



**REPORT of the
AUDITOR GENERAL
to the NOVA SCOTIA
HOUSE OF ASSEMBLY**

...**2004**

**June
Highlights**

REPORT of the AUDITOR GENERAL to the NOVA SCOTIA HOUSE OF ASSEMBLY

HIGHLIGHTS

PREFACE

Under Section 9A(1) of the Auditor General Act, I have the mandate to issue two additional reports each year as well as special reports. These are in addition to the Annual Report which is traditionally tabled in December each year.

This Report includes the results of audit work conducted from December 2003 to May 2004. I anticipate that we will prepare and table similar semi-annual reports in future years.

In an attempt to give readers an appreciation of the most significant findings contained in my June 2004 Report, I publish this highlights volume. It provides a brief summary of the results of audit work carried out to date in 2004.

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.

Again this year we have set out our recommendations to government in each Chapter. To assist readers we have also included all 56 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.

A handwritten signature in black ink that reads "E. Roy Salmon". The signature is written in a cursive style with a small trademark symbol (TM) to the right of the name.

E. ROY SALMON, FCA

Auditor General

Halifax, Nova Scotia

May 17, 2004

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INTRODUCTION

Message from the Auditor General

Page 2

- 1.1 The objective of this Report is to provide information to the House of Assembly on a more timely basis and allow the Public Accounts Committee to call witnesses and deal with matters while they are more current. Discussions with members of the Committee indicate they favour this approach.
- 1.2 I trust this Report will be useful to members of the House of Assembly and I would welcome comments and reactions to the content and particularly the timing. I would also like to express my appreciation to my staff for their efforts in adapting to the demands of this process change.

GOVERNMENT-WIDE ISSUES

Government Financial Reporting

Pages 4-14

- 2.1 The Auditor General's opinion on the government's 2004-05 revenue estimates was qualified for the same reasons as the previous year. It was tabled April 22, 2004 as part of the Nova Scotia Budget publication (page A2). A management letter on this year's review was issued on May 10, 2004.
- 2.2 As in prior years, our audit of the Province's March 31, 2004 consolidated financial statements will be completed in two phases. The target deadline for the completion of our audit work is September 23, 2004. The scheduled date assumes year-end accounting and audit readiness requirements are met.

- 2.3** The April 22, 2004 Budget Address and supporting documents disclosed information on accounting and other changes planned. This additional information is a significant improvement over last year, and should assist users to better understand the comparative information provided on government's fiscal plans and performance.
- 2.4** In light of the updated net debt projections included in the April 22, 2004 Budget Address which include the retirement health benefit obligations, the June 11, 2003 debt reduction plan information on the government's website should be updated or removed. In its current form, the plan on the website is incomplete, not compliant with generally accepted accounting principles (GAAP), and could be misleading.
- 2.5** Additional appropriations for 2002-03 of \$65,928,537 for program expenses and \$3,093,000 for sinking fund installments and serial retirements were approved on January 23, 2004 by Order in Council 2004-13. No special warrants have been approved since our last Report.
- 2.6** Government's decision to ensure generally accepted accounting principles are followed in all of its financial information and reporting is acknowledged. Appropriate and continued implementation of this decision should contribute significantly to the quality of government's financial reporting.
- 2.7** Our recommendations to government from this chapter are as follows:

Recommendation 2.1

We recommend the economic assumptions and estimated revenues for each line item be developed after the Executive Council has approved planned revenue and spending decisions for the coming year and the impact of those decisions be incorporated into the development of the economic assumptions and the revenue line items.

Recommendation 2.2

We recommend all assumptions used in the development of the revenue estimates be approved by the Executive Council.

Recommendation 2.3

We recommend that the processes and practices for measurement and recognition of tax and other revenue transfers from the federal government be reviewed to ensure they are the most appropriate.

Recommendation 2.4

We recommend that government, where possible, identify required and planned accounting changes to the House in advance of the start of the fiscal year in which they will be implemented.

Recommendation 2.5

We recommend that government news releases on its financial reports and reporting be factually correct, complete and accurate.

Government Systems and Control

Page 15-22

- 3.1** Government, with specific leadership from the Department of Finance, is taking action or has plans to address the Corporate Financial Management System (CFMS/SAP) control concerns raised in our 2003 Report.
- 3.2** An independent audit commissioned in 2003-04 by new senior management at Finance indicated, in our view, that there had been inadequate due regard for economy and efficiency for the pension administration system implementation project. This project commenced in 1998, is four years overdue, and has incurred costs of more than three times the original budget.
- 3.3** The results of the annual independent audit of control procedures in place for processing on government's large mainframe computer systems provide reasonable, but not absolute, assurance on the adequacy of controls. The audit deals with control procedures at a specific point in time, and only those that are the responsibility of the contracted service organization. There are significant matters not covered by the audit which are government's specific and direct responsibility.
- 3.4** An independent consultant's report issued in December 2003 on a review of government's procurement processes identified a number of recommendations for improvement.
- 3.5** The House of Assembly and the Executive Council have significant roles to perform in monitoring the level of control over the use of public funds and resources. Increased reporting

on controls by government management against established and recognized standards or framework should be considered.

