

# Introduction

# 1 OVERVIEW AND SIGNIFICANT ISSUES

## INTRODUCTION

- 1.1 I am pleased to submit my Annual Report to the House of Assembly. It outlines the results of audit work and other activities conducted during 2003. I remain committed to providing information to the members of the House of Assembly, particularly to those who serve on the Public Accounts Committee, to assist them in meeting their responsibility to hold the government to account for the management of public funds.
- 1.2 We adhere to the standards established and promulgated by the Canadian Institute of Chartered Accountants which are the benchmarks for public accountants and legislative auditors when performing audit and assurance work.
- 1.3 I issued a report on February 26, 2003 which included the 2002 Performance Report and 2003 Business Plan of the Office of the Auditor General.
- 1.4 I also issued an additional report on November 14, 2003 following the release of the Public Accounts the previous day. I had issued an unqualified opinion on the financial statements but raised issues with regard to the completeness and comparability of other financial reporting by government.
- 1.5 Once again, this Annual Report contains specific recommendations for improvements that should be considered by government and it is my intention to follow up on these.
- 1.6 The government continues to make progress towards achieving fiscal stability, which is demonstrated by improvements in the quality of the financial statements through implementation of generally accepted accounting principles. That is a major step forward but, as outlined throughout this Report, weaknesses in control, management processes, communication and information reporting continue to exist.

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## AUDIT MANDATE

- 1.7 In addition to presenting this Annual Report, as mentioned above, I am required to provide an opinion on the Province's financial statements and my report was dated July 15, 2003 and included in the Public Accounts which were released by government on November 13, 2003.
- 1.8 The Auditor General Act also requires me to review and report upon the estimates of revenue included in the budget. My report thereon was included in the Budget Address tabled by the Minister of Finance on April 3, 2003.

- 1.9 The Act also permits me to table a maximum of two additional reports during a year and, as stated earlier, I did table two.

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## **ACCOUNTABILITY AND FINANCIAL REPORTING**

- 1.10 Chapter 2 of this Report provides further detail on the matters related to the Province's financial statements, revenue estimates and other financial disclosure issues. It notes and acknowledges improvements that have been made while also commenting on deficiencies in some financial disclosures.
- 1.11 It also discusses efforts at Accountability Reporting, an initiative that we strongly support. The government's Annual Accountability Report is scheduled for release by the December 31, 2003 statutory deadline.
- 1.12 During the course of our audit of the Province's financial statements, we examined various control procedures and systems and the chapter outlines selected opportunities for improvement. We will be providing more detailed observations to government in a separate management letter to be issued in late 2003 or early 2004.

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## **FINANCE - CENTRAL FINANCIAL MANAGEMENT SYSTEM/SAP**

- 1.13 This chapter discusses the implementation of the corporate financial management system across government and outlines a number of areas that require improvement. It has been in service for six years and major upgrades have been made.

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## **COMMUNITY SERVICES - HOUSING SERVICES**

- 1.14 This audit focussed on the Housing Services Division of the Department of Community Services and we concluded that, generally, its planning, budgeting and accountability practices were satisfactory. We also concluded that there is adequate control over funds spent and received by its social housing subsidy and home repair programs.

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## **EDUCATION - ACCOUNTABILITY OF SCHOOL BOARDS**

- 1.15 This chapter discusses the efforts of the Department of Education to improve the accountability of school boards and implement the recommendations from special reviews of Chignecto-Central Regional School Board and Strait Regional School Board. We urge that continued priority be assigned to these initiatives and recommendations, and that the Department develop a new funding formula for school boards.

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## EDUCATION - UNIVERSITIES

- 1.16** As a result of suspected fraud at Collège de l'Acadie, the Minister of Education requested the Office of the Auditor General to conduct an audit of the general audit and control environments in the universities. Overall, the audits did not reveal any significant weaknesses in controls. However, we are concerned with the existence of significant pension plan deficits at three universities and an operating deficit at one. We also note the need for improvement in annual business planning. The chapter also includes responses to the audit from three universities.

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## ENERGY - OIL AND GAS EXPLORATION AND PRODUCTION

- 1.17** This audit concluded that the Department has appropriate systems for planning and performance management, although reporting on performance outcomes could be improved. We also believe more attention should be given to royalty auditing.

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## HEALTH - IWK HEALTH CENTRE

- 1.18** The Centre has reasonable systems for planning, monitoring and controlling operations. However, we made recommendations for improvements in certain areas including the need for better monitoring of cost saving initiatives.

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## HEALTH - LONG-TERM CARE

- 1.19** This audit noted that the Department of Health had made significant progress in business planning and budgeting for facilities, the applicant financial assessment process and accumulation of wait list information. There continue to be significant fiscal challenges in this program. We have recommended improvements to a number of areas including the need for new legislation and regulations.

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## HEALTH - PAYMENTS TO PHYSICIANS

- 1.20** The claims payment process appears to be well established and all claims tested complied with legislation and the Agreement between the Province and the Medical Society. However, we recommended that the Department of Health ensure that annual audits of the contracted administrator (Atlantic Blue Cross Care) are performed by an independent third party.

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## JUSTICE - COURT SERVICES

- 1.21 This division of the Department of Justice has adequate procedures in place to ensure resources used in the court system are properly managed, and proper controls are in place with regard to collection of fines.

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## OFFICE OF HEALTH PROMOTION - NOVA SCOTIA GAMING FOUNDATION

- 1.22 On March 2003, the Board of Directors of the Foundation wrote to our Office to request a review of operations and suggestions for items to be included in a Memorandum of Understanding with the Office of Health Promotion. The review noted that the Board and staff have progressed in many areas since 1999, including expanding activities and operations. The relationship between the Foundation and the Office of Health Promotion requires clarification. The Foundation does not have a long-term financial plan which addresses the fund balance to be maintained or projected grant funding. We recommend that such a plan be prepared.

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## MUNICIPAL FINANCE CORPORATION

- 1.23 This audit examined accountability issues in the Corporation and concluded that all legislated reporting requirements are met. We also determined that the Corporation meets other legislated requirements and has adequate control over its financial operations.

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## NOVA SCOTIA INNOVATION CORPORATION

- 1.24 This audit focussed on key governance and accountability arrangements and made a number of recommendations for improvements.

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## TRAVEL EXPENSES

- 1.25 Travel expenses were audited in four major departments, all of which have adequate systems of control, although opportunities for improvements were noted. In particular, we recommended that the Department of Finance and the Public Service Commission undertake an audit of travel across government to assess the effectiveness of the travel policy.

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## CONCLUDING REMARKS

- 1.26 Although this Report contains many positive findings, there are always areas for improvement and I urge government to act on the recommendations we have

made. I realize that resources are limited and many public servants are stretched. In particular, many of the issues in the Department of Finance arise because, even though senior staff there (namely the Controller and Director of Accounting) are extremely competent, they are overworked. I acknowledge their efforts.

- 1.27** In closing, I wish to acknowledge the efforts of my own staff. The contents of this Report, the additional Reports, as well as others speak for themselves.
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