

Chapter 3

Follow-up of Prior Year Observations and Recommendations

Key Messages:

- Government departments and organizations are not acting fast enough to manage fraud risks
- Overall, government organizations disclosing travel and hospitality expenses as required by directive
- Five public service units not disclosing travel and hospitality expenses until we raised it with them
- Some organizations expanded their travel and hospitality disclosures
- Action taken to fill board vacancies, but some vacancies remain
- NS Teachers' Pension Plan deficit continues to threaten its long-term financial sustainability
- There is no formal plan on how the Province and NSTU will address the NSTPP's \$1.4 billion deficit

Reasons Supporting Key Messages

Slow Action on Fraud Risk Management in Government Departments and Organizations

Observations

- Nearly 80% have not completed fraud risk assessments
- 35% of government organizations do not have an approved fraud policy
- 55% of government organizations have not evaluated the need for a fraud tip hotline

Examples

- Education and Early Childhood Development (budget of \$1.7 billion)
- Internal Services (budget of \$189 million)
- NS Business Inc. (budget of \$57 million)
- IWK (budget of \$283 million)
- Most school boards (budgets totaling \$876 million)
- All school boards except the Halifax and Strait Regional School Boards (budgets totaling \$795 million)

Travel and Hospitality Disclosure in Government Organizations

Observations

- 5 public service units that did not disclose began to disclose when we raised the requirement with them
- 7 of 8 organizations not disclosing in 2017 are now doing so
- Disclosure expanded at two large organizations to multiple positions

Examples

- Human Rights Commission
- Legislative Services (which includes the Office of the Legislative Counsel and Office of the Speaker)
- NS Police Complaints Commissioner
- NS Securities Commission
- Office of the Ombudsman
- Harbourside Commerical Park Inc., NS Farm Loan Board, NS Fisheries and Aquaculture Loan Board, NS Lands Inc., NS School Insurance Exchange, NS School Insurance Program Association, Sydney Steel Corporation
- IWK: Chief Executive Officer, Chief Operating Officer, Chief Communications, General Counsel, All Vice Presidents
- NS Health Authority: Chief Executive Officer, Chief Financial Officer, Chief Nursing Officer, All Vice Presidents



Board Vacancies – Vacancies remain in some organizations

Observation

- Board vacancies continue at:
 - Halifax-Dartmouth Bridge Commission*
 - NS Crop and Livestock Insurance Commission*
 - NS Health Research Foundation
 - NS Legal Aid Commission (vacancies are intentional due to new legislation expected in the fall of 2018)
 - Public Archives of NS*

Number of Vacancies

March 31, 2018

2 of 9 (22%)
4 of 6 (67%)
4 of 10 (40%)
4 of 17 (24%)
2 of 8 (25%)

* Some or all vacancies filled after March 31, 2018

Public Sector Pensions

Observation

- NS Teachers' Pension Plan remains in serious financial condition
- Since 2008, teachers retiring on or after August 1, 2006 have not received a pension increase

Examples

- 78.4% funded (2016 – 77.7%)
- Deficit of \$1.4 billion
- An extra \$57 million paid by Province over the past five years

- NS Health Employees' Pension Plan continues to have larger surplus

- 139.5% funded (2016 – 131.7%)

- NS Public Service Superannuation Plan maintains smaller surplus

- 103.4% funded (March 31, 2017 – 104.1%)

5 Questions Nova Scotians may want to ask:

1. Why does a government that collects and spends nearly \$12 billion a year not have its fraud risks fully assessed and managed?
2. Given the Auditor General's past attention to travel and hospitality, why are organizations slow to expand travel and hospitality disclosures?
3. Why were government organizations such as Legislative Services which accounts for Speaker's Office expenses not aware of the need to disclose travel and hospitality?
4. Why do board vacancies take so long to get filled and what is the impact of these vacancy rates?
5. How did the Nova Scotia Teachers' Pension Plan get in such bad financial condition and why is there no formal plan to get in better shape?