- 3.6** In the recent past, there has been a great deal of public and media attention on matters reported to the Parliament of Canada about the controls and other activities related to the Federal “sponsorship” program. The magnitude of such matters, in relative terms, in Nova Scotia equates to less than \$1 million per year. The question that needs to be asked is whether Nova Scotia’s public sector management and control systems and processes are sufficient to prevent or detect such issues.
- 3.7** Good systems and controls are costly, while too many or less than optimized controls can also be costly. Government’s challenge is to ensure that the risks of loss or misuse are appropriately identified and that decisions made about the level of control to be in place appropriately mitigate risks on a cost-benefit basis. The goal is not more or too many controls, but rather cost-effective optimization of control against risks.
- 3.8** Our recommendations to government from this chapter are as follows:

Recommendation 3.1

We recommend government ensure adequate, cost-effective controls exist and operate for the Corporate Financial Management System and its other SAP systems.

Recommendation 3.2

We recommend the pension administration system implementation project be reviewed by the Trustee to ensure costs charged to the pension plans are fair and reasonable.

Recommendation 3.3

We recommend government consider increased use of independent service audit arrangements to ensure data processing service providers have adequate functioning controls in place.

Recommendation 3.4

We recommend government assess the adequacy of its own control procedures associated with data processing service provider arrangements.

DEPARTMENT AUDITS

• • Education

Halifax Regional School Board - Follow-up to 2000 Audit

Pages 24-41

- 4.1** The Halifax Regional School Board (HRSB) has successfully implemented the recommendations made in our 2000 Report in the area of budgeting and financial management.
- 4.2** HRSB is generally in compliance with the legislation and policies dealing with the accountability relationship between HRSB and the Department of Education. However, some required documents were submitted to the Department after the deadline.
- 4.3** Regional School Board financial statements are prepared in accordance with accounting policies specified by the Department of Education and do not comply with generally accepted accounting principles in certain areas. For the March 31, 2004 financial statements,

the auditors' reports are expected to reflect recent changes to the CICA Handbook and will likely indicate that the financial statements are prepared for the Department of Education and not intended to be used by anyone other than the specified users or for any other purpose. The lack of compliance with generally accepted accounting principles reduces the value of the school board financial statements to the House of Assembly and the general public.

- 4.4** One of the major differences between generally accepted accounting principles and the current HRSB financial statements is in the reporting of Reserve Funds. During 2001-02, HRSB established two new Reserve Funds. As at March 31, 2003 the reserves had balances of \$0.5 million and \$2.6 million, respectively. Transfers from operations to these reserves were included as deductions on the Consolidated Statement of Operations and resulted in the Board's recording of breakeven results rather than the surplus which would have otherwise been recorded. HRSB intends to make a change to the accounting disclosure in its 2004 financial statements to remedy this.
- 4.5** A new financial system (SAP R/3) has been successfully implemented at the Regional School Boards including HRSB and a new SAP-based human resource and payroll system is in the developmental stage with planned implementation in August 2004. The Board is working towards improving the reports generated by the financial system.
- 4.6** The new financial system for all school boards is processed on a single server which is hosted by the Province. In the 2003 Report of the Auditor General, we recommended that there was a need for the school boards, and the Departments of Education and Finance, to make arrangements

for an annual audit of the data processing operation for the financial management system. A September 2003 management letter from the external auditors to HRSB includes a similar recommendation. The purpose of such an audit would be to eliminate duplication of audit effort by the financial statement auditors of all regional school boards using the system.

- 4.7** Supplementary Funding for the Halifax Regional School Board is a historical legacy which requires extensive administrative effort and leads to unequal funding and program offerings in the three former municipal units comprising the Board. Legislative change may be required if the Board is to move towards becoming a single, cohesive unit.
- 4.8** Our recommendations from this audit are as follows:

Recommendation 4.1

We recommend that the Regional School Boards (RSBs) continue to request annual and multi-year funding targets from the Province prior to commencement of the fiscal year. This would facilitate Board approval of final budgets before the start of the fiscal year.

Recommendation 4.2

We recommend that the Halifax Regional School Board start the forecasting process by the end of the first quarter of the fiscal year.

Recommendation 4.3

We recommend that the Department of Education and HRSB ensure that the level of achievement

of performance targets and outcome measures is reported in the RSB business plans.

