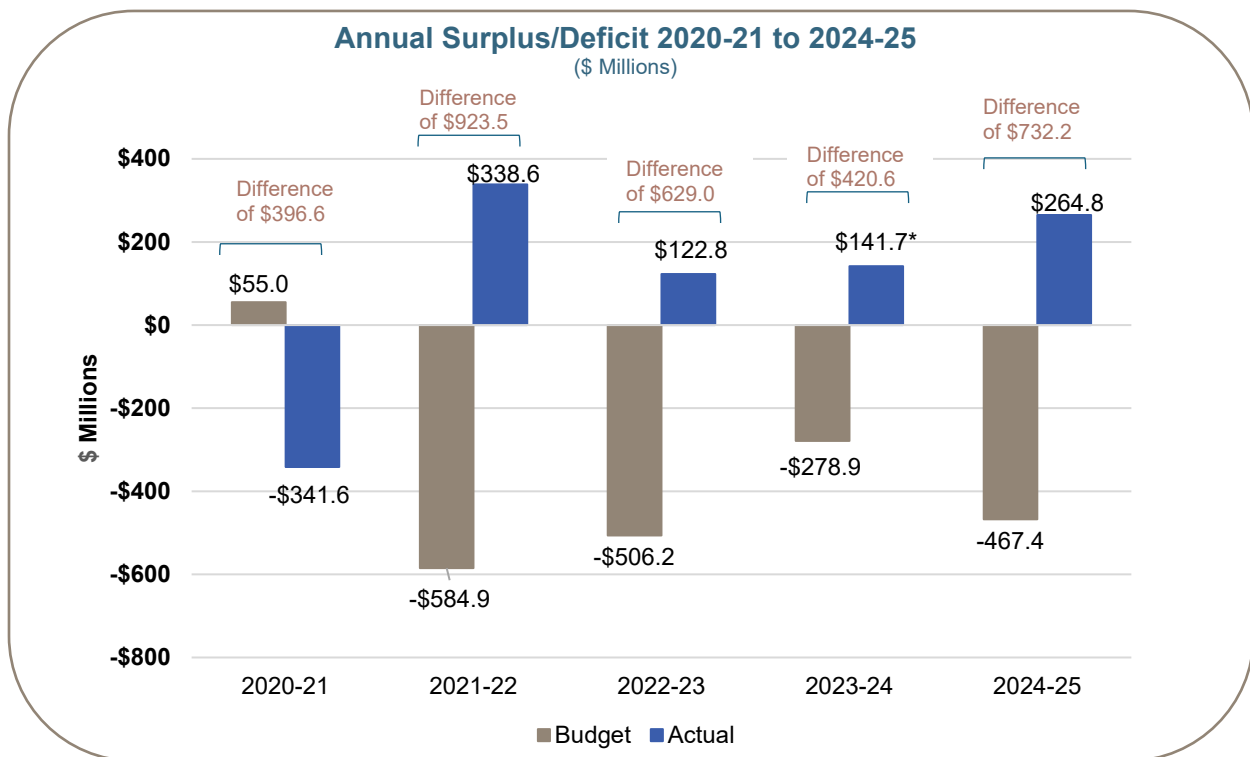
that these levels of growth might not continue. The 2020-21 year was significantly impacted, therefore, when analyzing data from 2020-21 to 2024-25, particularly those involving GDP and revenues, consideration should be given to the unusual nature of the five-year period to avoid misinterpreting long-term trends. Further detail is provided in paragraph 2.16.

## Sustainability

- 2.5 Sustainability measures the ability of a government to maintain its existing programs and services, including its financial obligations to creditors, without increasing debt or tax rates.

### The Province reports a provincial surplus of \$264.8 million for the year 2024-25

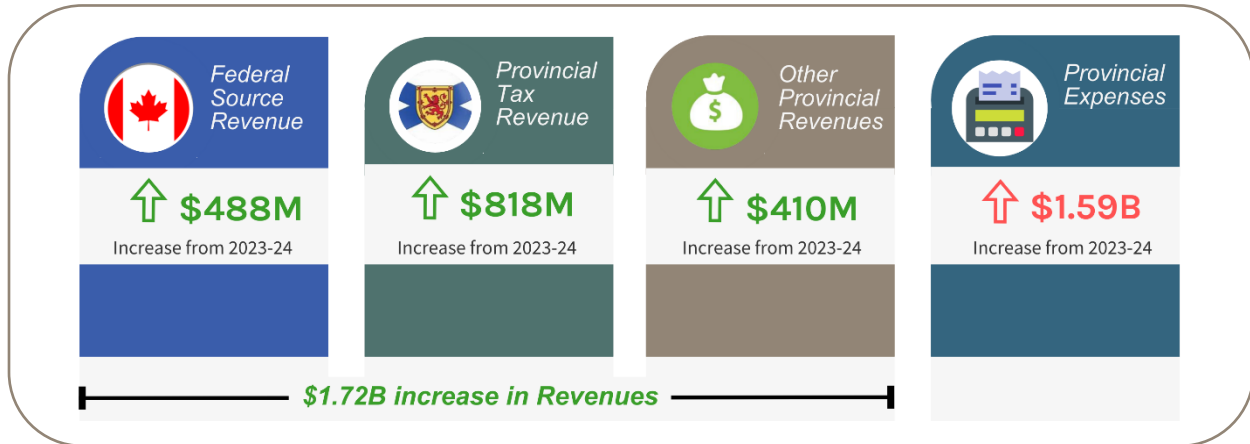
- 2.6 For the fourth year in a row, reported results in 2024-25 show improvement over the initial 2024-25 budget estimates. The difference between budget to actuals increased in 2024-25. The difference in 2024-25 was \$732.2 million as compared to \$420.6 million reported for 2023-24, and \$629.0 million reported for 2022-23.



Source: 2020-21 to 2024-25 Public Accounts

\*See Note 2 of the 2024-25 Consolidated Financial Statements: 2023-24 value was restated from \$143.6 M to \$141.7 M

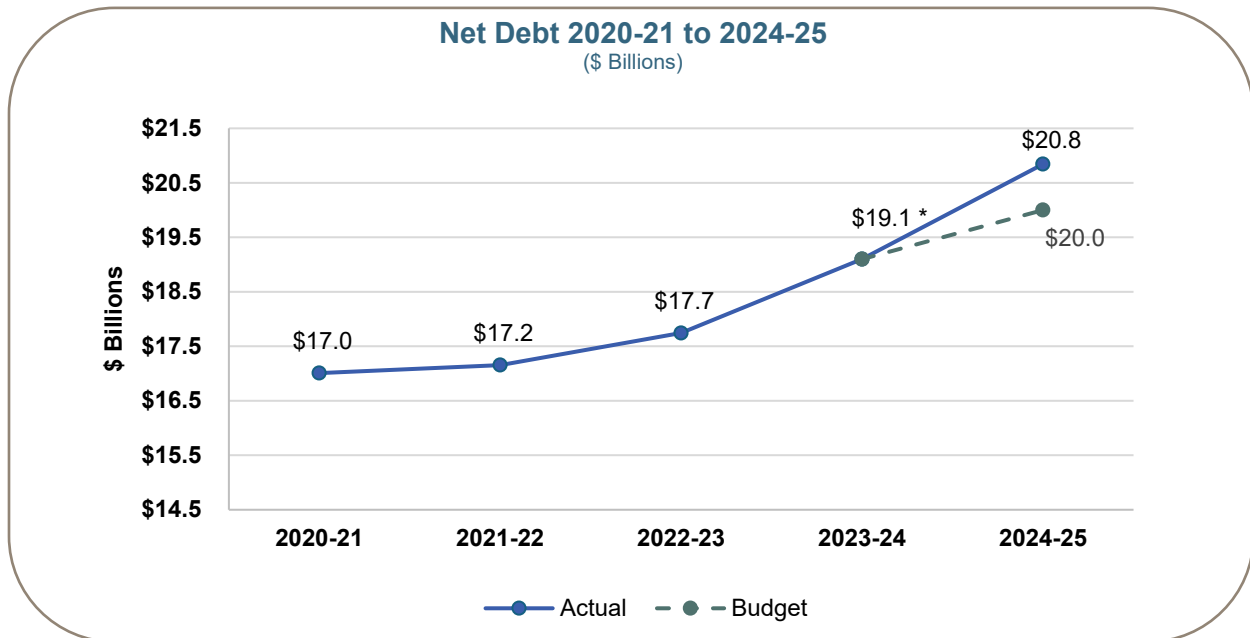
- 2.7 This year's audited financial statements reported a surplus of \$264.8 million which was approximately \$123 million higher than the prior year's restated surplus. The 2024-25 revenues were \$1.72 billion higher than prior year and expenses were \$1.59 billion higher.



Source: 2024-25 Public Accounts

## The Province's net debt continues to increase and reached \$20.8 billion in 2024-25

- 2.8 Nova Scotia's net debt continues to grow despite recent reported surpluses and was \$20.8 billion at the end of 2024-25. A trend of increased net debt weakens a government's financial position. More of its future revenues will be needed to pay its past debts and could negatively impact the ability to provide the necessary level of services needed by its citizens without additional borrowing or increasing revenues. Results in 2024-25 show an increase of \$1.7 billion in net debt over 2023-24, and an increase of \$812 million from the adjusted estimate reported in the 2024-25 Public Accounts.



Source: 2024-25 Public Accounts, 2023-24 Public Accounts and 2024-25 Nova Scotia Budget

\*See Note 2 of the 2024-25 Consolidated Financial Statements: 2023-24 value was restated from \$18.5 B to \$19.1 B

- 2.9 In 2024-25, Nova Scotia's \$28.1 billion in liabilities exceeded its financial assets of \$7.3 billion, resulting in \$20.8 billion reported for net debt on the consolidated financial statements.

### Nova Scotia's Liabilities and Financial Assets

Financial Assets 2025  
**\$7.3B**



Cash, Accounts Receivable, Loans Receivable,  
Investments\*



Liabilities 2025  
**\$28.1B**



Accounts Payable, Bank Advances, Unmatured Debt,  
and Pension, Retirement and Other Obligations\*



Net Debt 2025  
**\$20.8B**



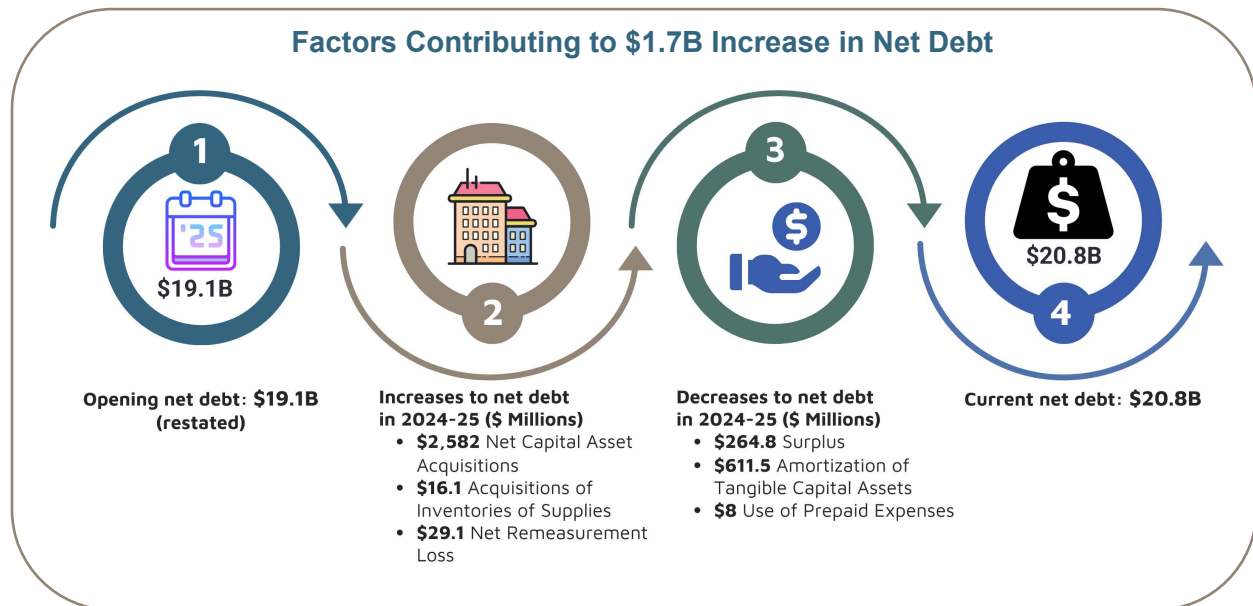
Reported for net debt on the consolidated financial  
statements

Source: 2024-25 Public Accounts

\*Refer to 2024-25 Public Accounts for full list of liabilities & financial assets

- 2.10 The key factor to the \$1.7 billion increase in net debt for 2024-25 was the net capital asset acquisitions of \$2.6 billion, which was offset slightly by the \$264.8 million surplus and \$611.5 million in amortization.

