

20.**CLAIMS UNDER FEDERAL-PROVINCIAL AGREEMENTS****INTRODUCTION**

20.1 The Province has entered into a number of agreements with the Government of Canada for various cost-shared programs. Our Office has the responsibility to audit programs and sub-programs under certain of these agreements. For the year ended March 31, 1997, we commenced audits of claims under ten separate agreements (although not all of these audits were completed at the time of writing this Report). The agreements were administered by five government departments and two Provincial agencies. Total expenditures under these agreements amounted to \$113 million, of which \$62 million was recoverable from the Government of Canada. Since our last Report we also finalized the audits of claims under four separate agreements for the year ended March 31, 1996.

20.2 Our responsibility is to determine whether the departments and agencies concerned have complied with the terms of the agreements and whether the amounts incurred and claimed are in accordance with the agreements. We also review and evaluate the systems used to control the processing of expenditures under the agreements.

PRINCIPAL FINDINGS***Reservation of Opinion***

20.3 This year there were two cases where it was necessary to express reservations of opinion.

20.4 *Canada/Nova Scotia Development Fund Agreement* - Consulting and Audit Canada (CAC) is contracted by Natural Resources Canada to conduct an annual audit of expenditures incurred under this agreement. We qualified our audit opinion on the 1995-96 fiscal year claim because the Management Committee responsible for the agreement had not determined whether they would accept the adjustments recommended in the audit report prepared by CAC for the year ended March 31, 1996.

20.5 *Agreement on Social Housing* - Sponsors under the Private Non-Profit Housing Program are required to verify income and calculate rents using guidelines and a rent-to-income (RGI) scale contained in the Non-Profit Housing Operations Manual. We qualified our audit opinion on the claim for this Program because auditors of two project sponsors, upon which we rely to support our audit opinion, either did not express an opinion or did not conclude that the rent-to-income (RGI) scale was applied correctly by project sponsors.

20.6 We qualified our audit opinions on the Public Non-Profit Lease Purchase Housing Program and the Rent Supplement Housing Program claims because internal audit staff of the Department of Housing and Municipal Affairs, upon which we rely to support our audit opinion, did not perform sufficient audit work with respect to these Programs.

20.7 The Rural and Native Housing Group of Nova Scotia provided program grants under the Residential Rehabilitation Assistance Program (RRAP). We qualified our audit opinion on RRAP subsidy claims because an internal audit conducted by staff of the Department of Housing and Municipal Affairs, upon which we rely to support our audit opinion, concluded that there were insufficient inspections and documentation to support payments made to grant recipients. We also

qualified the claims because the Department was unable to reconcile the advances and revenues recorded on the claims to the Department's general ledger.

Client Readiness

20.8 We consider client readiness to be a critical factor in the timely completion of claims audits. We encountered difficulties in completing the audits of three claims.

20.9 *Agreements on Canada Assistance Plan and Vocational Rehabilitation of Disabled Persons* - We have not finalized the audits of the claims under these two agreements for the fiscal year ended March 31, 1996 because we are awaiting information from Department of Community Services staff.

20.10 *Agreement on Social Housing* - Much of the documentation that we requested was not available to us at the start of the audit. Three of the ten claims we are required to audit had not been prepared by that date. Numerous adjustments to the claims were identified by our audit. The delays in completing the audit caused us to commit additional time beyond that which was budgeted and to request a deadline extension from Canada Mortgage and Housing Corporation.

Other Findings

20.11 We found certain situations during our claims audits where accounting systems and procedures were deficient. Although they were not of a magnitude to require a reservation of opinion, two such situations are significant enough to report to the House of Assembly.

20.12 *Canada/Nova Scotia Development Fund Agreement* - Under the Industrial Assistance - Shipyard Assistance Program, applicants are required to fund 25% of the total project cost by means of internal funding or a repayable loan from the Province. The Province is required to spend a sum equivalent to the repaid portion of the loans on additional infrastructure projects. The Management Committee responsible for the agreement has not resolved a number of issues related to the Program. These issues relate to the write-off of amounts owed to the Province, whether interest received on these loans should be returned to the Fund to reduce the total cost of the program, and how the proceeds of the potential sale of two shipyards will be allocated between the Province and the Fund.

20.13 *Agreement on Social Housing* - Under the Non-Profit Housing Program, project sponsors are required to submit financial statements. Not all external auditors of the sponsors are expressing an audit opinion on the application of the RGI scale as required by their audit engagement. The Department does not have a formal system in place to ensure all financial statements are received and adjustments to subsidies paid are processed on a timely basis.