

# **REPORT OF THE AUDITOR GENERAL 2002**

## **HIGHLIGHTS**

### **PREFACE**

In an attempt to give readers an appreciation of the most significant findings contained in my Annual Report, I publish annually this highlights volume. It provides a brief summary of the results of audit work carried out in 2002.

However I do suggest that those who wish a fuller understanding of any or all of these matters should refer to the full Report. The highlights volume notes the page numbers of the full Report for each of the subjects.

This year we have more clearly set out our recommendations to government in each Chapter. To assist readers we have also included all 90 recommendations in this highlights volume. I hope this is useful.

It is also the intent of myself and my staff to provide our messages as clearly and concisely as possible. Comments from readers on the value of this highlights volume or on the complete Report would be welcomed.

E. Roy Salmon, FCA Auditor General

Halifax, Nova Scotia December 6, 2002

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# **OVERVIEW AND SIGNIFICANT ISSUES**

## **Chapter 1**

**1.1** I believe that acting on the recommendations contained in this and prior reports would assist government in achieving its fiscal objectives. Better management and decision making is critical and while I acknowledge the improvements that have been made over the last number of years, better systems and better (not more) information at all levels is necessary.

**1.2** Again this year I would like to thank my staff for their efforts and support. It was a busy year and they worked diligently, professionally and enthusiastically in carrying out their projects. Those whom we audit are also professional, cooperative and courteous and I wish to thank them.

## **GOVERNMENT-WIDE ISSUES**

### **ACCOUNTABILITY INFORMATION AND REPORTING**

## **Chapter 2**

**2.1** As a result of amendments to the Provincial Finance Act in June 2000, the provision of accountability information and reporting to the House of Assembly on government's plans and performance is now required by law. The initial reporting on outcomes under this requirement, titled Annual Accountability Report, was released December 20, 2001.

**2.2** Performance information or reports provided by government to MLAs should be relevant, reliable and understandable. The implementation and evolution of such reporting, and the effective use of the information by government and MLAs for accountability purposes, will require a significant sustained commitment. The Annual Accountability Report represents an important step in the accountability reporting process.

**2.3** The Auditor General's Report, required under Section 9B of the Auditor General Act, on the 2002-03 revenue estimates was dated March 28, 2002 and tabled in the House on April 4, 2002 along with the Nova Scotia Budget for the fiscal year 2002-03.

**2.4** In addition, summary comments and suggestions resulting from our review procedures were communicated to the Department of Finance.

**2.5** At the time of writing this Report, the Province's March 31, 2002 summary consolidated financial statements were to be released in December 2002 as part of Volume I of the Public Accounts. The Auditor's Report, dated October 18, 2002, on the consolidated financial statements was unqualified.

**2.6** During the course of our audit of the government's March 31, 2002 summary consolidated financial statements, various findings and observations were noted. The June 2000 changes to the Provincial Finance Act provide for more oversight control by the Minister of Finance and Executive Council of financial management systems and significant transactions of all entities included in the government's reporting entity. A number of matters have come to our attention that indicate a lack of awareness and understanding of statutory and policy requirements for financial management and control of the public purse.

**2.7** The scope and mandate of the Department of Finance's controllership function, as it relates to implementation of accounting policy decisions and reporting standards within the government's reporting entity, need to be clearly defined and communicated. Further, the Department of Finance's Government Accounting Division needs to be made aware of significant transactions or decisions, and be more directly involved, on a timely basis, in determining the accounting consequences and other considerations.

**2.8** The government, with leadership from the Department of Finance, needs to continue and possibly expand its efforts to monitor Public Sector Accounting Board initiatives as well as relevant accounting recommendations from the Canadian Institute of Chartered Accountants and internationally, in order to ensure adjustments necessary to government's financial planning, budgeting and reporting remain in accordance with generally accepted accounting principles and are implemented on a timely and effective basis.

**2.9** Again this year we found that a variety of expenses are being charged as restructuring costs which should be reported against other appropriations. Further, the accounting control and processes for this account need to be examined. Due to unnecessary complexity of the accounting during 2002 and an inadequate management/audit trail, significant time was required by Department of Finance Government Accounting staff to analyze the transactions posted by Treasury and Policy Board. This analysis resulted in significant adjustments to the balance in the general ledger at year end, including correction of double counting of expenses of approximately \$84 million. Further, the audit of the final balance was delayed and required significant additional efforts by this Office.

**2.10** In prior Reports, we have suggested that the accounting policies and practices for Federal-Provincial revenues be subject to review. Our experiences on this year's audit of the Province's summary consolidated financial statements have provided more support for the requirement for a thorough and comprehensive review.

**2.11** The deployment of the financial information system SAP R/3 across the Provincial public sector is a major undertaking to be addressed through specific projects over the next several years. It is very important that there be a requirement, in the planning and approval process, for the benefits to be derived from each project to be clearly defined and measurable. Also, a formal requirement should be established for reporting on the realization of benefits. Such requirements would represent key ingredients in the accountability and management processes of this undertaking by government.

**2.12** The following matters, reported upon in previous years, are yet to be dealt with by government.-The applicability of the Government Management Manuals to Provincial public sector entities other than core departments and agencies should be clarified. The starting point for such an initiative would be a clear and concise listing of the basic or fundamental principles to be met when public funds or property are involved.

- Disclosure of compensation arrangements for executive and senior management positions in all Provincial public sector entities should, as a minimum, meet the requirements that publicly-traded corporations have had to comply with for many years.

**2.13** Our recommendations to government from this review are as follows:

*2.1 We recommend that policies and practices used during the budgeting and accounting processes for recognition and measurement of Provincial taxes and other revenue transfers from the Federal government be reviewed.*

*2.2 We recommend that government increase the level of awareness and understanding within and across the Provincial public sector of statutory and policy requirements (and limits) related to the financial management and control of the public purse.*

*2.3 We recommend government move forward with the release of the updated Management Manuals and that the government's financial and accounting policies sources (e.g., Acts, Regulations, accounting standards) in order to support broader awareness and understanding of the policies.*

*2.4 We recommend that, if there continues to be a separate restructuring appropriation, accounting responsibility for it be transferred to the Department of Finance's Government Accounting staff, in order to ensure no significant errors or omissions occur, and an adequate management/audit trail is maintained.*

*2.5 We recommend the Department of Finance senior management provide necessary direction, guidance and, if necessary, support so that entities covered by the Provincial Finance Act meet the prescribed deadline of June 30th for financial statement reporting on a timely and effective basis.*