### Factors Contributing to \$1.7B Increase in Net Debt

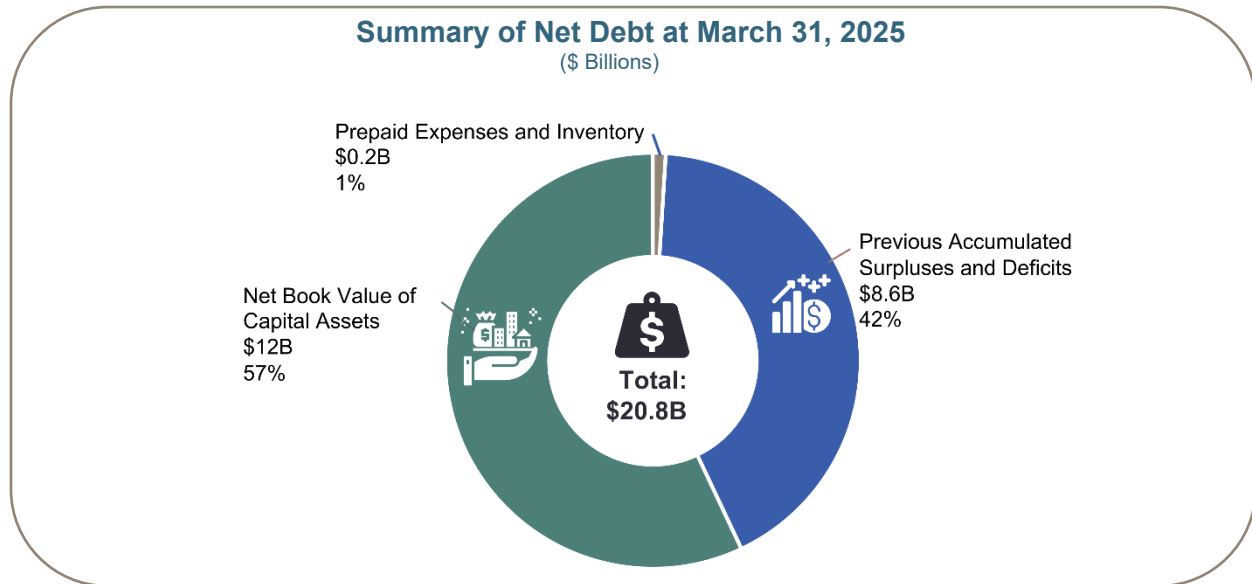


Source: 2024-25 Public Accounts

- 2.11 The tangible capital asset balance changes due to additions, disposals and amortization of provincial assets. The most significant categories of capital assets include:

- Buildings and land improvements
- Roads, bridges and highways
- Land
- Machinery, computers and equipment

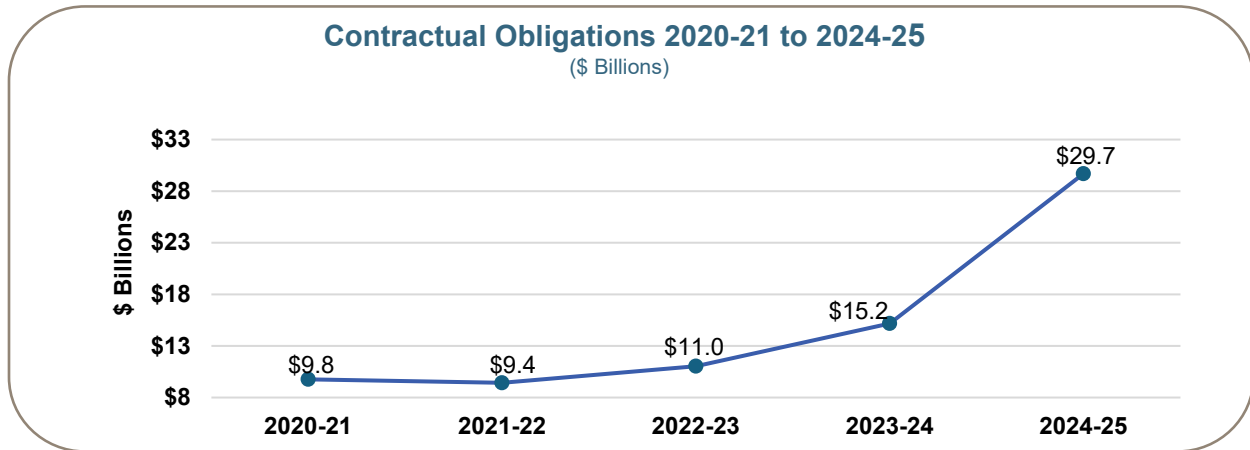
- 2.12 In 2024-25, tangible capital assets accounts for 57 per cent of the net debt. Two significant increases include \$324.9 million of care facilities at the Department of Seniors and Long-term Care, and \$322.8 million in roads, bridges and highways, which is driven primarily by the Halifax-Dartmouth Bridge Commission (\$263.6 million) as it transitions from a Government Business Enterprise to a Crown corporation. See Chapter 1 for more details on both.



Source: 2024-25 Public Accounts

### The Province's contractual obligations continue to increase and reached \$29.7 billion in 2024-25

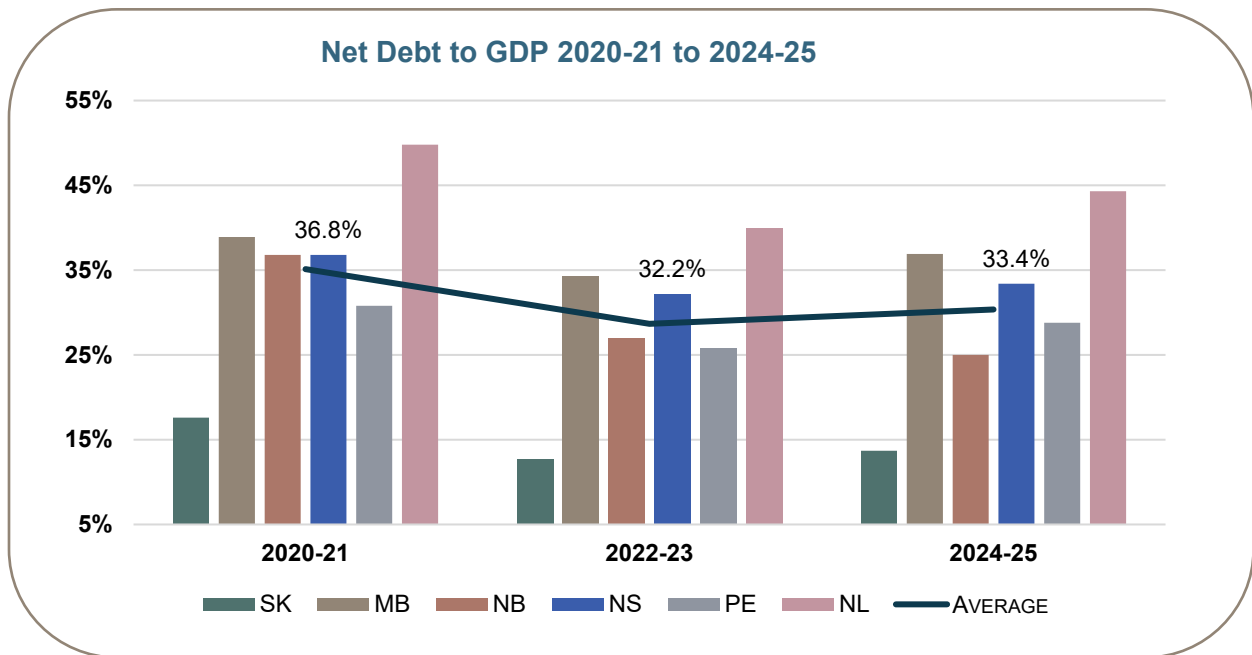
- 2.13 The Province's contractual obligations are obligations to others that will become liabilities in the future when the terms of the contracts or agreements are met. It is only when they become liabilities that the obligations are added to the Province's net debt. For example, when the contract terms of a long-term care facility indicate that the Province is obligated to begin funding operations upon opening, the contractual obligation is only included in net debt when the facility begins providing services and not necessarily when the contract was signed.
- 2.14 Over the past five years, Nova Scotia's contractual obligations have increased from \$9.8 billion in 2020-21 to \$29.7 billion in 2024-25. In 2024-25, one of the major contributors to the increase was \$7.2 billion for service agreements with long-term care facility operators at the Department of Seniors and Long-term Care.



Source: 2020-21 to 2024-25 Public Accounts

### Province's net debt to GDP ratio has remained relatively stable due to continued economic growth

- 2.15 The net debt to GDP ratio is used to assess the Province's ability to pay its financial obligations and render services.
- A low ratio indicates a level of economic output that supports debt repayment.
  - The higher the ratio, the more difficult it may be for the Province to pay its debt while maintaining the same service levels and tax rates.
- 2.16 As reported above, over the past five years, the Province's net debt has grown by \$3.8 billion while the net debt to GDP ratio has decreased slightly and remained relatively stable overall. This indicates that the increase in net debt has been offset by increased GDP. Nova Scotia's GDP grew \$16.2 billion or 35 per cent over the same period, largely driven by a rebound in economic activity following the COVID-19 pandemic. The September 2025 Budget Forecast update shows the 2025-26 deficit is forecast to increase from \$697.5 million to \$1.2 billion primarily driven by increases in expenditures. Should the level of economic growth experienced since the end of the pandemic slow down, the net debt-to GDP ratio could rise.
- 2.17 Compared to other Atlantic provinces and those of similar population, Nova Scotia reports an above-average net debt to GDP ratio. The percentages are not strictly comparable between provinces due to accounting and reporting differences.



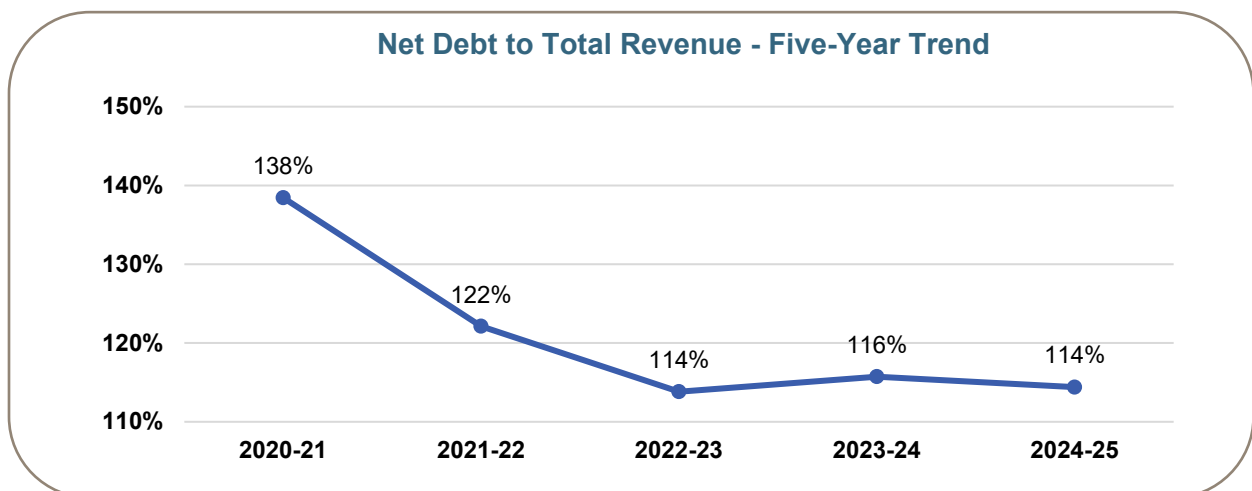
Source: 2024-25 Public Accounts of Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador

## Net debt to total revenue improved over the last five years

2.18 Net debt to total revenue provides a measure of the future revenue that is required to pay for past transactions and events.

- A decreasing net debt to total revenue ratio indicates higher sustainability, as less time may be required to repay debt.
- An increasing net debt to total revenue ratio indicates lower sustainability, as more time may be required to repay debt.

