



Office of the Auditor General

Auditor General's Statement to the Media

**Release of November 2012 Report to the Nova Scotia House of Assembly
November 21, 2012**

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Good morning, ladies and gentlemen, and thank you for coming.

Today I am delivering my fall 2012 report to the members of the legislature. I reviewed it earlier, on an in-camera basis, with the House's Public Accounts Committee; and it will be formally tabled in the House of Assembly this afternoon, at which time it will be made available to the public.

The report covers four performance audits completed by my Office in the summer and fall of this year.

As always, I want to express my appreciation to my staff, whose dedication, professionalism and care allow me to bring these matters to the attention of the legislature and Nova Scotians.

I also want to thank staff and management in the departments, in district health authorities and the IWK, and at Trade Centre Limited, for their cooperation and assistance as we conducted our work.

Today I am reporting on two audits in the health care sector; an audit of the Trade Centre Limited; and an audit of the home schooling program in the Department of Education.

You have the reports, so I won't go into detail, but I will make a few comments now on each of the audits.

The audit of the Department of Education's home schooling program concluded that the department is failing in its responsibility to protect the education rights of home-schooled children. The department, in fact, has no way of knowing with any degree of certainty whether all these children are being educated properly, or at all.

I am not judging parents who choose to home school their children. Most may be doing a good job. But legislation charges the Department of Education with the responsibility of ensuring all children receive the education to which they are entitled. The department cannot provide that assurance. The department has not developed learning outcomes for home schooled children. It cannot assess their progress. It is not in a position to intervene if their education is inadequate.

There are two people administering the home schooling program. Last year, the department registered 850 children in the program – 950 the year before. However, there are significant gaps in the department's processes to track these children as they transfer between public schools and home schooling. They are not necessarily all accounted for.

The department has undertaken to quickly address the most pressing issues we raised and then to correct the more systemic problems. Given that children are involved, I am glad to see this kind of commitment, and I trust that commitment will lead to action.

There is a fairly long chapter in the report related to personal health information systems, and their management, protection and control at Capital Health and the IWK Health Centre. Between them, these two entities could serve up to half the people in Nova Scotia.

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Given the importance of these systems in health care operations, and the sensitive nature of much of the information involved, hospitals operate some of the most critical information systems in the province. I believe they must be held to a very high standard.

We found numerous and significant weaknesses in processes needed to protect the privacy of personal health information and to keep important health care systems operating on a 24/7 basis. Confidential information is not always restricted to just those who need to see it; security measures such as strong passwords and encryption are lacking; and preparation for an emergency situation which may bring IT systems to a halt are incomplete.

We made 58 recommendations for improvements to these systems – 33 to Capital Health and 25 to IWK. The two organizations have accepted most of them. Both Capital Health and the IWK also expressed concerns related to the Personal Health Information Act, which is awaiting proclamation. Management told us their existing systems lack the capacity to limit access to information at the detailed level the legislation will require.

We audited capital spending in the hospital system – that is, funding for purchases and major repairs for buildings and equipment.

We concluded that the hospital system in Nova Scotia cannot be adequately maintained and will continue to deteriorate under the capital program as it currently exists. Significant deficiencies in infrastructure and equipment often continue due to lack of funding. Decisions as to how the funding is allocated are inconsistent and are not necessarily based on logical considerations like usage .

The department allocates capital funds on the very simplistic method of asking each DHA for their top ten requests.

When new equipment needs are assessed, districts rank funding priorities in their submissions, but the department uses different criteria, assigns different priorities and rankings, and makes different funding decisions. As a result, districts might or might not receive funding for their top priorities. For example, one district this year received funding for its fourth and 10th ranked items and for no others.

In another case, we discovered a request from one district to replace equipment because of concerns about increased radiation exposure to staff and patients. Funding was not approved. In the department's scoring system, potential harm to patients and health professionals was not enough to pass this one.

Opportunities to save money are not given adequate consideration. The potential for future savings in operating costs, and for short payback times, should be a major factor in decision-making. It is not.

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For example, Capital Health requested funding of \$4.5 million to purchase equipment that would result in operational savings of \$3 million a year. The request was initially rejected, but reassessed and approved during our audit.

Overall, there is no province-wide, long-term capital health care planning for the province.

The solution is not just more money. When no more money is available, then what money there is must be used more wisely. Substantive changes must be made, in order to make better use of available funds, to be more efficient, and to take advantage of opportunities for cost savings.

The implementation of the recommendations in this chapter will be at least a step in the right direction. The department's responses, however, while generally supportive, often indicate a lack of a sense of urgency.

The final chapter deals with Trade Centre Limited, where we found that financial and operational activities were not appropriately managed. The crown corporation lacks an adequate internal control framework and its financial management practices lack rigor. Travel and expense claims are not properly documented and are inconsistent with provincial rules. Some purchases were found to be contrary to provincial procurement rules. Cost allocations to the City's Metro Centre were not supported. A major overhaul of financial management practices is needed to achieve an appropriate level of professionalism in the management of this organization.

The Trade Centre also provided advice to the province in support of a new convention centre in Halifax. This information lacks appropriate analysis and doesn't meet the standard of rigor required in such a significant proposal.

The Trade Centre's market projections include growth and market share assumptions that are not adequately supported.

Some industry realities were ignored, including the over-supply of convention centre spaces in Canada, new competitors and the stagnant convention market.

The assumption that international convention business in Canada will continue to grow at pre-recession 1999-2008 levels is not supported and, given international economic conditions, may be doubtful. The Trade Centre's assertion, that national association convention business in eastern Canada will split evenly among Montreal, Ottawa, Quebec City, Halifax and the rest of Atlantic Canada, is also unsupported.

It is important to note that we have not assessed, and do not provide an opinion on, the merits of a new convention centre. However, as with any significant investment of taxpayers' money, it is essential that government be provided with the best available information, so that sound decisions can be made that protect the public interest. We recommended that the government obtain an independent second

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opinion on the 10-year market projections, but the government says it is satisfied with the projections it has and rejected that recommendation.

Altogether, in this 109 page report, we make 107 recommendations to correct weaknesses or make improvements to public sector operations and service delivery.

Thank you, ladies and gentlemen. That concludes my remarks. Now I'll entertain any questions you may have.