*2.6 We recommend that the Business Technology Advisory Committee (BTAC) establish a formal policy requiring identification of benefits as part of the planning and approval process for major information technology projects, and requiring reporting of realization of benefits subsequent to implementation. The specific benefits expected to be derived from the deployment of SAP, as well as for any other business solution products that may be implemented, should be appropriately defined in a manner that is clear and measurable as part of the planning and approval process. Further, there should be a formal requirement for reporting the realization of the benefits to BTAC in accordance with the realization time lines set out in the approved plans.*

## **EDUCATION**

### **HIGHER EDUCATION AND ADULT LEARNING BRANCH**

#### **Chapter 3**

**3.1** This Branch of the Department of Education manages diverse programs including adult learning initiatives, private career colleges, rehabilitation training, the student assistance program and apprenticeship training. Higher Education and Adult Learning acts as the liaison between the Department and Regional Library Boards and certifies teachers for the Nova Scotia public school system. The Branch is also responsible for liaison with the Nova Scotia Community College and the College de l'Acadie. In addition, this Branch is also responsible for administration of Community College grants and allocation of funds to degree-granting institutions through the Universities Assistance vote.

**3.2** The Province has partnered with the Royal Bank in providing student loans as the Province does not issue the loan directly to the student, but issues a Certificate of Eligibility to the student for presentation to the Royal Bank (the sole lender of student loans). The current legislation does not permit the Department to issue student loans directly. The Province fully guarantees all student loans negotiated from August 1, 2000 onward. This is a major change in the Student Assistance program that has had a significant impact on the financial exposure of the Province relative to student loans.

**3.3** The Department has not collected appropriate data or developed an appropriate model to determine the Province's likely exposure for fully guaranteed student loans that may default. At the present time, as was the case in 1997, our audit determined that loan default information supplied from the bank was insufficient to fully meet the Department's needs.

**3.4** Students are no longer required to submit copies of tax returns with their student loan applications. The Department did not perform an adequate assessment of the risks associated with moving to less stringent supporting documentation for loan applications prior to making that decision.

**3.5** The Department has not established internal processes for formally measuring and reporting on Divisional performance and outcomes to the House of Assembly and the public. Such information would help assess the effectiveness and efficiency of Divisional operations and fulfill the accountability responsibilities of the Department.

**3.6** The Private Career Colleges Division is currently not meeting its target of annual inspections of all colleges and also should improve its documentation relating to the monitoring of college financial statements. These improvements would help to protect the interests of students.

**3.7** Our recommendations to government from this audit are as follows:

*3.1 We recommend that the Branch and individual Divisions prepare operational plans to provide a clear link between the overall Departmental goals and priorities and the more specific goals, priorities, and activities of the Branch and Divisions. The plans should include measurable performance indicators and targets. The Divisions should each report performance in relation to the plan.*

*3.2 We recommend that the Department of Education continue to pursue a Designation Policy for the Student Assistance program to allow for the cessation or restriction of taxpayers' investment when the likelihood of loan repayment is not acceptable.*

*3.3 We recommend that the Department assess its information needs related to historical default rates for student assistance and establish systems and processes to collect this information.*

*3.4 We recommend that the Department improve its electronic edit processes related to interest charges billed by the Bank to the Province for the Student Loan program.*

*3.5 We recommend that the Department accrue, in the Public Accounts of the Province, an estimate of future interest relief claims, based on past experience, in the year in which student loans are issued.*

*3.6 We recommend that the Department perform an analysis of risks affecting the Student Assistance program, and implement appropriate preventive and detective controls. The Department should consider either verifying the income of Student Assistance applicants and supporting persons through electronic comparisons with Canada Customs and Revenue Agency income tax data and/or establishing a formal, comprehensive audit regime.*



*3.7 We recommend that the Private Career Colleges Division prepare an annual report on its operations and results for inclusion in the Annual Report of the Department of Education. We recommend that the Private Career Colleges Division increase the number of annual inspections to comply with its inspection policy, and improve its procedures for documenting reviews of College financial statements.*

## **REGIONAL SCHOOL BOARDS' PROPERTY SERVICES EXPENDITURES**

### **Chapter 4**

**4.1** Internal Department of Education reports indicate a serious deferred maintenance problem in the Province's public schools. The cost of this deferred maintenance is estimated by the Department of Education to be \$500 million. Deferred maintenance can lead to serious issues such as air quality and other environmental problems, and may result in an inability to use the building for educational purposes. Ultimately, deferred maintenance can lead to the need to replace the building.

**4.2** The Education Act makes it clear that Regional School Boards are responsible for the day-to-day operations and maintenance of public school buildings. Major renovations and construction of new schools are the responsibility of the Province.

**4.3** The current system of funding property services expenditures and major capital construction and renovations does not motivate Regional School Boards to invest in preventive maintenance.

**4.4** The Department of Education does not currently have an adequate process in place to monitor Regional School Boards' performance in appropriately maintaining schools.

**4.5** Regional School Boards are not currently receiving all the information required to appropriately perform their governance functions in the property services area.

**4.6** A comprehensive planning process for property services does not currently exist.

**4.7** Systems and controls over property services operations are generally informal and require improvement.

**4.8** There is a lack of information available to management to use in the planning, monitoring and assessment of property services operations.

**4.9** Our recommendations to government from this audit are as follows:

*4.1 We recommend that the Department of Education work with Regional School Boards to establish a protocol for reporting on the condition of school buildings.*

*4.2 We recommend that the Department of Education work with Regional School Boards to establish service standards for property services operations and a process for reporting on achievement.*

*4.3 We recommend that the Department of Education develop a process to assess whether Regional School Boards are maintaining schools appropriately. This process should consider compliance with legislation and policies, and due regard for economy and efficiency.*

*4.4 We recommend that Regional School Boards review committee structures to determine whether a separate committee dedicated to property services would enhance governance of the function.*

*4.5 We recommend that Regional School Boards review and document information requirements in the property services area to help ensure they are receiving sufficient, appropriate information to properly fulfill their roles and responsibilities under the Education Act.*

*4.6 We recommend that a process be established at all Regional School Boards for the development, approval and reporting of annual operational and preventive maintenance plans for property services operations. Assumptions implicit in such plans should be clearly documented.*

*4.7 We recommend that Regional School Boards define performance indicators for the property services function and report on achievement.*

*4.8 We recommend that the Halifax Regional School Board review existing controls over maintenance materials inventory using sound risk management practices, and implement changes as required.*