2.19 Net debt to total revenue improved in 2024-25 and matched the low of 114 per cent realized in 2022-23.

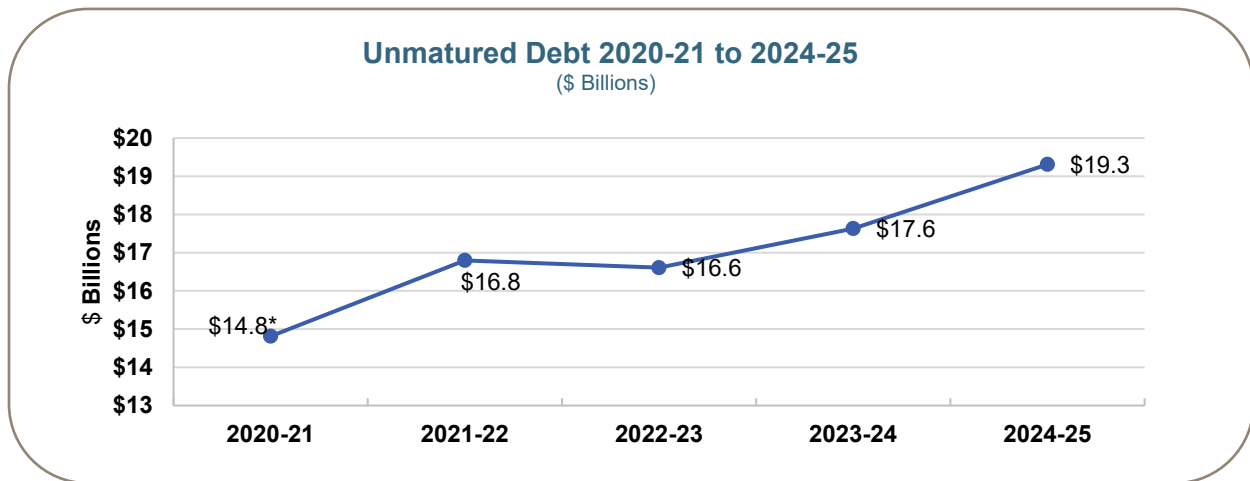


Source: 2024-25 Public Accounts

## Province's unmatured debt increased by \$1.7 billion to \$19.3 billion in 2024-25

2.20 The Province's unmatured debt is primarily made up of long-term debentures and various loans. It includes new debt issuances and those from prior years.

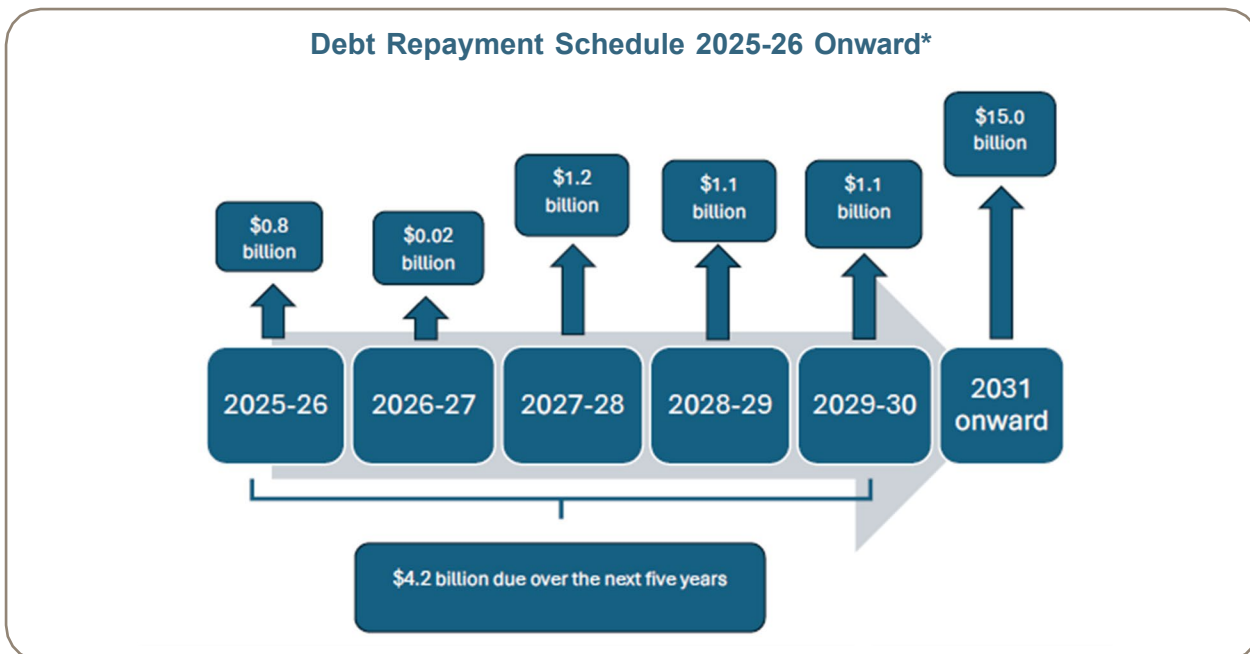
2.21 Between 2023-24 and 2024-25, unmatured debt increased \$1.7 billion; and, since 2020-21, has increased \$4.5 billion.



Source: 2024-25 Public Accounts

\*2020-21 has not been restated for the impacts of PS 3450 Financial Instruments

2.22 Paying down debt will take up a significant portion of the province's revenues in both the short- and long-term. Future cash requirements to repay debt in the next five years and beyond are outlined in the chart below.



Source: 2024-25 Public Accounts

\*Amounts here have been rounded



## Flexibility

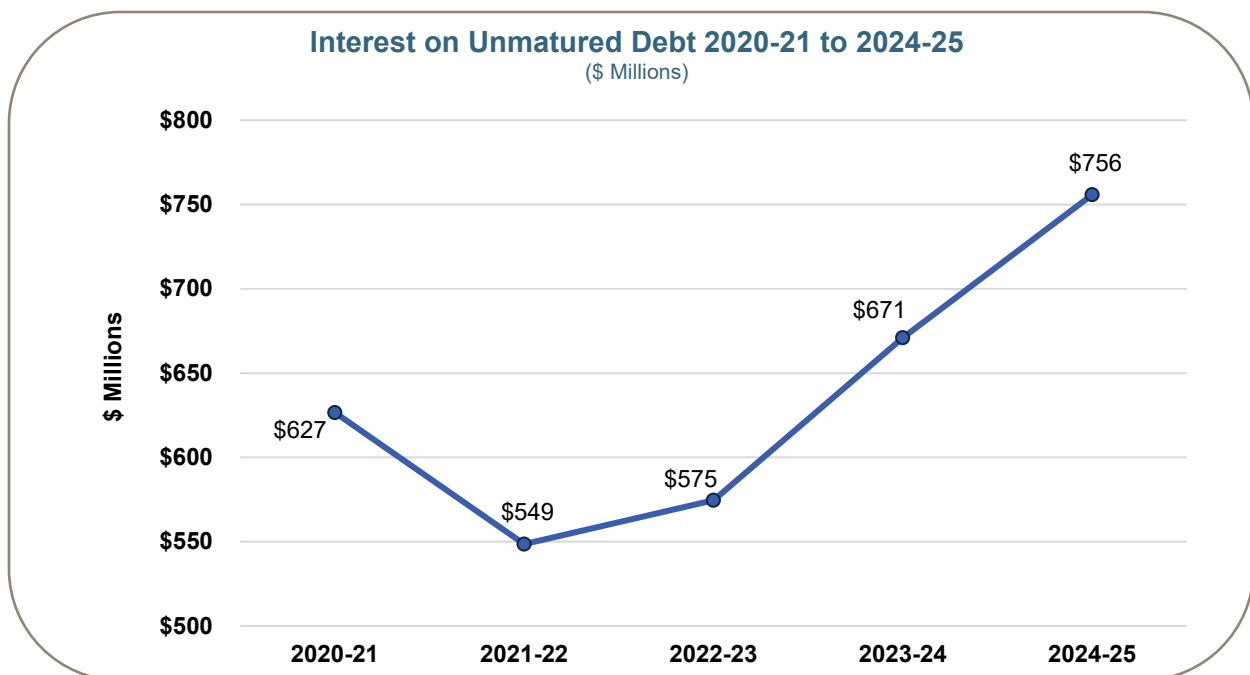
2.23 Flexibility is the degree to which a government can change its debt or tax burden on the economy to meet its existing financial obligations. Increasing debt obligations and growing interest costs reduce a government's future flexibility and its ability to adapt to changing circumstances.

### Interest on unmatured debt increased \$85 million in 2024-25

2.24 Interest on unmatured debt includes interest on outstanding debentures, loans, capital leases and other costs related to debt financing.

- Higher interest on unmatured debt means the Province is using more of its revenue to pay for interest and is therefore not able to use that money to provide services or reduce taxation.
- Lower interest on unmatured debt allows the Province greater flexibility to provide its services and meet financial commitments.

2.25 The interest on unmatured debt for 2024-25 was \$756 million; an increase of \$207 million from the five-year low of \$549 million in 2021-22.



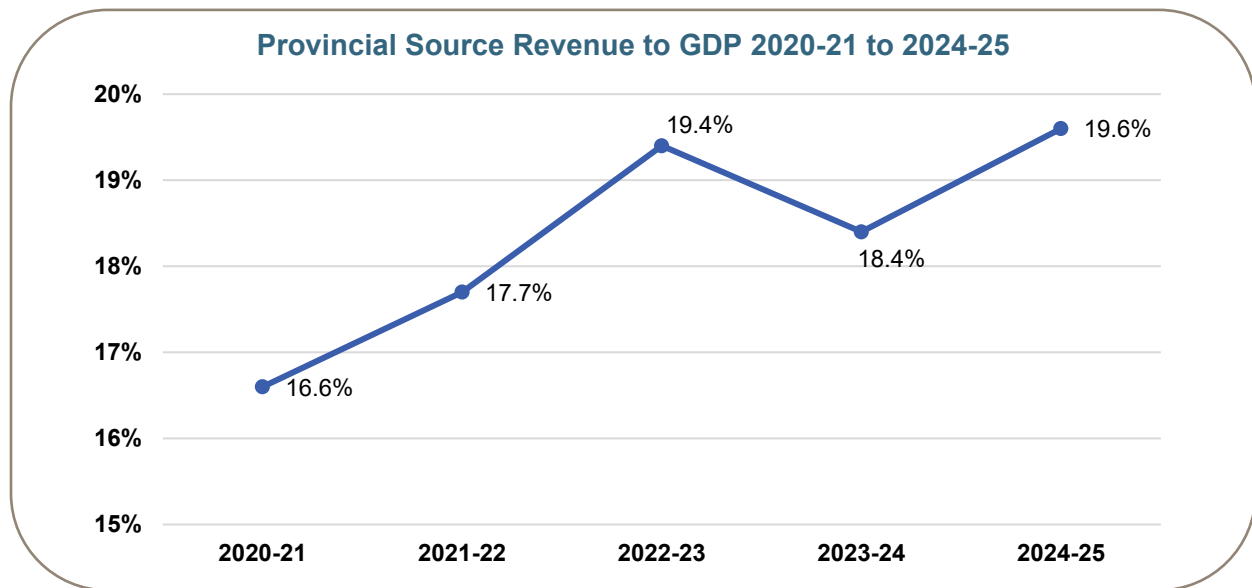
Source: 2024-25 Public Accounts

### Provincial source revenue to GDP worsened in 2024-25, increasing to 19.6%

2.26 Provincial source revenue as a percentage of GDP shows the extent to which the government is leveraging funds it collects through taxation, user fees, and other revenue sources it controls. A high taxation burden may make a jurisdiction less competitive and limit a government's ability to increase own-source revenues. This indicator can help a government determine the extent to which it can access provincial source revenues in the future.

- Increases in this ratio may reduce future flexibility in generating revenue.
- Decreases in this ratio may increase future flexibility in generating revenue.

2.27 The demands on the provincial economy are increasing and are at the highest level in the past five years at 19.6 per cent.



Source: 2024-25 Public Accounts

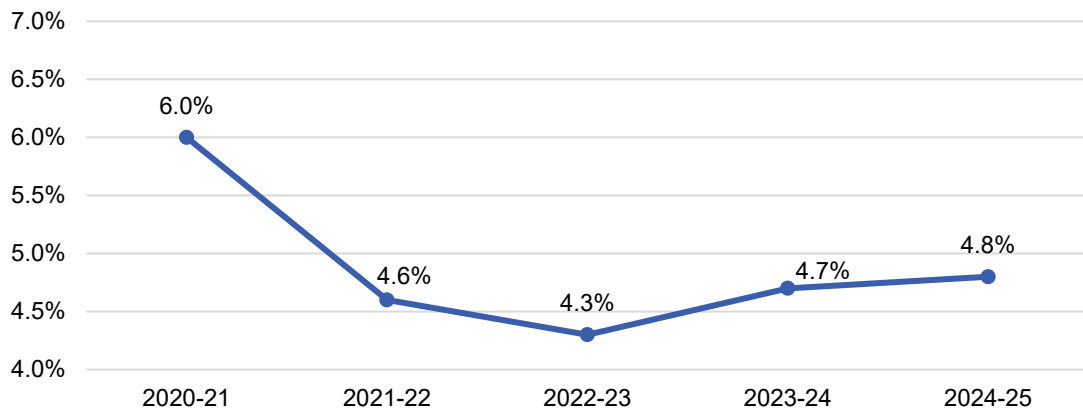
### Debt servicing costs to total revenue have increased slightly from 2023-24

2.28 Debt servicing costs to total revenue measures the proportion of every dollar of revenue that is needed to pay for debt related costs, including interest on unmatured debt, leaving less room for program initiatives, tax reductions, or debt reduction.