Recommendation 4.4

We recommend that the Department of Education and School Boards work towards establishing Generally Accepted Accounting Principles as the basis of accounting for Regional School Boards.

Recommendation 4.5

We recommend that the Halifax Regional School Board continue discussions with the Departments of Education and Finance with a view towards obtaining a service organization audit opinion on the data processing operation.

Nova Scotia Community College - Internal Control and Financial Management

Pages 42-62

- 5.1 Our audit of the internal control environment over revenues and payments indicated that controls in most areas we tested were adequate. However, we identified two significant control weaknesses. Monthly bank reconciliations need to be prepared and approved, and controls over blank and printed cheques need to be improved. Outstanding monthly bank reconciliations are now being completed.
- 5.2 Procedures for the identification and collection of outstanding student account balances should be improved.
- 5.3 The College has a strong internal audit function. However, management needs to ensure that findings from internal audit reports have been appropriately addressed.

- 5.4** Generally, procurement transactions tested were in compliance with applicable procurement policies although instances of possible non-compliance were noted. In several instances, documentation of the public tendering process had not been kept. We also noted exceptions to the policy where the rationale should have been documented more clearly and properly approved.
- 5.5** Although the College has a strategic plan and the Board monitors financial results and key performance indicators, we believe that preparation of a formal business plan and distribution to key stakeholders such as the Department of Education and students would strengthen accountability for public funds. It would also serve to document agreement on annual objectives and expected outcomes.
- 5.6** The process used for development of the College's budget was generally adequate although we noted a lack of documentation of assumptions and supporting calculations for the utilities budget.
- 5.7** Building condition assessments conducted on Provincial campuses indicate that the College faces a significant short-term deferred maintenance problem that requires the immediate attention of management and the Province.
- 5.8** The College's governance function is well developed and includes several elements which we believe should be considered best practices. The accountability relationship between the Province and the College is established by the Community Colleges Act. As the College continues to grow and mature, the Province and the College should review and update the accountability provisions to ensure they remain relevant.

- 5.9** The majority of the findings from our 1999 audit have been adequately addressed although there are still some significant findings which have not been acted upon by the College and the Department of Education. These include the need for a funding methodology, outcome measures and an agreement between the College and the Province on ownership and use of the buildings. We note that financial responsibility for deferred maintenance is a key issue that will need to be settled before building ownership can be resolved.
- 5.10** Our recommendations from this audit are as follows:

Recommendation 5.1

We recommend that the College prepare monthly bank reconciliations approved by management and that the physical security over blank and printed cheques be improved. We also recommend that the College's student accounts receivable reconciliation problems be addressed.

Recommendation 5.2

We recommend that the College improve its process for identifying students with accounts in arrears.

Recommendation 5.3

We recommend that the College develop formal policies governing the safeguarding of personal computers and related equipment and, for systems maintained internally, the backup of data files and disaster recovery.

Recommendation 5.4

We recommend that the College ensure that internal audit recommendations are addressed in a timely manner.

Recommendation 5.5

We recommend that the College document the rationale for exempting specific purchases from compliance with policy. All exceptions should be formally approved by appropriate management. The College should also maintain evidence of public tendering.

Recommendation 5.6

We recommend that the College prepare an annual business plan which links to the strategic plan and budgets approved by the Board and includes the College's key performance indicators. Business plans should set out operational priorities for the year and related financial information. These plans should be approved by senior management of the College and the Board.

Recommendation 5.7

We recommend that the Department of Education formally notify the College of its funding prior to the beginning of the fiscal year, and that the Department strive to establish a longer-term funding commitment.

Recommendation 5.8

We recommend that the College ensure that the assumptions and calculations supporting the utilities budget are appropriately documented.

Recommendation 5.9

We recommend that the College develop a system to track the status of high priority building deficiencies and that the College and Departments of Education and Transportation and Public Works develop a plan to address deferred maintenance.

• • Health

District Health Authorities 1, 2 and 3 - Shared Administrative Services

Pages 63-75

- 6.1 External consultants were engaged to review all shared services. Many of the recommendations of the shared financial services reviews have been implemented and the status of implementation has recently been reported to the District Health Authority (DHA) Boards. Generally, the reviews reaffirm the advantages and economies to be achieved through a shared services approach and that a move away from this concept would not be advantageous. We saw evidence that staff and management are also committed to the concept of shared financial services.
- 6.2 We recommend that the DHAs finalize the shared services agreement and that it include clearly defined responsibilities, and service or performance standards with provisions for required reporting on achievement.
- 6.3 Our audit of the financial management area indicated that the DHAs have implemented reasonable processes for business planning, budgeting and periodic monitoring.
- 6.4 Business plans and funding levels for fiscal 2003-04 were continually updated by the Department of Health and not finalized until

December 2003 - after 75% of the fiscal year had expired. Funding levels and business plans should be confirmed prior to commencement of the fiscal year to ensure that proper planning can occur.