*4.9 We recommend that the Regional School Boards develop a formal process for the evaluation of performance of property services staff.*

*4.10 We recommend that the Halifax Regional School Board review its current procedures for controlling work orders and staff assignments to ensure they are appropriate and working as designed.*

*4.11 We recommend that the Halifax Regional School Board use its available maintenance management software to track the full costs associated with completion of work orders.*

*4.12 We recommend that the Department of Education and Regional School Boards investigate implementation of best practices including energy management systems, joint procurement and custodial staffing and scheduling standards.*

# **ENVIRONMENT AND LABOUR**

## **DRINKING WATER SAFETY SYSTEM**

### **Chapter 5**

**5.1** Responsibility for public drinking water safety is shared. Owners of drinking water supplies are responsible for maintaining the safety of their supplies. The Department of Environment and Labour is responsible for enforcing compliance with water safety laws and regulations. It derives its authority from the Environment Act. However, the Province's responsibility for private drinking water supplies (e.g., wells) does not extend beyond regulating well construction and investigating contamination originating from outside the supply owner's property.

**5.2** The Department released its new drinking water strategy in October 2002. The strategy is based on the principles of sustainability and integrated management, and the premise that everyone has a responsibility to maintain and protect the environment. The accompanying multi-year action plan includes activities that address some of the main components in each of the stages of the multiple-barrier approach.

**5.3** Standards exist for the construction and operation of public water supplies, the qualifications of public water supply operators, accreditation of laboratories which test water samples, and the construction of wells. There are no standards for the safe collection, transport and discharge of water by tank trucks for domestic consumption, but draft guidelines have been developed and await approval.

**5.4** The Department has adopted Health Canada's health-based Guidelines for Canadian Drinking Water Quality as the standard for Nova Scotia public drinking water supplies. Provincial Regulations require public water supply owners to regularly monitor and test their supplies. Municipal water supplies are audited by the Department on a regular basis.

**5.5** The Department estimates there are approximately 1,800 public drinking water supplies -other than municipal supplies - that require registration and implementation of a water quality monitoring program. The Department originally estimated that it would have all of the public water supplies registered by October 1, 2002. As of November 5, 2002, approximately two years after the regulatory requirement for registration was approved, there were 1,512 supplies registered.

**5.6** The Department has inspected a number of registered water supplies because of the presence of contamination and the release of a boil water advisory. However, there have not yet been any audits of registered water supplies because registration is still in progress. We noted insufficient planning relating to the compliance monitoring process for registered water supplies.

The Department has not yet determined how it will carry out the audits, including the procedures and forms to be used. It has not prepared an analysis of how audits of registered supplies will be allocated among various government departments and whether there are sufficient resources available to do the work. The Department has not adequately considered how it will ensure other departments' inspectors are providing sufficient compliance monitoring coverage.

**5.7** Responsibility for the enforcement of drinking water safety is clearly set out in legislation and regulations, as well as in policy directives and guidelines issued by the Department to staff. Documented roles and responsibilities are consistent with relevant legislation.

**5.8** Our recommendations to government from this audit are as follows:

*5.1 We recommend that the Department develop audit procedures and forms, study resource issues, establish coordination mechanisms and implement quality control standards for the audit of registered water supplies.*

*5.2 We recommend that Department requirements for the documentation and follow up of boil water advisories be complied with.*

*5.3 We recommend that the Department upgrade the reporting function of its environmental registration and approvals system so that it can provide all of the types of information helpful for monitoring enforcement activities.*

## **WORKERS' COMPENSATION BOARD OF NOVA SCOTIA - GOVERNANCE STRUCTURE AND PROCESSES**

### **Chapter 6**

**6.1** On November 20, 2001 Treasury and Policy Board requested the Auditor General to conduct an audit of the Workers' Compensation Board (WCB). The Auditor General was asked to consult with the Minister of Environment and Labour on the scope and timing of the audit and to provide the audit results to the Minister. Upon consulting with the Minister, we undertook an examination of the governance processes of the Workers' Compensation Board. The audit was concluded in June 2002 and reported to the Minister and copied to the Workers' Compensation Board. The full report is reproduced on page 96 of the Report of the Auditor General.

**6.2** We found that the Workers' Compensation Board of Nova Scotia has a formal governance function which plays an active role in directing the organization's operations.

**6.3** There is appropriate attention to the development of knowledge and skills among Board members and there appears to be good commitment by members to the work of the Board. More attention needs to be given to appointment and remuneration of Board members and evaluation of the effectiveness of the Board in fulfilling its governance responsibilities.

**6.4** Board members have a good understanding of their purpose and the interests they serve. However, there needs to be more attention given to defining the governance practices the Board wishes to follow.

**6.5** The Board is involved in developing objectives and strategies for the WCB. However, there are several groups involved in the workers' compensation system in addition to the WCB and we see a need for planning and coordination for the whole system.

**6.6** Board members receive a large amount of performance and other information to help them in their deliberations, and there are audit functions to provide assurance on information received. However, there is a need to better define the exact types, extent and form of information directors receive from management, and to improve monitoring of the internal audit function.

**6.7** The Board of Directors has practices to promote effectiveness in directing the business of the WCB, and commits reasonable amounts of time to this responsibility. There is room for improvement in the documenting of Board and committee meetings and the formalizing of the role, responsibilities and employment terms of the CEO.

**6.8** The Board fulfils its accountability responsibilities through the provision of comprehensive reports to its stakeholders. We recommended more attention be given to governance matters and performance targets and accomplishments in the WCB's annual report.

## **FINANCE**

### **NOVA SCOTIA PUBLIC SERVICE LONG TERM DISABILITY PLAN TRUST FUND**

#### **Chapter 7**

**7.1** The Nova Scotia Public Service Long Term Disability (LTD) Plan Trust Fund was established in 1985. The terms and conditions under which the Plan is administered are detailed in a Trust Agreement between the Nova Scotia Government and General Employees' Union (NSGEU), the Province, and the Trustees. The Union and the Province are known collectively as the Plan sponsors.

**7.2** The N.S. LTD Plan Trust Fund has, and will continue to face, significant challenges including reducing its unfunded liability. For too long, the declining financial position of the Plan was not addressed, and one can only conclude that the overall governance and accountability functions in the past failed to protect the interest of the beneficiaries on a timely basis.