- A lower ratio indicates the Province needs less revenue to meet interest costs on outstanding debt and therefore has more flexibility in meeting financial commitments.
- A higher ratio indicates the Province needs more revenue to meet interest costs on outstanding debt and therefore has less flexibility in meeting financial commitments.

2.29 The Province's debt servicing costs to total revenue increased slightly in 2024-25 but is 1.2 percentage points lower than 2020-21.

### Debt Servicing Costs to Total Revenue 2020-21 to 2024-25

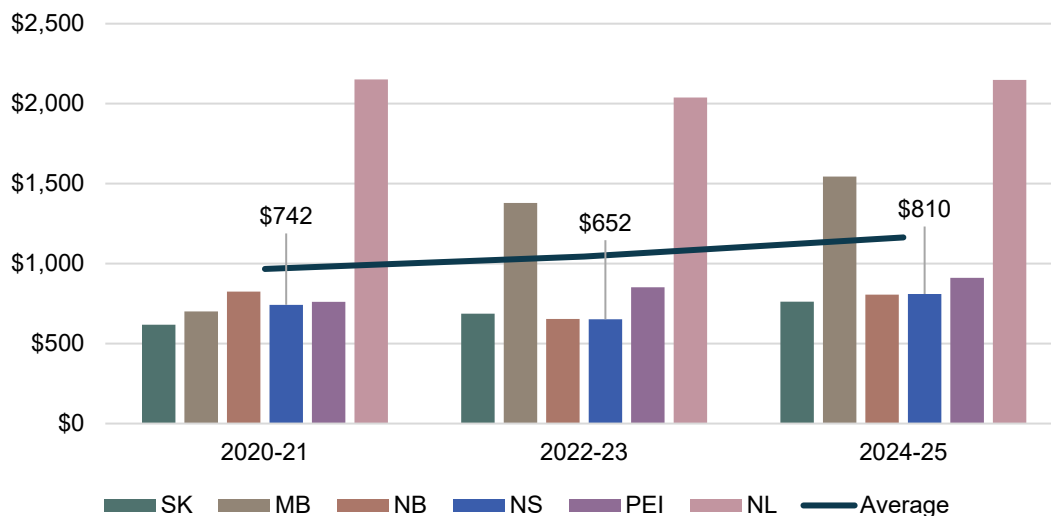


Source: 2024-25 Public Accounts

### Debt servicing costs per capita is the highest of the past five years

- 2.30 The debt servicing costs per capita presents the interest on unmatured debt and other obligations the Province paid in relation to every Nova Scotian. The cost-per-Nova Scotian continues to increase and at \$810, is the highest of the past five years (the lowest of \$637 was reported in 2021-22).
- 2.31 The following chart shows Nova Scotia's debt servicing costs per capita compared to other Atlantic provinces and those of similar population. While the results are not strictly comparable between provinces due to accounting and reporting differences, the chart shows that Nova Scotia is one of the provinces with a lower-than-average ratio.

### Debt Servicing Cost Per Capita 2020-21 to 2024-25



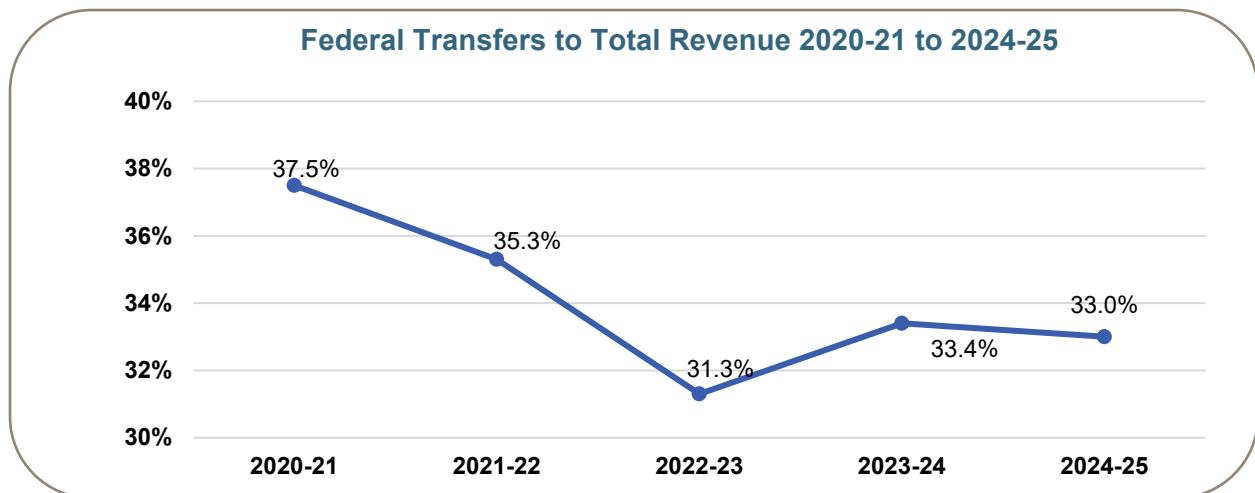
Source: Recalculated by OAG NS from the 2020-21 to 2024-25 Public Accounts of Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and the population estimates from Statistics Canada

## Vulnerability

- 2.32 Vulnerability indicators measure a government's dependency on sources of revenue outside its control and its exposure to risks which might affect a government's ability to meet its commitments.

### Dependency on federal government transfers has slightly decreased from prior year

- 2.33 Nova Scotia continues to rely on federal government equalization payments and other transfers. \$1 in every \$3 of the Province's revenue comes from the federal government. The 2024-25 result decreased slightly by 0.4 percentage points from prior year.



Source: 2024-25 Public Accounts

## Revenue Highlights

- 2.34 Information presented in this section is strictly the reported financial results and is not intended as commentary on policy decisions, actual programs and services, inflation, and other factors impacting the reported revenues.

### Provincial source revenue \$1.5 billion higher than budget

- 2.35 In 2024-25, the Province budgeted \$10.7 billion from consolidated provincial source revenue. However, actual consolidated provincial source revenue was \$12.2 billion, \$1.5 billion higher than budgeted.
- 2.36 A large portion of the \$1.5 billion in revenues over budget is attributed to Prior Year Adjustments (PYAs). PYAs are recorded as more current information becomes available. For example, the tax revenues for the year are estimated based on forecasting both future economic and tax filing data since there is a lag between when the forecast is made and the receipt of actual results (i.e. once personal tax returns are filed and assessed). As actual filing data is received, the Province records a PYA for the difference between the original estimate and the most recent actual data. The largest PYAs are generally recorded for personal income tax, corporate income tax, and harmonized sales tax revenues. The PYAs are not budgeted; therefore, the \$576 million in PYAs recognized in 2024-25 resulted in revenues being over budget and were comprised of:
- \$272.1 million PYA for personal income tax
  - \$163.9 million PYA for corporate income tax
  - \$70.1 million PYA for harmonized sales tax

- \$55.3 million PYA for Petroleum royalties; and
- \$14.7 million PYA for financial institutions capital tax

2.37 The largest provincial revenue sources are major tax revenues which in 2024-25 were:

- Personal income tax revenue \$4.5 billion<sup>1</sup>
- Harmonized sales tax revenue \$2.7 billion<sup>1</sup>
- Corporate income tax revenue \$942.5 million<sup>1</sup>

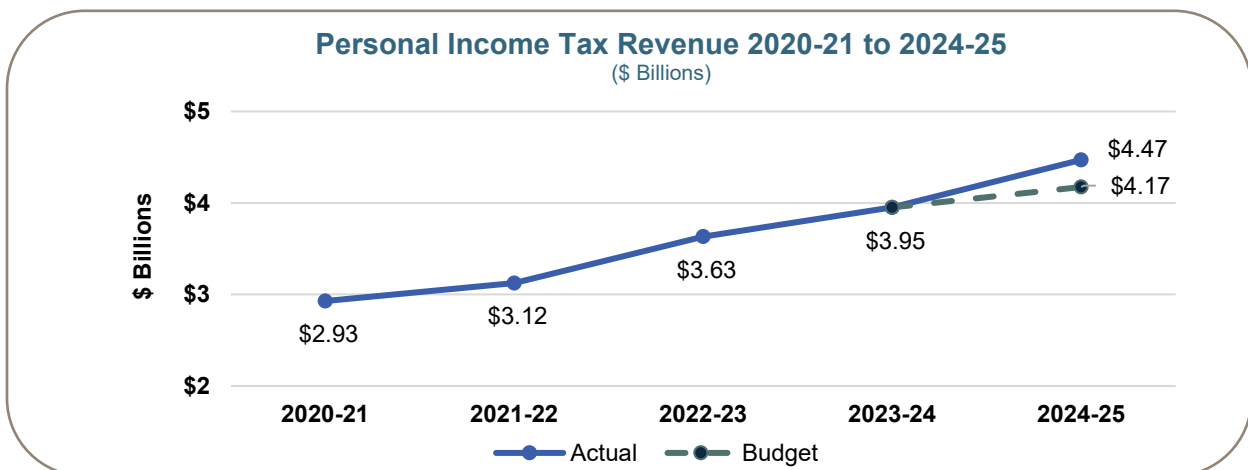
2.38 The PYAs from underestimating these major tax revenues have resulted in the Province realizing a large increase in revenue from original estimates. Over the last few years, the Province has used a significant portion of these unbudgeted revenue windfalls to advance various programs and initiatives using additional appropriations. See Chapter 1 for discussion on additional appropriations.

2.39 The Province has adjusted the forecasting tax models in 2024-25 to attempt to reduce the large PYAs. For the first time, this year's model incorporates a tax sharing statement (TSS) from June 2025 while in the past, the model would include a December TSS related to the previous tax year. This update was possible because of the later release of the 2024-25 Public Accounts in September 2025 rather than the historical timing of July. The updated model can lead to more accurate forecasts which could in future reduce the PYAs.

### Personal income tax revenue was higher than both the budget and prior year amounts

2.40 Personal income tax revenue of \$4.5 billion was the largest source of provincial revenue reported in 2024-25. It was \$297 million or 7.1 per cent higher than the budget, primarily due to higher projections for both taxable income and the yield rate. Consideration of yield rates is important because income tax is calculated at progressively higher tax rates for incrementally higher income. For example, yield rate and tax collected from individuals earning higher income is greater than that collected from individuals with lower income. Higher-income individuals pay a higher tax rate on their higher levels of income and therefore the tax yield on their income overall is greater.

