Nova Scotia

Office of the Auditor General

1888 Brunswick Street, Suite 302
Halifax, Nova Scotia
B3J 3J8 Canada

902-424-5907 tel
902-424-4350 fax
www.oag-ns.ca

NOVA SCOTIA AUDITOR GENERAL – February 2013 Report Released

The legislature has cleaned up the poor financial management practices that previously contributed to the MLA expense account problems, but weak financial controls are a continuing issue in many government entities, Nova Scotia's auditor general said in his report released today, February 6.

Jacques Lapointe's annual review of the province's financial activity identifies an array of deficiencies in internal financial controls which expose government to unnecessary risk of losing taxpayers' money through error and fraud.

That is no longer the case, however, with MLA expenses, where almost all the auditor general's 2010 recommendations to tighten controls have been implemented, and where a recent audit found no evidence of any misuse of public funds. Mr. Lapointe said deficiencies in internal controls had enabled some MLAs to make inappropriate, excessive and even fraudulent expense claims that caused public outrage and also led to some criminal charges two years ago.

Elsewhere in government, 51 per cent of accounting, control and other deficiencies reported by external auditors of agencies in 2010-11 remain unaddressed in 2012, as do 31 per cent of problems identified two or more years ago.

"Taking action on audit recommendations is an indication of a strong overall control environment; so the high number of recommendations that remain outstanding from year to year in several agencies is a concern and a sign of poor financial management. Agency boards and management need to address recommendations in a timely manner to ensure the integrity of their accounting and control systems and their financial statements."

Mr. Lapointe pointed to controls over school-based funds as an example. In 2011-12, these funds totaled $41.9 million in schools across Nova Scotia. A recommendation made a year ago that the Department of Education work with boards to put in place appropriate controls to address deficiencies identified by their external auditors was accepted by the department. Discussions have begun on this but the department says it will be 2014 before full board compliance can be expected.

Mr. Lapointe believes members of the public service pension plan have not been adequately informed about fundamental changes to their plan. He said he does not think members realize 100 per cent of future risk is being assumed by the current and future pensioners because the province will no longer guarantee the plan. He also said that the government's claim that a change in pension indexing will only impact future benefits, is "inaccurate and misleading." Depending on the performance of the pension fund, de-indexing could result in significant reductions in future payments, for benefits that have already been earned, he said.

As he did last year, Mr. Lapointe raised questions about the province's growing debt levels, and whether it is responsible or even ethical to bind future generations with the costs of today's spending.
Since 2008 the total provincial debt has grown from $12.5 billion to $16.2 billion, including a $400 million increase in the last fiscal year alone.

"It is fiscally irresponsible in all but extreme cases – such as emergencies or to finance very large projects – for government to transfer payment for current spending to future generations. In the long term, an ethical government will live within its means and will reverse the accumulation of debt."

Indicators of the overall financial health of the province remain relatively steady. The report examines several factors which are related to the sustainability and vulnerability of the province's finances, as well as its flexibility in dealing with financial issues.

Some indicators, such as the province's assets-to-liabilities ratio, improved between 2008 and 2012, but Nova Scotia is still in a worse position than many similar provinces. In a comparison of six jurisdictions, Nova Scotia's net debt per capita remains the second highest at $13,960 per person.

Mr. Lapointe said the Department of Finance has agreed to correct budget and forecast errors when they are known. Last year, a $27 million revenue overstatement was known in time to be corrected before the budget was delivered, but that was not done. As a result the deficit was understated by $27 million.
The full auditor general report is available at www.oag-ns.ca.

FOR BROADCAST USE:

Nova Scotia’s Auditor General says MLAs have cleaned up their financial house, but too many agencies and provincial organizations still put taxpayers’ money at risk with weak financial controls.

Jacques Lapointe delivered his annual financial report to the legislature today (Wednesday, February 6) noting that external auditors have identified numerous financial management problems that agencies have failed to correct.

That’s not the case at the legislature, where almost all the recommendations he made to fix problems with MLA expenses have been implemented.

The auditor general repeats concerns he had last year about the ethics of provincial debt which grew by over $400 million in the past year alone.

-30-

Media contact: Jacques Lapointe
Auditor General
902-424-4108