**7.3** The existing governance arrangements for the Plan include, by design, conflicting interests. The members of the Board of Trustees share the fiduciary responsibilities for the Plan with the sponsors. However, only the Plan sponsors have the authority for decisions most relevant to the finances and funding of the Plan. Historically, it has taken the Trustees and sponsors too long to make decisions and take action on matters with significant financial or funding consequences. As a result, current contributors to the Plan, including the public purse, are now - and will be for some time - paying increased premiums to offset the poor performance of the Fund in the past.

**7.4** Recent changes to the Plan, which are aimed toward a fully-funded position in 15 years, are a significant step in maintaining a viable Fund. However, leave management policies and procedures within the government and its related entities require review in an effort to control the rate of claims incidence for the Plan.

**7.5** In order to attract and retain qualified employees at all levels, an organization like the government of Nova Scotia needs to offer a reasonably comprehensive suite of benefits in addition to basic salaries and wages. Access to a reasonably priced and reliable disability benefit is one element of a comprehensive benefits program. The government's existing program offered through the N.S. LTD Plan Trust Fund has been and is still at significant risk and must be monitored closely. The Board of Trustees noted in its response to the Chapter that they have taken, or are planning to take, action toward implementing the recommendations we have made.

**7.6** After changes to the Plan implemented in May 2002, the unfunded liability for the N.S. Long Term Disability Plan Trust Fund is estimated to be \$38.9 million at June 1, 2002. The impact of recent Plan changes designed to reduce this deficit over a 15-year period needs to be managed and closely monitored to ensure effectiveness. The Board of Trustees needs to develop a plan to accomplish this.

**7.7** We commend the Board in its efforts to include performance evaluation in its proposed service contract for claims administration. This contract is currently under negotiation.

**7.8** An annual report is prepared for the Plan as required by the Trust Agreement.

**7.9** Our recommendations to government from this audit are as follows:

*7.1 We recommend that funding strategy benchmarks to be established by the Trustees be included in a plan to monitor the impact of the recent Plan changes.*

*7.2 We strongly recommend that the effectiveness of current short-term illness policies and practices, and their impact on LTD claims, be examined by the Public Service Commission. Further, there is a need to integrate and coordinate aspects of these benefit programs to better facilitate back-to-work objectives.*

*7.3 We recommend that an overall review of the governance structure and arrangements for the Plan be undertaken. This review should include a discussion of alternatives to the present arrangements to ensure the resulting Board structure addresses the concerns expressed by the Trustees surrounding fiduciary responsibility to the beneficiaries of the Plan, i.e., current contributors and claimants.*

*7.4 We recommend that future annual reports be prepared on a timely basis and clearly indicate the impact the recent changes have had in addressing the unfunded liability of the Plan.*

*7.5 We recommend that the Board develop a schedule for the periodic review of benefit recipients' files (likely on a sample basis) as part of the overall evaluation of the claims administration function.*

*7.6 We recommend that the Trustees perform an analysis to determine whether services procured from external service providers result in due regard for economy and efficiency. If it is determined that these arrangements continue to be sole-sourced, written documentation justifying this decision should be noted in the Board minutes.*

## **HEALTH**

### **ACCOUNTABILITY OF DISTRICT HEALTH AUTHORITIES**

#### **Chapter 8**

**8.1** The Health Authorities Act includes provisions that establish a strong accountability structure between the Department of Health (DOH) and the District Health Authorities (DHAs). Although some of these requirements are already in place, additional work is needed to enforce all provisions of the Act and ensure the DHAs comply with legislation and are accountable to DOH.

**8.2** The Health Authorities Act requires Executive Council approval of DHA Business Plans. The Department of Health submits detailed information on DHAs' planned initiatives to Treasury and Policy Board for discussion as part of the budget approval process. DHA funding is approved and documented. We believe that accountability would be improved if DHA Business Plans were submitted to Executive Council as provided in the Act, and Executive Council formally approved, with documentation, DHAs' planned initiatives in addition to the funding approval. This would help to clarify the government's performance expectations for the DHAs.

**8.3** The new Database Management Information System has been a significant improvement in the Department's ability to obtain and use relevant information from the DHAs.

**8.4** The Nova Scotia Health Information System(NShIS) will provide timely health service information through a centralized computer system database. This project is a very significant undertaking by the Province and is scheduled for completion by the end of 2004. The most recent forecast of project costs for NShIS is \$57 million. The steering committee has directed the project manager to reconsider the cost forecast.

**8.5** Our recommendations to government from this audit are as follows:

*8.1 We recommend that DOH establish a central file for each DHA. This file should contain all correspondence between the Department and the DHA as well as any documents required by legislation.*

*8.2 We recommend that DOH continue to develop a framework for performance reporting by DHAs. This should include measuring common performance indicators against pre-established benchmarks.*

*8.3 We recommend that the Department submit DHA Business Plans to Executive Council for approval as required by the Health Authorities Act.*

*8.4 We recommend that DHAs submit annual reports to DOH by September 1 as required by the Act. We also recommend that DOH follow up on a timely basis in those cases where the annual report and other required items are not received by due dates.*

*8.5 We recommend that the Department of Health establish accounting policies and give more direction to the District Health Authorities in this area.*

*8.6 We recommend that DOH review the systems and controls over the collection of statistical data and consider whether additional guidance and controls are necessary to ensure the data is accurate and comparable.*



*8.7 We recommend that management establish a project plan and proceed with development of a funding formula to rationalize funding allocations to DHAs.*

## **PROCUREMENT**

### **Chapter 9**

**9.1** During the year, we performed an audit of the Department of Transportation and Public Works Procurement Branch (Chapter 14). During that audit we found indications of problems with procurement practices at the department level. We decided to audit the Department of Health, the largest government department, to allow us to gain a better understanding of procurement practices at the department level.

**9.2** We found several instances where the Department of Health was not compliant with the requirements of the Provincial Procurement Policy or the Department's internal policies.

**9.3** In our detailed testing of procurement transactions, we found that a number of items in our sample were neither tendered nor appropriately exempted under the alternative procurement practices section of the Procurement Policy.

**9.4** Policies require that purchase orders be approved at the time of procurement to provide proper approval of the transaction and the vendor's price. We found that purchase orders are being initiated after the date of purchase rather than before.

**9.5** The Department has not established processes to ensure all alternative procurement transactions are properly approved by the Deputy Minister, documented and recorded in the Province's Corporate Financial Management System, and reported to the Minister of Transportation and Public Works on a timely basis. We found that the report to the Minister of Transportation and Public Works was incomplete and excluded several items we examined which followed alternative procurement practices at the Department of Health.