2.41 Personal income tax revenue has risen by \$1.5 billion or 53 per cent since 2020-21.

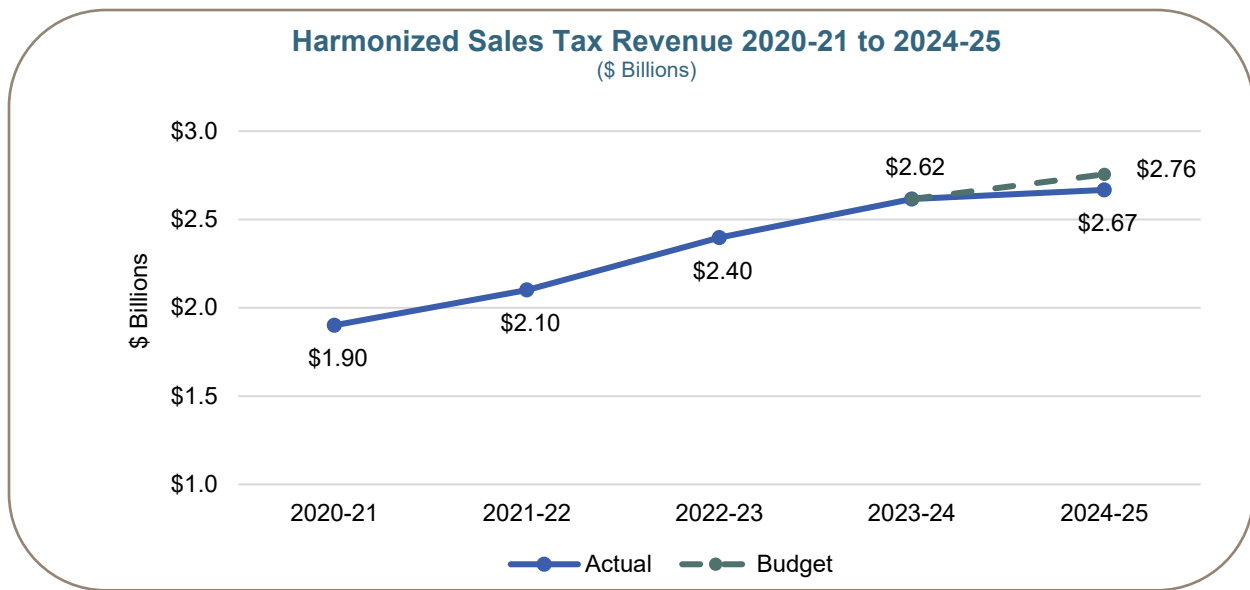


Source: 2020-21 to 2024-25 Public Accounts

<sup>1</sup> This amount does not include prior year adjustments

## Harmonized sales tax revenue was lower than the budget and higher than prior year amounts

- 2.42 Harmonized sales tax revenue was \$88.6 million lower in 2024-25 compared to the budget primarily due to higher rebates, including the temporary HST tax relief provided from December 14, 2024 to February 15, 2025. During the two-month tax break, no HST was charged on qualifying items or services.
- 2.43 Harmonized sales tax revenue has been on an upward trend since 2020-21 and has grown by \$766 million or 40 per cent since 2020-21 to \$2.7 billion in 2024-25.

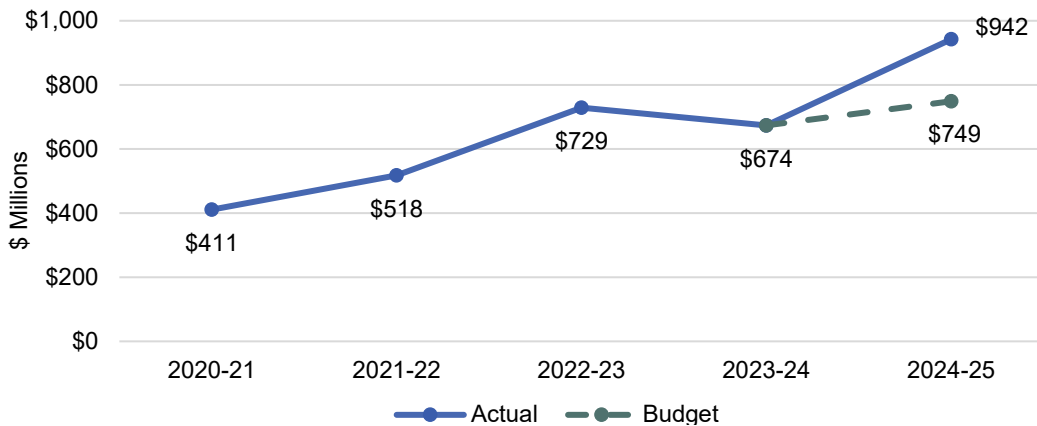


Source: 2020-21 to 2024-25 Public Accounts

## Corporate income tax revenue has more than doubled over the past five years

- 2.44 Corporate income tax revenue was \$193.6 million higher than budget in 2024-25. This happened because businesses across Canada earned significantly more taxable income—up 16.2% in 2024 and 13.7% in 2025. Nova Scotia benefited from this national growth, as its share of the total corporate taxable income also increased—by 5.2% in 2024 and slightly again in 2025. Additionally, fewer small businesses contributed to the overall taxable income, which meant a larger portion came from larger corporations that pay higher tax rates.
- 2.45 Over the past five years, corporate income tax revenue has increased from \$411 million in 2020-21 to \$942 million in 2024-25. This is a \$532 million or a 129 per cent increase overall, even though the corporate tax rate was reduced by 2 per cent to 14 per cent, effective April 1, 2020.

### Corporate Income Tax Revenue 2020-21 to 2024-25 (\$ Millions)



Source: 2020-21 to 2024-25 Public Accounts

### Net income from Government Business Enterprises increased

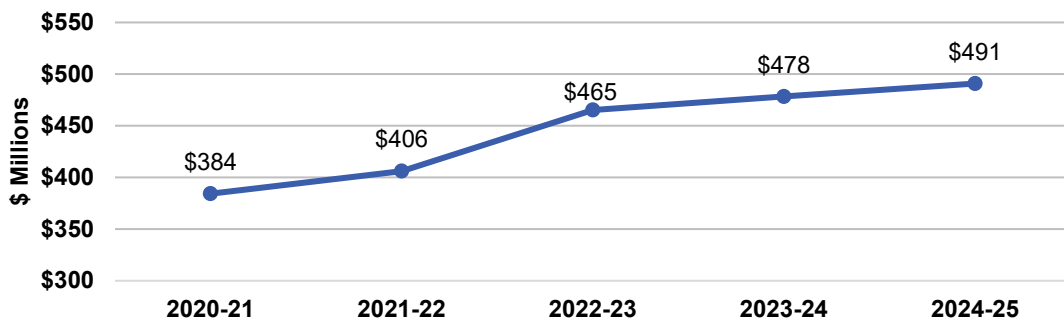
2.46 Net income from government business enterprises (GBEs) increased \$12.5 million or 2.6 per cent in 2024-25, reaching a five-year high of \$491 million. The increases and decreases are as follows:

GBE	2024-25 Financial Results
Nova Scotia Liquor Corporation	Net income of \$280.2 million. This represents a decrease of \$3.6 million from the prior year.
Nova Scotia Gaming Corporation	Net income of \$206.7 million. This is \$27.7 million or 15.5 per cent higher than the prior year primarily due to increased revenues.
Halifax-Dartmouth Bridge Commission*	Net Loss of \$1.3 million. This is a \$10.1 million decrease from the prior year.
Highway 104 Western Alignment Corporation	Net income of \$5.3 million. A decrease of \$1.5 million from the prior year.

Source: 2024-25 Public Accounts

\*The Halifax-Dartmouth Bridge Commission was no longer a GBE at March 31, 2025. See Chapter 1 for further details

### Net Income from Government Business Enterprises 2020-21 to 2024-25 (\$ Millions)



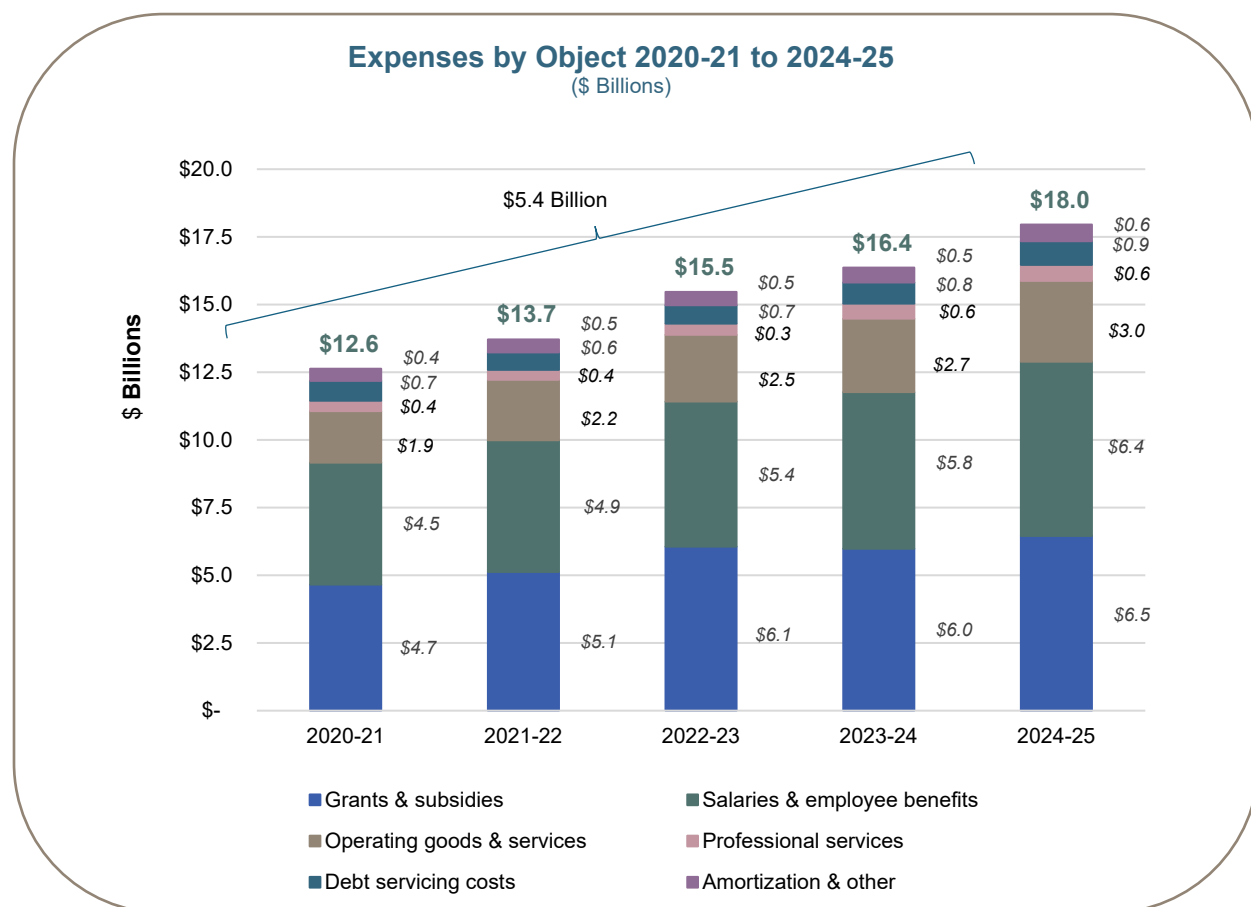
Source: 2020-21 to 2024-25 Public Accounts



## Expense Highlights

### Expenses have increased \$5.4 billion over five years

2.47 Expenses have increased \$5.4 billion over five years; averaging \$1.1 billion per year. Salaries and Employee Benefits and Grants and Subsidies are the two categories incurring the largest expenses, growing by \$1.93 billion and \$1.80 billion respectively. The fastest growth is attributed to Operating Goods and Services and Professional Services at 57% and 54% respectively.



Source: 2020-21 to 2024-25 Public Accounts

## Chapter 2 Glossary

**Annual surplus/deficit:** The amount by which revenues cover expenses. A surplus occurs when revenues are greater than expenses. A deficit occurs when expenses are greater than revenues.

**Debt servicing costs:** These expenses include interest on unmatured debt as well as the interest on other obligations such as pensions. It represents the amount of revenue that is needed to pay interest and thus not available to provide program initiatives, tax reductions or debt reductions.

**Federal government equalization payments:** Amounts received from the Government of Canada as part of the program for addressing fiscal disparities among provinces.

**Government Business Enterprises (GBE):** These are self-sustaining government organizations that have been delegated the financial and operating authority to carry on business activities by selling goods and services outside of the government reporting entity. Government business enterprises in Nova Scotia include the Nova Scotia Liquor Corporation, Nova Scotia Gaming Corporation (casino and lottery operations), Halifax-Dartmouth Bridge Commission, and Highway 104 Western Alignment Corporation.

**Gross domestic product (GDP):** The amount of value added from the production of all goods and services within the Province in a given year; one of the primary measures used to evaluate a province's economic condition.

**Interest on unmatured debt:** This is the cost associated with servicing past borrowing obligations, including debentures, capital leases and long-term debt under Public Private Partnership (P3) arrangements.

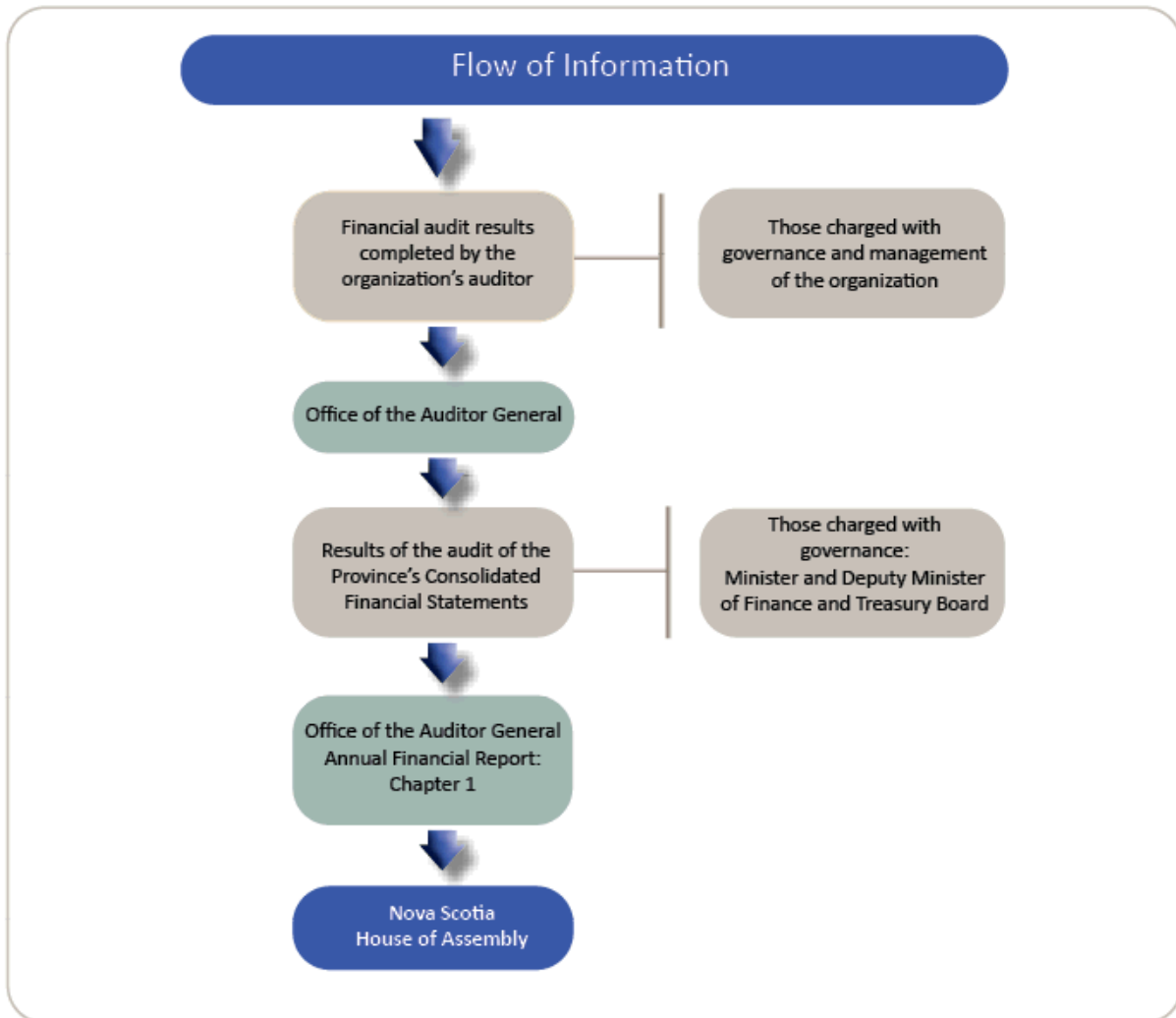
**Net Debt:** This represents the extent to which a government's total liabilities exceed total financial assets. It reflects the accumulation of annual deficits, surpluses and other adjustments. It represents the liabilities that must be funded by future revenues, including taxation, and remains an obligation for future generations to fund.

**Net debt to GDP ratio:** The net debt to GDP ratio is used to assess the Province's ability to pay its financial obligations and render services. It shows the relationship between a government's net debt and the activity in the economy. A stable net debt-to-GDP ratio indicates a government's overall fiscal policies are sustainable, to the extent that the rate of economic growth is the same as the growth in net debt.

**Unmatured debt:** The unmatured debt of the Province includes Canadian debentures, long-term debt obligations arising from Public Private Partnership (P3) arrangements, and capital leases.

## Appendix I - Reporting on Financial Audits

The results of the individual financial audits of government organizations are reported to their respective management teams and those charged with governance. The Office also uses this information to conduct the audit of the Province's Consolidated Financial Statements and in the Office's annual financial report to the House of Assembly.



## Appendix II – Independent Auditor's Report

Auditor General of Nova Scotia

5161 George Street  
Royal Centre, Suite 400  
Halifax, Nova Scotia  
B3J 1M7



# Independent Auditor's Report

To the Members of the Legislative Assembly of Nova Scotia:

Report on the Audit of the Consolidated Financial Statements

### Opinion

I have audited the consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statement of operations and accumulated deficits, consolidated statement of changes in net debt, consolidated statement of remeasurement gains and losses, and consolidated statement of cash flow for the year then ended, and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Nova Scotia as at March 31, 2025, and the consolidated results of its operations, consolidated changes in its net debt, consolidated remeasurement gains and losses, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Province of Nova Scotia in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the Province of Nova Scotia for the year ended March 31, 2025. In applying my professional judgment to determine key audit matters, I considered those matters that are complex, have a high degree of uncertainty, or are important to the public because of their significance.

The key audit matters were addressed in the context of my audit of the consolidated financial statements of the Province of Nova Scotia as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

### KEY AUDIT MATTER

#### Major tax revenues (PIT, CIT, HST)

Major tax revenues include personal income tax (PIT), corporate income tax (CIT), and harmonized sales tax (HST) and were determined to be a key audit matter because:

- Major tax revenues are material and are based on management's best estimates using statistical models and assumptions; and
- Significant uncertainty is present in these estimates, as they involve forecasting future economic and tax filing data since there is a delay in when the Province receives actual results (i.e. once personal tax returns are filed).

Major tax revenues are disclosed in:

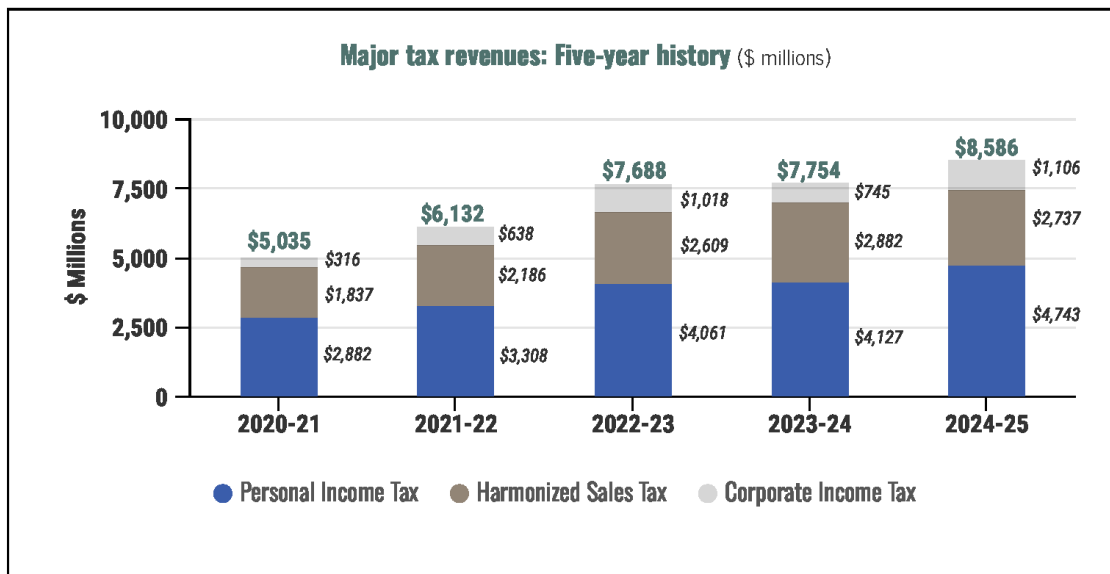
- Note 1, Financial Reporting and Accounting Policies; and
- Schedule 1, Revenue.

### HOW WE ADDRESSED THIS MATTER

We concluded that major tax revenues are fairly stated, in all material respects, and are disclosed appropriately in accordance with Canadian public sector accounting standards.

#### The matter was addressed by:

- Obtaining an understanding of the systems, processes, and controls over major tax revenues, and assessing the appropriateness of the method used to make the estimate.
- Performing variance analysis over significant balances including retrospective review to assess the accuracy of previous estimates made and potential impact to current year results.
- Testing the underlying data used in the various tax revenue estimation models and reviewing evidence to support the key assumptions.
- Reviewing the estimate for indications of management bias.
- Engaging the services of an auditor's specialist to assist with the audit of these complex estimates of major tax revenues.



## KEY AUDIT MATTER

### Pension, retirement and other obligations

Pension, retirement, and other obligations are a key audit matter because:

- The Province's liability is material and is determined by an actuarial expert;
- Significant uncertainty exists as the liability is based on detailed actuarial assumptions which are subject to change in the future; and
- Amounts recorded in the financial statements may materially change as assumptions vary.

Pension, retirement, and other obligations are disclosed in:

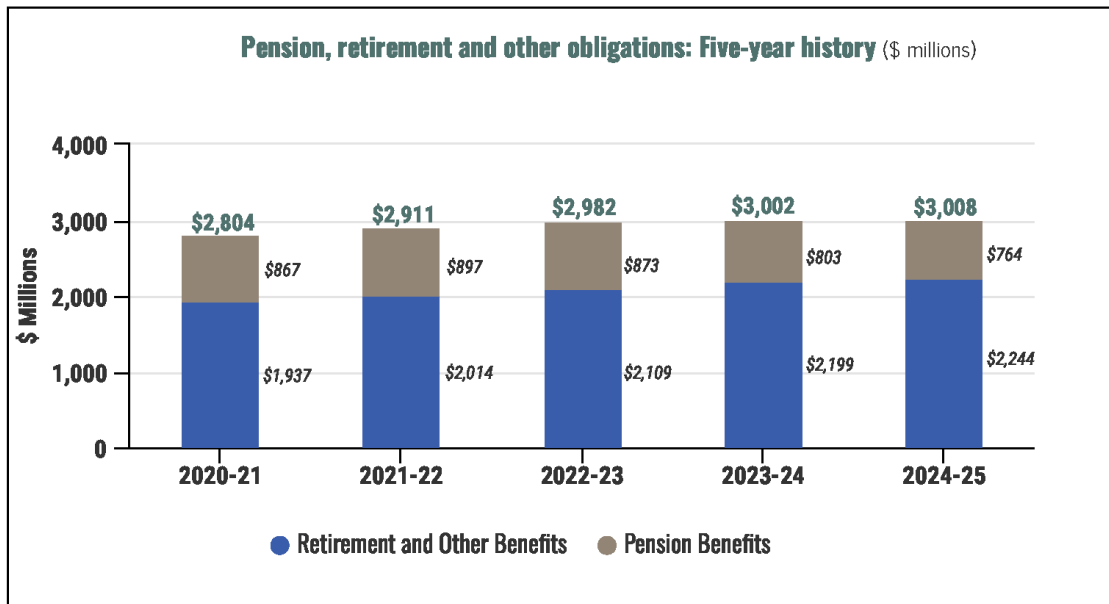
- Note 1, Financial Reporting and Accounting Policies; and
- Note 5, Pension, Retirement and Other Obligations.

## HOW WE ADDRESSED THIS MATTER

We concluded that pension, retirement, and other obligations are fairly stated, in all material respects, and are disclosed appropriately in accordance with Canadian public sector accounting standards.

### The matter was addressed by:

- Obtaining an understanding of the systems, processes, and controls used to value the liability and assessing the appropriateness of the method used.
- Reviewing the valuation of the liability, including key assumptions, for indications of management bias.
- Testing the underlying employee data used in the valuation of the Province's liability and reviewing evidence to support the key assumptions used.
- Relying on the work of the Province's consulting actuary.



**KEY AUDIT MATTER****Liabilities for contaminated sites**

Liabilities for contaminated sites are a key audit matter because:

- The liabilities are subject to significant uncertainty, are material and are estimates of the future costs required to complete the necessary clean-up of the Province's contaminated sites;
- The Province identified 203 contaminated and other environmental sites which are at various stages of evaluation. A liability of \$614 million has been recorded for 103 sites; and
- In the future, as additional environmental investigations are completed and more information becomes available, the Province may need to revise current estimates and account for additional liabilities related to these sites.