**9.6** Our recommendations to government from this audit are as follows:

*9.1 We recommend that the Department of Health complete its reorganization of the procurement function.*

*9.2 We recommend that the Department of Health issue appropriate purchase orders at the time goods and services are ordered. The purchase orders should be properly approved and issued at the time the order is placed.*

*9.3 We recommend that the Department of Health ensure that exemptions under Section 8 of the Procurement Policy (i.e., Alternative Procurements) are appropriately approved and documented on an Alternative Procurement Practices Report form prior to placement of the order for goods or services. The completed forms should be submitted to the Department of Transportation and Public Works.*

*9.4 We recommend that the Department of Health regularly receive a copy of the report prepared by the Procurement Branch of the Department of Transportation and Public Works for the Minister. The Department of Health should review the report for completeness and accuracy.*

*9.5 We recommend that the Procurement Branch and/or Corporate Internal Audit perform periodic audits of exemptions under Section 8 of the Procurement Policy (Alternative Procurement transactions) at the Department of Health to assist the Department in achieving compliance with the Procurement Policy and to assist the Department of Transportation and Public Works in preparing complete and accurate reports.*

## **HOME CARE NOVA SCOTIA**

### **Chapter 10**

**10.1** Home Care Nova Scotia's (HCNS) costs have increased dramatically over the past five years. To understand these cost increases, it is important for DOH to monitor costs and develop formal explanations for statistical and financial variances from prior year and current year expectations.

**10.2** The Department is conducting some audits of service provider agencies but the target of auditing each agency annually is not being met.

**10.3** The contract rates currently being paid to the VON for nursing services are based on 1996 levels and have been recognized by Department management to be insufficient. Yearend reconciliations to adjust funding to the VON's actual costs add a level of complexity to the funding arrangement that could be avoided. The Department should establish an updated rate for nursing services which would facilitate the budgeting and forecasting of these costs.

**10.4** The Department of Health has not used a competitive procurement process to acquire nursing and home support services for this program. Although the Deputy Minister has the authority to approve alternative procurement processes under the Government Procurement Policy, an exemption has not been documented and reported as required.

**10.5** The Department attempted to rationalize home support agency funding with the development of new funding guidelines for 2001-02. These new funding guidelines are a significant step forward in attempting to provide funding on a consistent basis for all agencies.

**10.6** Our recommendations to government from this audit are as follows:

*10.1 We recommend that the Department of Health prepare strategic and operational plans for Home Care Nova Scotia to ensure a common understanding of future direction, and to serve as a guide for HCNS management.*

*10.2 We recommend that the Department of Health review the current process for approving payment of invoices for nursing services. The approval process should ensure that all services paid were authorized by Care Coordinators, and all information necessary to complete the verification should be available on a timely basis.*

*10.3 We recommend that the Department of Health prepare comparisons of Home Care Nova Scotia financial results and performance information to expectations, standards, and prior year figures for the program as a whole, and also among regions. Any resulting variances should be investigated and explained to ensure that program costs are properly understood and managed.*

*10.4 We recommend that the Department of Health, in conjunction with implementation of its new home support agency funding guidelines, review controls over funding to home support agencies. The controls should be sufficient to ensure that payments are made only for authorized services, and that any deficits funded are not the result of poor management practices or services unrelated to HCNS.*

*10.5 We recommend that the Department of Health review the arrangements for acquisition of nursing and home support services for Home Care Nova Scotia. The Department should comply with the Government Procurement Policy and either subject these services to a competitive process, or seek the required approval for an exemption. The Department should also determine whether future contracts should be Province-wide or whether each District Health Authority should have responsibility for its own arrangement. Contracts should include clearly-defined performance expectations and require reporting of achievement.*

*10.6 We recommend that the Department of Health assess its objectives for agency audits, the associated risks, and resources available. The Department of Health should develop and implement a plan for agency audits.*

*10.7 We recommend that the Department of Health include client fees and collection practices in the scope of its agency audits. We also recommend that the Department perform regular comparisons of the full costs of home support and oxygen services to the fee schedule to ensure that the charge is appropriate.*

## **NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

### **Chapter 11**

**11.1** The Nova Scotia Health Research Act received Royal Assent on December 3, 1998 and was proclaimed in January 2000. Since the Foundation began operations, it has conducted two grant competitions resulting in awards of more than \$9 million. The Foundation receives funding to pay the grants from the Department of Health.

**11.2** The Foundation's review and approval of applications is based on established criteria and a peer review process. The Peer Review Committee is comprised of individuals possessing the necessary skills and experience.

**11.3** Our audit testing revealed that grant payments to sponsoring institutions in the first two competitions did not require ethical approval by a duly-constituted institutional research ethics committee prior to release of funds to the institution. The Foundation has modified the funding requirements to include ethical approval prior to release of funds to the administering institution.

**11.4** The Foundation requires two signatures on cheques in amounts greater than \$50,000, but only one signature for lesser amounts. We believe that two signatures should be required for all cheques to increase control over disbursements.

**11.5** During the 2001-02 Estimates process, the Department of Health requested approval from central government of a \$5 million budget for the 2001-02 grant to the Foundation. This amount was based on the Foundation's submission to the Department. The government only approved \$2.5 million which was the same as the budget approval for the prior year. For two consecutive years (2000-01 and 2001-02), government included only \$2.5 million for the grant to NSHRF in the Estimates, but the actual grant was \$5 million each year.

**11.6** Our recommendations to government from this audit are as follows:

*11.1 We recommend that the Foundation continue its efforts to implement a strategic planning initiative, and submit a three-year plan as required by the Act. The Foundation should report its performance in achieving plans and targets including a comparison of actual to budgeted financial results and reporting of program performance.*

*11.2 We recommend that, for all grants awarded by the Foundation, there be a formal agreement signed by the Foundation, the sponsor and the grantee, and that a copy be maintained by the Foundation. The agreement should set out the payment terms and the sponsors (institutions) should sign that they will comply with established funding requirements. In addition, the Foundation should adopt procedures to verify compliance.*

*11.3 We recommend that two signatures be required for all cheques.*

*11.4 We recommend that the Foundation improve its monitoring of grant recipients by requiring the sponsoring institutions' finance departments to submit annual financial reports of grant expenditures.*

*11.5 We recommend that the Board approve an investment policy to provide guidance for staff and professional investment advisors when investing Foundation funds.*

*11.6 We recommend that the government appropriately budget the grant to the Nova Scotia Health Research Foundation based on operational plans, legislative and other commitments and historical experience, and that the grant be disbursed on a basis which matches the cash flow needs of the Foundation.*

*11.7 We recommend that the Nova Scotia Health Research Foundation provide a Statement of Revenues and Expenditures for the Restricted Fund in its financial statements.*

## **AUDIT OF PERFORMANCE INDICATORS**

### **Chapter 12**

**12.1** In September 2000, the First Ministers agreed to "provide comprehensive and regular public reporting by each government on the health programs and services they deliver, on health system performance and on progress towards the priorities set forth...; and collaborate on the development of a comprehensive framework using jointly agreed comparable indicators such that each government will begin reporting by September, 2002." (First Ministers' Meeting Communique on Health, September 11, 2000).