Liabilities for contaminated sites are disclosed in:

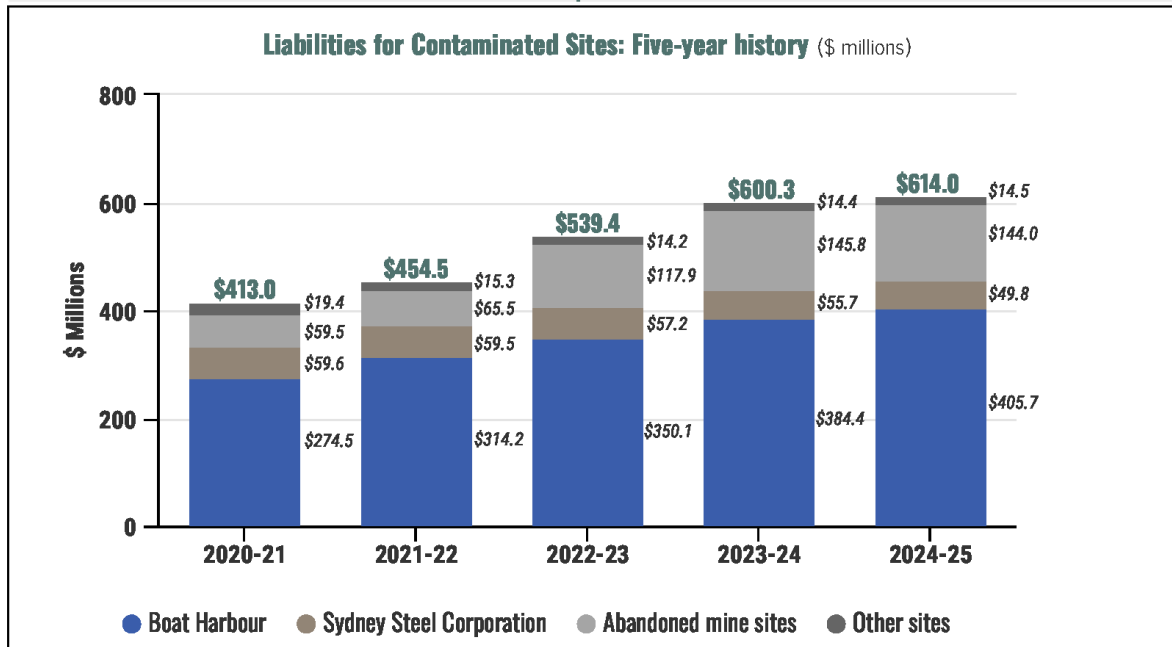
- Note 1, Financial Reporting and Accounting Policies; and
- Note 11, Contaminated Sites.

**HOW WE ADDRESSED THIS MATTER**

We concluded that liabilities for contaminated sites are fairly stated, in all material respects, and are disclosed appropriately in accordance with Canadian public sector accounting standards.

**The matter was addressed by:**

- Obtaining an understanding of the systems, processes, and controls relating to identifying and evaluating contaminated sites, and assessing the appropriateness of the method used to estimate the liability.
- Reviewing the Province's estimate of the liabilities for contaminated sites for indications of management bias.
- Assessing the reasonability of clean-up costs for contaminated sites, including changes to the Province's estimated costs to clean up Boat Harbour.
- Assessing the Province's accounting for liabilities associated with the clean up of abandoned mine sites based on the criteria for recognition in accordance with Canadian public sector accounting standards.
- Reviewing the Province's disclosure of the uncertainty associated with this liability to ensure it is appropriate in accordance with Canadian public sector accounting standards.





## KEY AUDIT MATTER

### Accounting for Long-term Care Facilities

Liabilities for Long-term Care Facilities are a key audit matter because:

- The Province provides significant financial assistance to long-term care homes to facilitate the construction and development of their facilities, enabling them to provide healthcare services to Nova Scotians. Loans to long-term care service providers are significant to the Province's financial statements, and the facilities serve an important function in providing necessary services to Nova Scotians.
- The relationship between the Province and the long-term care service providers is complex. There are a large number of service providers operating in facilities fully financed by the Province. An accounting assessment of these relationships in 2024-25 resulted in a change in accounting to adjust the loans receivable from long-term care service providers and record the related long-term care facilities as tangible capital assets.
- A significant level of effort was involved to assess these relationships and determine that the accounting for the loans receivable and related tangible capital assets was appropriate in accordance with Canadian public sector accounting standards.

Changes to the accounting for Long-term Care Facilities are disclosed in:

- Note 2, Accounting Changes; and
- Schedule 3, Loans and Investments.

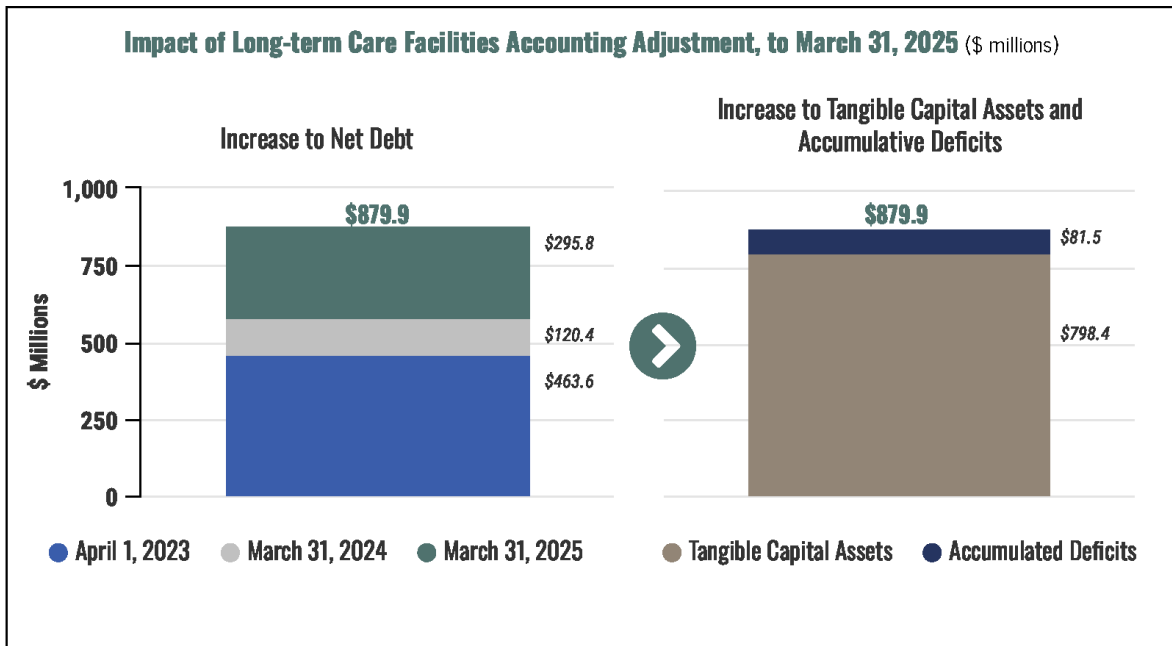
## HOW WE ADDRESSED THIS MATTER

The assessment determined that a direct funding relationship existed between the Province and the Long-term Care service providers and that the Province benefits and bears many of the risks associated with control of the facilities used to provide those services. As a result, loans to long-term care service providers recorded within the Department of Growth and Development totaling \$879.9M were expensed and the corresponding long-term care facilities recorded as Tangible Capital Assets totaling a net book value of \$798.4M. These adjustments were made retroactively on the Province's financial statements.

We concluded that loans receivable and tangible capital assets related to long-term care facilities are fairly stated, in all material respects, and are disclosed appropriately in accordance with Canadian public sector accounting standards.

### The matter was addressed by:

- Obtaining an understanding of the various agreements and substance of the arrangements between the Province and Long-Term Care Facilities funded by the Province, including the accounting implications.
- Analyzing the application of relevant accounting standards and substance of the transactions to draw correct conclusions on the most appropriate accounting treatment.
- Assessing the Province's accounting for loans and the associated long-term care facilities based on the criteria for recognition in accordance with Canadian public sector accounting standards.



## Other Information

Management is responsible for the other information. The other information comprises the information included in Volume 1 of the Public Accounts of Nova Scotia, but does not include the consolidated financial statements and my auditor's report thereon, which I obtained prior to the date of this auditor's report, and the Form 18-K Securities and Exchange Commission filing, which is expected to be made available to us after that date.

My opinion on the consolidated financial statements does not cover the other information and I do not and will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

When I read the Form 18-K Securities and Exchange Commission filing, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance (the Minister and Deputy Minister of Finance and Treasury Board).

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Province of Nova Scotia's ability to continue as a going concern, disclosing, as applicable, matters related to going concern assumption. The going concern basis of accounting has been used in the preparation of the consolidated financial statements, as the Province of Nova Scotia continues to operate as a going concern.

Those charged with governance are responsible for overseeing the Province of Nova Scotia's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province of Nova Scotia's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province of Nova Scotia's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Nova Scotia to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Province of Nova Scotia to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the Province's financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Kim Adair, FCPA, FCA, ICD.D**  
**Auditor General of Nova Scotia**

**Halifax, Nova Scotia**  
**September 19, 2025**

## Appendix III - Additional Appropriations

### Additional Appropriations (\$ Millions)

Appropriation by Department and Other	Total 2024-25 Additional Appropriations	Explanation for 2024-25 Additional Appropriations	Total 2023-24 Additional Appropriations (for comparison)
Advanced Education	14	<ul style="list-style-type: none"> <li>\$1 million funding for new agreement with Atlantic Veterinary College</li> <li>\$13 million for housing project support for Tartan Downs and the Gaelic College Mabou campus, and additional funding to PREP Academy and the Aboriginal Academic Access Post-Secondary Program at the Mi'kmaw Native Friendship Centre</li> </ul>	36
Agriculture	11	<ul style="list-style-type: none"> <li>\$5 million Innovation Adoption Program</li> <li>\$5 million NS Beef Initiative</li> <li>\$1 million Institutional Procurement</li> </ul>	12
Communities, Culture, Tourism and Heritage	83	<ul style="list-style-type: none"> <li>\$1 million fully recoverable expenses for Support4Culture, Mass Casualty Commission Response, French Language Services, and Nova Scotia Museum's website and Pjila'si Exhibit</li> <li>\$18 million for various community grants</li> <li>\$38 million for the Nova Scotia Film Fund</li> <li>\$25.3 million for increases in various community grants</li> </ul>	37
Cyber Security and Digital Solutions	-		6
Education and Early Childhood Development	18	<ul style="list-style-type: none"> <li>\$7 million increase to Teachers' Pension Plan premiums, medical, and dental premiums. Offset by reduction in school capital amortization</li> <li>\$18.5 million for Regional Centres for Education and Conseil scolaire acadien provincial enrolment growth and operational pressures</li> <li>\$11.9 million related to school lunch program</li> <li>Partially offset by lower-than-expected expenses related to Canada Wide Early Learning Childcare Agreement, childcare subsidy program and school capital amortization</li> </ul>	25
Elections Nova Scotia	16	<ul style="list-style-type: none"> <li>\$1 million for Pictou West by-election and election readiness activities</li> <li>\$15 million related to the 42<sup>nd</sup> Provincial General Election held on November 26, 2024</li> </ul>	-
Emergency Management	18	<ul style="list-style-type: none"> <li>\$7.3 million partially recoverable disaster relief costs, and \$1.2 million for creation and set-up of this new department</li> <li>\$6.3 million primarily due to disaster assistance relief and fully recoverable dispatch consoles and the relocation of the EHS Dispatch Centre</li> <li>\$0.1 million for various departmental operating costs</li> </ul>	-
Energy	6	<ul style="list-style-type: none"> <li>\$2.4 million of fully recoverable expenses for the Codes Acceleration Fund</li> <li>\$0.5 million for the Fundy Ocean Research Centre for Energy</li> </ul>	-
Environment and Climate Change	8	Fully recoverable expenses related to the Canada-Nova Scotia Nature Agreement and National Urban Parks Agreement	11
Finance and Treasury Board	179	<ul style="list-style-type: none"> <li>\$157 million related to debt forgiveness for the Halifax-Dartmouth Bridge Commission</li> <li>\$16.9 million in tobacco settlement legal fees</li> <li>\$11.2 million for revised asset retirement obligation estimates</li> </ul>	-
Fisheries and Aquaculture	-		1
Growth and Development (formerly Economic Development)	46	<ul style="list-style-type: none"> <li>\$4.8 million in new funding for the Nova Scotia Loyal Program and increases to Jobs Fund reserves; offset by reductions in Invest Nova Scotia's payroll rebates</li> <li>\$12 million primarily due to increased utilization of the Home Repair and Accessibility Program, Nova Scotia Public Housing Agency operating costs, and a transfer of property to Preston Area Housing Fund</li> </ul>	23

		<ul style="list-style-type: none"> <li>• \$21.7 million to NS Jobs Fund for revised loan valuations</li> <li>• \$11.5 million to Nova Scotia Public Housing Agency</li> <li>• \$9.9 million for Community Housing Capital Fund and affordable housing</li> <li>• \$5 million for the new Neptune BioInnovation Centre</li> <li>• Partially offset by \$14.7 million decrease in payroll rebates, rent supplements, and applications for home repair due to contractor availability</li> </ul>	
Health and Wellness	242	<ul style="list-style-type: none"> <li>• \$111.1 million for Nova Scotia Health, capital grants increase of \$33.8 million, \$28.1 million for recent paramedic contract, \$10.3 million for blood plasma and offset by \$10.7 million reduction in cashflow for IT projects</li> <li>• \$54.7 million in physician services, \$46.7 million for the Healthcare Bargaining Unit, \$11.1 million for acute care bed capacity, \$7.1 million in <i>YourHealthNS</i> app, partially offset by lower-than-expected expenses in pharmaceutical services and extended benefits and capital grants</li> <li>• \$10 million due to increases in physician services including increase in alternative payment and academic funding plans, hospitalist review and transition to new physician funding model</li> </ul>	378
Justice	20	<ul style="list-style-type: none"> <li>• Primarily for increases in Legal Aid funding of \$6.2 million, partially recoverable from the federal government</li> <li>• \$4.2 million for Correctional and Court Services, and \$0.6 million for Victim Services casual and relief staff</li> <li>• \$6.6 million for Correctional and Sheriff Services casual, relief and WCB costs</li> <li>• \$1.5 million for Medical Examiner Services due to increased caseloads</li> </ul>	-
Labour, Skills, and Immigration	4	<ul style="list-style-type: none"> <li>• \$2.4 million fully recoverable expenses from several initiatives such as Labour Market Transfer Agreements and Advancing Women in Apprenticeship</li> <li>• \$1.8 million Federal Labour Market Transfer agreements</li> </ul>	27
Legislative Services	1	<ul style="list-style-type: none"> <li>• Primarily due to changes in the <i>House of Assembly Act</i> which increased the salaries for MLAs, Ministers, Ministerial Assistants, Speaker, Deputy Speakers, Leader of Recognized Party, Leader of Official Opposition, and election-related costs</li> </ul>	-
Municipal Affairs (formerly Municipal Affairs and Housing)	-		379
Natural Resources (formerly Natural Resources and Renewables)	9	<ul style="list-style-type: none"> <li>• \$3.3 million recoverable expenses from federal government for 2 Billion Trees program</li> <li>• \$2.4 million fully recoverable expenses for the Codes Acceleration Fund, and \$1.2 million for energy initiative projects and fully recoverable expenses for Critical Minerals Geoscience and Data Initiative</li> <li>• \$2.4 million related to resource management for Hurricane Fiona clean-up</li> <li>• \$1.8 million to meet operational demands associated with provincial parks and forest nurseries</li> </ul>	47
Office of Addictions and Mental Health	11	<ul style="list-style-type: none"> <li>• Increase in mental health services and addiction services</li> </ul>	14
Opportunities and Social Development (formerly Community Services)	35	<ul style="list-style-type: none"> <li>• \$23.8 million for one-time supports for gender-based violence</li> <li>• \$21.6 million to support income assistance, pharmacare, homelessness and food security</li> <li>• \$12.0 million to support compensation under service delivery</li> <li>• \$4.9 million for Prevention and Early Intervention and Youth Programming</li> <li>• Partially offset by \$27.6 million decrease due to changes in timing of Human Rights Remedy initiatives</li> </ul>	97
Public Service Votes	-		1
Public Works	74	<ul style="list-style-type: none"> <li>• \$17.8 million for storm damage, \$10.2 for Middle River Pumping Station, \$3.1 million for Sackville-Bedford-Burnside interchange, \$2.6 million for Build NS Cunard project, \$1.3 million for Highway 103 Bridgewater interchange, and \$1.6 million for Build NS Boat School project. Partially offset by \$8.1 million</li> </ul>	48

		<ul style="list-style-type: none"> <li>less for Municipal Service Exchange Agreement for roads, \$7.6 million Build NS operating grant for Cellular for NS, and \$1.2 million for delays in Highway 104 Corporation recoverable work</li> <li>• \$10.9 million primarily for snow and ice removal, highway and ferry maintenance costs.</li> <li>• \$20.8 million for Boat Harbour remediation</li> <li>• \$12.2 million for snow and ice removal</li> <li>• \$3.3 million for additional building maintenance</li> </ul>	
Seniors and Long-term Care	68	<ul style="list-style-type: none"> <li>• \$44.6 million for homecare programs</li> <li>• \$4.1 million for increased utilization of the Red Cross HELP program</li> <li>• \$15.1 million for renewal of long-term care service agreements, \$4.0 million in attendant costs for long-term care residents with complex needs, and \$2.4 million for increased participation in Home Support Direct Funding Programs</li> </ul>	107
Service Nova Scotia	63	<ul style="list-style-type: none"> <li>• \$45.0 million for Heating Assistance Rebate Program</li> <li>• \$4.7 million for trail repairs from July 2024 flooding</li> <li>• \$3.5 million for new trunked radio service on new towers</li> <li>• \$8.1 million for partially recoverable costs for trails repair due to natural disasters</li> <li>• \$1.9 million operational support within Citizen Services</li> <li>• \$1.4 million for increased applications to the Property Tax Rebates for Seniors program</li> </ul>	100
Debt Servicing Costs	54	<ul style="list-style-type: none"> <li>• Increase in Canadian debt including due to higher-than-anticipated interest rates, other expenses and pension obligations</li> </ul>	28
Refundable Tax Credits	53	<ul style="list-style-type: none"> <li>• \$21.7 million for the Scientific Research and Experimental Development tax credit</li> <li>• \$16.5 million for the Capital Investment tax credit</li> <li>• \$11.3 million for the Digital Media tax credit</li> <li>• \$2.3 million for the Digital Animation tax credit</li> </ul>	1
Capital Purchase Requirements	607	<ul style="list-style-type: none"> <li>• \$59.5 million for highway construction costs, \$40.8 million for building infrastructure, \$45.8 accounting adjustment to capitalize a portion of the enterprise resource planning system. Partially offset by \$70.0 million in re-allocation of contingency to support in-year capital approvals</li> <li>• \$192.6 million primarily result of increased expenditure for the Halifax Infirmary Expansion Project and increased highway construction spending</li> <li>• \$324.9 million accounting adjustment related to Long-term Care Facilities</li> <li>• \$16.6 million increase in health infrastructure including Cape Breton Regional Municipality Health Care Redevelopment Project</li> </ul>	-
Restructuring Costs	2	<ul style="list-style-type: none"> <li>• Primarily due to higher than anticipated corporate initiatives</li> </ul>	-
<b>Total</b>	<b>1,642</b>		<b>1,378</b>

## Appendix IV – Summary of Significant Control Weaknesses

### Summary of Significant Control Weaknesses – Government Departments

Department of Service Nova Scotia		
Significant Control Weakness	Potential Impact	Year Identified
1. Need for improved implementation, monitoring, and reporting of internal control procedures for the payments process.	Internal controls may not be operating effectively on a regular basis; inappropriate or unauthorized purchases and/or payments may be made.	2016-17
2. Lack of detailed procedures, incorporating internal controls, for the procurement process.	Inappropriate or unauthorized purchases may be made.	2018-19
3. Procurement technicians create and issue purchase orders after goods and/or services have been received.	Inappropriate or unauthorized purchases may be made; value for money may not be realized when purchasing goods and services.	2018-19
4. The policy requirement, <i>"If a public sector entity anticipates making multiple purchases of the same requirement, the total value of all anticipated purchases must be used to determine the appropriate procurement process,"</i> is not being followed.	Inappropriate or unauthorized purchases may be made; value for money may not be realized when purchasing goods and services.	2018-19
5. Insufficient scrutiny of alternative procurement (ALTP) requests against the Sustainable Procurement Policy and ALTP Circumstance guide.	There is an increased risk that regular procurement practices are being circumvented and value for money is not being realized when purchasing good, services and/or construction.	2023-24
<b>Management's response (unaudited)</b>  Service Nova Scotia agrees with the recommendations.  The Purchase Order Policy will be updated in fiscal 2025-26 to incorporate strategic and threshold changes in the Public Procurement Policy. Additionally, the new S4 HANA Project workflow design will ensure that the sequence of purchase order creation aligns with policy guidelines.  Increased controls have been put in place, annual mandatory training has been made available to government employees, and Procurement has established the Control Excellence Program. Additionally, ALTP forms have been revised and new requirements for unsupported requests have been implemented. An additional review to streamline the ALTP Circumstances selection is underway.  Implementation plan: <ul style="list-style-type: none"> <li>• Policy development: 2025-26</li> <li>• Policy implementation: 2025-26</li> <li>• Training and communication of the new policy: 2025-26</li> </ul>		



Department of Finance and Treasury Board		
Significant Control Weakness	Potential Impact	Year Identified
1. Commitments, contractual obligations, and contractual rights are not being compiled accurately.	Errors in the commitments, contractual obligations and contractual rights schedules can result in the consolidated financial statements being materially misstated.	2024-25
<b>Management's response (unaudited)</b>  The Department of Finance and Treasury Board agrees with this recommendation and endeavours to improve the process and training of disclosure over commitments and contractual obligations/rights.		

## Summary of Significant Control Weaknesses – Government Organizations

Nova Scotia Health Authority		
Significant Control Weakness	Potential Impact	Year Identified
1. Vendor Services Agreement is in violation of the <i>Public Procurement Act</i> and the Sustainable Procurement Policy.	The <i>Public Procurement Act</i> requires entities to publicly tender for goods and services, to post on the procurement web portal information on the successful bidder, and to abide by the acceptable alternative procurement exemptions. When this process is not followed there is an increased risk of value for money not being obtained for purchased goods and services.	2023-24
<b>Management's response (unaudited)</b>  NS Health agrees with the recommendation to follow the <i>Public Procurement Act</i> and the Sustainable Procurement Policy as required. NS Health has endeavored to collaborate with the SNS-IS Procurement and comply with the procurement policy requirements as they relate to the procurement of advisory services. With regards to guidance on Application of CFTA Article 504, 11.h.ii: SNS-IS procurement has provided an assessment tool that we are now using. NSH and SNS-IS are collaborating to put in place a "standing offer" for health system consulting services leveraging Flextrack. We are working towards implementation in Q4 FY 2025-26.		

Council of Atlantic Premiers		
Significant Control Weakness	Potential Impact	Year Identified
1. There are a limited number of individuals involved in the financial reporting function. Given the small size of the Council of Atlantic Premiers, it is expected that there will be segregation of duties issues within financial reporting. We recommend continuing to segregate financial duties where possible (examples include authorization and approvals) between individuals within the financial reporting function.	There is a risk of management override of internal control, increasing the risk of fraud.	2022-23
2. Stretch Drive Funds The Stretch Drive is an internal fund set up by senior officials in order to distribute donated funds to injured racers. Funds are effectively held in trust although the bank account of Atlantic Provinces Harness Racing Commission (APHRC) is in overdraft. We recommend tracking these funds in their own restricted bank	Funds held in trust may be used for purposes that are not intended.	2024-25



account to ensure they are only spent on the purpose intended for.		
<b>Management's response (unaudited)</b>		
<b>1. Segregation of duties within the financial reporting function</b>		
<p>The Auditors commented that this issue is not uncommon in organizations such as ours that is comprised of a small staff. To this end, our policies work to segregate authorization and approval processes, incorporate monthly and quarterly independent management review of bank and account reconciliations, and implement access controls within financial systems and online banking.</p> <p>Furthermore, with an externally approved budget for the Council and each of its agencies, supporting documentation and authorizations flow through multiple external/internal steps and persons prior to final approval.</p> <p>Additional procedures and/or policies are being evaluated to further address the concerns expressed by the Auditors but are not anticipated to be implemented prior to the end of the current fiscal year.</p>		
<b>2. Stretch Drive Funds</b>		
<p>We have had follow up discussions with our Auditors and the Director of APHRC surrounding these stretch drive funds. Prior to 2025 this item had been included in Deferred Revenues. The APHRC Director was requested to provided additional information surrounding the stretch drive funds and related activities of it. As a result of the timing of cash inflows and outflows the APHRC account can fluctuate in and out of overdraft throughout the year. That said the commission's total cash and near cash (receivables) are always sufficient to discharge all of its obligations including any stretch drive fund amounts.</p> <p>It is anticipated that this will be addressed prior to the end of the current fiscal year 2025-26.</p>		

• • • Office of the Auditor General • • •

5161 George Street, Royal Centre, Suite 400  
Halifax, Nova Scotia  
B3J 1M7

[www.oag-nb.ca](http://www.oag-nb.ca)