**12.2** In addition, they agreed to "...allow each government to determine appropriate third party verification for itself to certify and analyse this information for the benefit of Canadians."

**12.3** On June 26, 2001 the Deputy Minister of Health requested the Auditor General to provide the required third party verification for the report, and we accepted the engagement.

**12.4** Over the course of the two-year period between the First Ministers' Meeting and the tabling of the final report, the Department of Health worked with its counterparts in other jurisdictions through a sub-committee of the Conference of Deputy Ministers of Health. A framework of 67 indicators in 14 areas was approved by the Conference of Deputy Ministers.

**12.5** We were able to give an unqualified audit opinion on all but 18 of the indicators reported by the Department of Health on September 30, 2002.

**12.6** This is not the first time that Nova Scotia has reported health system data to the public. However, it is the first cooperative effort between Federal, provincial and territorial governments to report to their own citizens on health system performance using the same set of comparable indicators. This new process will improve Nova Scotia's ability to gather useful health care data and report health system performance to its residents along with comparisons to other provinces and territories. We are encouraged by the work undertaken by the Nova Scotia Department of Health in the preparation of Reporting to Nova Scotians on Comparable Health and Health System Indicators.

**12.7** In previous Reports of the Auditor General, we have commented on the need for improved health information systems. The Department of Health is currently investing an estimated \$57 million in a new Hospital Information System to satisfy the need for timely and relevant clinical and management information for decision-making.

**12.8** New systems help to meet the need for quality information, but we also believe that the user needs assurance on the quality of the data generated by such systems. Audits provide the needed assurance. The role of audit is well understood in the provision of financial information, but is just beginning to be recognized in the provision of non-financial information. We encourage government to look at the 2002 health indicators report as an example of the added assurance that an audit can provide on non-financial information in all sectors.

## **SERVICE NOVA SCOTIA AND MUNICIPAL RELATIONS**

### **FUEL AND TOBACCO TAX**

#### **Chapter 13**

**13.1** The Department of Service Nova Scotia and Municipal Relations is responsible for administering the Revenue Act. Under the Act, the Department administers taxes on tobacco products, gasoline and diesel oil (fuel), and the private purchase of designated tangible personal property (e.g., motor vehicles, boats and aircraft). Total revenue received under these three taxes for the year ended March 31, 2002 was \$327.4 million.

**13.2** The Department has a broad mandate under the Revenue Act and Regulations. We did not observe any unmet legislative requirements.

**13.3** Control over the processing of tax payments needs strengthening. We observed deficiencies relating to segregation of duties, recording and security of money received, and reconciliations of deposits to accounting records.

**13.4** We noted tax returns with incomplete or missing supporting schedules and insufficient details on the calculation of taxes owing, and returns regularly being received after due dates.

**13.5** As a result of a 1991 Provincial Court decision, gasoline purchased on a reserve by a status Indian is exempt from Provincial taxes. The government established a process to refund the fuel tax previously paid by band members who purchased fuel from on-reserve gasoline retailers. In July 2002 government reached a tentative agreement with the Eskasoni band to refund band members \$16 million for fuel taxes paid (including interest). The government is negotiating agreements with the remaining 12 bands. The total cost of this rebate program is estimated to be \$19.6 million.

**13.6** There are serious deficiencies in the planning, monitoring and documentation of tax audits and inspections, and insufficient auditing of oil company head offices, gasoline retailers and tobacco wholesalers.

**13.7** There are reasonable systems and good documentation to support measures taken to pursue infractions of law discovered by the Department.

**13.8** Our recommendations to government from this audit are as follows:

*13.1 We recommend the Department implement an appropriate system of internal control over cash receipts.*

*13.2 We recommend that the examination of monthly returns from tobacco wholesalers and fuel oil companies be appropriately documented and reviewed, and standards be developed to specify the frequency and nature of the procedures to be performed.*

*13.3 We recommend that the Department ensure returns and tax payments are processed on a timely basis and that all information required on a return is received.*

*13.4 We recommend tax-exempt fuel sales statements be reviewed monthly, at least on a sample basis. This process should include checking to see that tax-exempt fuel is only being sold to companies and individuals who have consumer exemption permits.*

*13.5 We recommend that the Department implement a formal, comprehensive system for audit/inspection planning, management and quality control.*

*13.6 We recommend that audits of oil company head offices, gasoline retailers and tobacco wholesalers be performed. Staff should be provided with the training necessary to audit oil company head offices and gasoline retailers, and/or the expertise should be obtained from outside the Department.*

*13.7 We recommend that information system improvements be implemented to facilitate a more effective and efficient inspection and audit process.*

*13.8 We recommend a comprehensive review of the staffing, organization and work responsibilities of the Department as they relate to tobacco and fuel taxes, concurrent with the above-recommended information system improvements, to ensure all tax-related responsibilities are fulfilled in the most efficient and effective manner.*

*13.9 We recommend that better documentation be prepared to support the procedures performed and conclusions drawn from audits and inspections.*

*13.10 We recommend that the Department establish risk-based criteria for determining which companies should provide surety bonds, and ensure it has up-to-date surety bonds from companies required to provide them. The Department should also ensure that licences or permits required by a client from another Department are in place.*

## **TRANSPORTATION AND PUBLIC WORKS**

### **PROCUREMENT BRANCH**

#### **Chapter 14**

**14.1** The Department of Transportation and Public Works is responsible for administering the Government Purchases Act and the Government Procurement Policy. Within the Department, the responsibility rests with the Procurement Branch, a section of the Department's Government Services Division. The Department assumed responsibility for government procurement in January 2001 upon the transfer of the Procurement Branch from the Department of Finance.

**14.2** The Government Procurement Policy allows government organizations to purchase goods with a value up to \$5,000 without public tender if they obtain at least three quotations. Under Section 8 of the Government Purchases Act, the Procurement Branch must tender for the purchase of goods over \$1,000. An amendment to the Act has been drafted to increase the limit to \$5,000, but the new legislation has not been presented to the House of Assembly yet.



**14.3** The Procurement Branch has taken steps to promote a clear understanding of procurement goals and processes.

**14.4** A policy statement was drafted to guide government organizations in evaluating and conducting public-private partnership procurement. However, the policy statement was never approved by Executive Council.

**14.5** Purchase orders for procurements by government departments and agencies over \$25,000 must be approved and issued by the Procurement Branch. Procurement staff can put a transaction on hold if there are questions as to its compliance with legislation and policy. After a tender is conducted and bids are evaluated by the client organization, the organization must provide an explanation to the Procurement Branch if a bid other than the lowest priced one is accepted.

**14.6** The Government Procurement Policy applies to all Provincial government entities, including departments, agencies, boards, commissions, crown corporations, academic institutions, regional school boards and district health authorities. However, there is little external monitoring of the procurement activities of crown corporations, academic institutions, regional school boards and district health authorities. Similarly, there is little external monitoring of these entities to ensure compliance with interprovincial procurement agreements.

**14.7** Government organizations sometimes bypass the procurement process and Procurement Branch involvement by processing procurement transactions through the accounts payable module, rather than the procurement module, of the government's Corporate Financial Management System. Procurement Branch staff monitor transactions processed through the accounts payable module for improper recording of purchases, and questionable transactions are followed up.

**14.8** Some policies relating to alternative procurement (e.g., sole-source purchasing) are not always followed by government organizations. Alternative procurement is being conducted without consultation or agreement of Procurement Branch staff. Not all alternative procurement is reported to the Procurement Branch, as required by policy.

**14.9** We found little review and challenge of alternative procurement transactions by Procurement Branch staff as long as the transaction was approved by the head of the client organization. The Government Procurement Policy does not specifically state that the Procurement Branch is responsible for controlling client organization procurement practices, and does not specify any method of resolving the issue if Procurement Branch staff challenge a decision approved by the head of a client organization. There is no requirement to report alternative procurement transactions, or even differences of opinion, to a central government organization such as Treasury and Policy Board.

**14.10** Our recommendations to government from this audit are as follows:

*14.1 We recommend that government review its practices for ensuring compliance with procurement policy and agreements. We believe either the role of the Procurement Branch needs to be expanded and its practices strengthened, or alternative measures need to be developed to hold all government entities individually accountable for procurement activity.*

*14.2 We recommend more guidelines be developed and communicated, and practices be strengthened, for the documentation and recording of procurement transactions.*

*14.3 We recommend that government comply with policies and guidelines for alternative procurement, and that transactions be better documented. We believe there needs to be a better system to address known noncompliance with alternative procurement policies and differences of opinion between the Procurement Branch and its client organizations.*

*14.4 We recommend that, in order to maintain a high level of confidence in the procurement process and ensure all procurement is carried out in an open and fair manner, there be some level of reporting to the House of Assembly and other stakeholders on procurement.*

*14.5 We recommend continued development of performance measures, collection of supporting information and annual reporting on performance. Where possible, performance reporting should include quantitative measures compared to predetermined targets, with explanations for significant variances.*

## **CROWN AGENCIES AND CORPORATIONS**

### **HIGHWAY 104 WESTERN ALIGNMENT CORPORATION**

#### **Chapter 15**

**15.1** Highway 104 Western Alignment Corporation was established by Statute in 1995 and is responsible for the financing, design, construction, operation and maintenance of the Highway 104 Western Alignment. The Western Alignment is a 45-kilometre, four-lane, divided, toll highway linking Masstown and Thomson Station in northern Nova Scotia.

**15.2** The Corporation reports to the Department of Transportation and Public Works (TPW) on a timely basis, but TPW does not provide accountability information on the Corporation to the House of Assembly. No corporate annual reports or business plans have been tabled in the House of Assembly.

**15.3** The Corporation does not have documented, defined performance measures that are formally monitored and reported.

**15.4** There are inconsistencies between the Highway 104 Western Alignment Act and subsequent Financial Measures legislation which have not been fully addressed by government.

**15.5** A primary objective for building the \$124.6 million Highway 104 Western Alignment was to improve traveler safety. However, neither the Corporation nor the government, have formally studied and reported deaths and accidents related to the new highway.

**15.6** The Corporation does not prepare a comprehensive business plan which includes goals, outcomes and performance measures.

**15.7** The Corporation is complying with its legislation and regulations. At the time of our audit, the Corporation was not complying with two requirements of 22 agreements to which it is a signatory.

**15.8** The Corporation has appropriate operating and capital budgetary processes. However, it does not perform regular cash flow projections as part of its planning process.

**15.9** The Department of Transportation and Public Works provides annual highway maintenance services and technical expertise for major highway repairs to the Corporation, but does not recover the full cost of the services.

**15.10** Our recommendations to government from this audit are as follows:

*15.1 We recommend that the Corporation's accountability requirements be broader, and included in legislation so they may only be changed by the House of Assembly, to which we believe the Corporation is ultimately accountable.*

*15.2 We recommend ongoing monitoring of all agreements and indentures be undertaken to ensure compliance with all corporate requirements.*

*15.3 We recommend that accident and death statistics be monitored by TPW or the Corporation and reported in the Corporation's annual report, along with any available explanations for trends or variances from expectations.*

*15.4 We recommend that a more formal, comprehensive business plan be prepared each year and used to enhance the Corporation's planning and budgeting process.*

*15.5 We recommend the Corporation prepare a three to five-year cash flow projection based on management's best estimates of future operating results, debt repayment, road repairs, reserve funding, and other significant sources and uses of cash.*

*15.6 We recommend that cash flow projections be prepared regularly to identify changes (e.g., predetermined toll increases, forecasted debt repayments) which may cause potential cash shortages or affect the Corporation's ability to fund reserve accounts.*

*15.7 We recommend that the Corporation determine whether it is more beneficial to hold excess cash or repay outstanding debt. The analysis should include reviewing cash flow projections to ensure the Corporation will have sufficient cash to meet all of its future obligations.*

*15.8 We recommend that indirect and other costs associated with the annual maintenance and major repair services provided to the Corporation be identified, accumulated and monitored. TPW should consider whether future agreements with the Corporation provide for full cost recovery to the Department.*

## **TRADE CENTRE LIMITED**

### **Chapter 16**

**16.1** Trade Centre Limited (TCL) was created in November 1981 by Order in Council. The Province of Nova Scotia is the beneficial owner of all shares of the Corporation which reports to the Minister of the Office of Economic Development.

**16.2** Trade Centre Limited has been in operation for more than twenty years. It represents a significant and important infrastructure investment for the Province and the region.

**16.3** Organizations such as TCL typically require periodic government support in order to maintain their operations and capital assets. TCL has not had to receive direct financial support from the Province for its operations since the fiscal year ended March 31, 1995. However, the facilities are more than twenty years old and there is currently no plan in place to address the long-term facility requirements of TCL. The government and TCL need to address this challenge to ensure TCL's ability to operate into the future.

**16.4** Trade Centre Limited's formal governance and accountability arrangements need to be modernized. In our view, this should include defining comprehensive corporate bylaws and terms of reference for Board committees. We were advised that the TCL Board recently initiated a process aimed at updating and improving the governance and accountability arrangements for the Corporation.

**16.5** TCL has well-established and understood internal business and communication processes which include monthly internal financial reporting. Management has initiated a business process and organizational review using external consulting resources which is intended to identify opportunities for improvement. TCL has established performance indicators and targets for its business divisions and for the Corporation but has yet to initiate formal external reporting against these indicators and targets.

**16.6** TCL entered into a contract with the Canadian Hockey Association (CHA) in which TCL guaranteed CHA a minimum profit of \$3 million on the World Junior Hockey Championships. The Provincial Finance Act requires Executive Council authorization for such guarantees. The required authorization was not obtained. The Corporation indicated these statutory requirements were not communicated to TCL and that providing event performance guarantees is in the normal course of business.

**16.7** TCL's senior management were paid annual bonuses for the years ended March 31, 1997 to March 31, 2001 based on the recommendation of the CEO. Bonus eligibility and amounts were determined by the CEO. In the earlier years, bonuses were approved by the full Board and in later years by the Executive Committee of the Board.

**16.8** Our recommendations to government from this review are as follows:

*16.1 We recommend Trade Centre Limited's formal governance and accountability arrangements be modernized.*

*16.2 We recommend Trade Centre Limited and the government reconcile the Corporation's need to issue event performance guarantees with the requirements of the Provincial Finance Act for prior Executive Council approval.*

*16.3 We recommend government, through the Department of Finance or Treasury and Policy Board, establish a communication strategy or process to ensure relevant statutory, policy or other requirements and initiatives are effectively communicated on a timely basis to all entities, their governing bodies and senior management included in the Government Reporting Entity. We also recommend TCL put in place a process to ensure the Corporation is aware of and in compliance with statutory or other requirements affecting its operations.*

*16.4 We recommend the agreement with Halifax Regional Municipality for the management of the Halifax Metro Centre be reviewed to ensure it appropriately reflects current circumstances, including cost allocation or sharing arrangements, and properly indemnifies TCL for contracts and operational risks related to the Metro Centre.*

*16.5 We recommend Trade Centre Limited initiate formal annual reporting of performance against indicators and targets.*

*16.6 We recommend Trade Centre Limited establish a more formal and documented process for determining eligibility and amounts of annual bonuses for senior management.*

## **REVIEW OF FINANCIAL STATEMENTS AND MANAGEMENT LETTERS**

### **Chapter 17**

**17.1** Section 17 of the Auditor General Act permits this Office to conduct additional reviews of those crown corporations and agencies where the financial statements are reported on by private sector auditors. This Chapter of our Report contains comments on our review of the results of private sector audits, as well as comments on audits performed by this Office.

**17.2** As part of the wrap-up of the Nova Scotia Business Development Corporation (NSBDC) (which had been assigned responsibility in the early 1990's for the assistance accounts provided through the Industrial Expansion Fund), various roles and responsibilities for the Industrial Expansion Fund (IEF) and its accounts became problematic. The new Nova Scotia Business Incorporated (NSBI) was designated to 'administer' the IEF accounts. However, 'administer' was not defined and NSBI's interpretation of the scope of its roles and responsibilities for the IEF and its accounts was significantly less than what had been done by NSBDC.

**17.3** This situation resulted in significant delay in the finalization of the audit of the IEF's March 31, 2002 financial statements. More importantly, without full and appropriate resolution, the roles and responsibilities for the IEF will be fragmented between NSBI and the Office of Economic Development.

**17.4** Amendments need to be made to the Members' Retiring Allowances Act to allow for the issuance of a formal waiver from the Canada Customs and Revenue Agency with regard to member contribution limits. A separate account should be formed for the Members' Supplementary Retiring Allowances Plan to allow for the segregation of contributions, interest, refunds and allowances from the Members' Retiring Allowances Plan.

## **OTHER AUDIT OBSERVATIONS**

### **ADDITIONAL APPROPRIATIONS**

#### **Chapter 18**

**18.1** Additional appropriations totaling \$450.2 million and \$183.4 million were approved by Order in Council (OIC) in September 2002 for the years ended March 31, 2001 and March 31, 2000 respectively.

**18.2** Additional appropriations required for the year ended March 31, 2002 are yet to be approved by Order in Council. Under Section 28(4) of the Provincial Finance Act, as amended May 30, 2002, Order in Council approval now needs to be obtained "no later than ninety days after tabling of the Public Accounts".

**18.3** There were no special warrants approved for the 2001-02 fiscal year.

**18.4** Current legislation and administrative practices impair the effectiveness of the House of Assembly's control over the spending of public funds. The practice of obtaining after-the-fact approval for additional spending authority does not constitute or support effective control.

**18.5** Recent statutory changes establishing a deadline for obtaining additional appropriations have resolved an administrative challenge of government regarding compliance. However, parliamentary control of and accountability for government's spending are at risk of being further impaired because the statutory provisions do not require approval prior to spending.

### **CASH AND OTHER LOSSES**

#### **Chapter 19**

**19.1** The losses reported to us for the year ended March 31, 2002 totalled \$215,562; consisting of cash losses of \$24,267, property losses estimated at \$287,869 and recoveries of \$96,574. In addition, Regional School Boards reported losses of \$704,275 and recoveries of \$19,903 for the year.

**19.2** Not all departments and crown agencies comply, on a timely basis, with the loss reporting requirements of the Management Manual.