- 6.5** During 2003-04, the DHAs entered into medical equipment leases for endoscopes. We understand that this type of arrangement is becoming more prevalent in the acute care sector as entities search for ways to replace aging capital equipment in an environment of scarce capital funds. Because the DHAs follow accounting principles for not-for-profit organizations, which are not entirely consistent with government accounting principles, there is a need to carefully analyze the accounting treatment for leases under both sets of accounting principles to ensure they are properly reflected in the financial statements of the DHAs and the government's consolidated financial statements. The Departments of Health and Finance are currently seeking information from all DHAs to determine the nature and extent of leased equipment transactions.
- 6.6** Although materiel management has formal policies, there is no reference to the processes to be followed when there are exceptions to the usual competitive process. Approval and documentation of such exceptions are necessary to ensure that there is compliance with the spirit of the government procurement policy throughout the DHAs.
- 6.7** Our recommendations from this audit are as follows:

Recommendation 6.1

We recommend that the shared services agreement be finalized and that it include service or

performance standards with provisions for required reporting on achievement.

Recommendation 6.2

We recommend that the DHAs and the Department of Health review the allocation methodology for expenses related to shared services to ensure that direct costs are borne by the DHA which receives the benefit of the service.

Recommendation 6.3

We recommend that funding levels, business plans and budgets should be approved by DOH prior to commencement of the fiscal year.

Recommendation 6.4

We recommend the completion of a financial policy manual including policies surrounding the business planning and budget preparation process and periodic monitoring. Policies should include a quality assurance process for the budget.

Recommendation 6.5

We recommend that all proposed lease transactions be thoroughly analyzed by DHA management to determine due regard for economy and efficiency, compliance with government legislation and policies, and appropriate accounting treatment in the financial statements of the DHA and the government's financial statements.

Recommendation 6.6

We recommend the DHAs draft additional procurement policies which comply with the Government Procurement Process - ASH Sector. These should include a policy on alternative procurement practices and a records retention policy.

• • Tourism, Culture and Heritage

Audit of Selected Aspects of Operations

Pages 76-91

- 7.1 The accountability framework for the Department of Tourism, Culture and Heritage is adequate and the Department complies with government reporting requirements.
- 7.2 The Tourism Division has adequate procedures in place to ensure resources used in the administration of its programs are managed with due regard for economy and efficiency. There are some weaknesses in the administration and enforcement of the Tourist Accommodations Act and Regulations. The Culture Division has appropriate administrative and accountability procedures for its investment programs.
- 7.3 The audit criteria used to assess the accountability function of the Department were met.
- 7.4 The goals and objectives of the Tourism Division are integrated with those of the Department and are closely aligned with the tourism strategy and annual plans developed through the Nova Scotia Tourism Partnership Council.
- 7.5 Systems to monitor, measure and report performance of the Tourism Division are

adequate. The economic model used to calculate the impact of tourism on the Provincial economy should be reviewed and updated for any changes to the underlying assumptions.

- 7.6** The Department entered into three major contracts following open tendering processes. Responsibilities for overseeing the contracts are clearly assigned within the Tourism Division. The Division should consider initiating periodic audit and other verification processes as provided for in the contracts.
- 7.7** The licensing and inspection system and practices, mandated by the Tourist Accommodations Act, should be reviewed. Policies should be established for determining frequency of inspections and improving compliance with licensing requirements. Improvements should be made to file documentation.
- 7.8** The Culture Division has established policies and procedures for selecting and distributing investment funding. We noted a weakness in monitoring receipt of final reports and that certain funding decisions were made outside the established processes.
- 7.9** Our recommendations to government from this audit are as follows:

Recommendation 7.1

We recommend that the Department review the economic model used to calculate the impact of tourism on the Provincial economy to ensure the underlying assumptions and factors are still valid.

Recommendation 7.2

We recommend that the Department consider initiating periodic audit and other verification processes as provided for in the management agreements as part of its oversight and due diligence in managing the agreements.

Recommendation 7.3

We recommend that the Tourism Division review its licensing and inspection system and practices, consider establishing a risk-based approach for determining the frequency of inspections, and establish file documentation standards and a file quality assurance review process.

Recommendation 7.4

We recommend that the Tourism Division review its practices concerning unlicensed establishments and establish a process for improving compliance with the licensing requirements.

Recommendation 7.5

We recommend that the Culture Division continue to develop its database to include information on receipt of final reports. This would help ensure recipients are held accountable for investment funds received before any new funding is considered.

• • **Transportation and Public Works**

Public Safety Communications Program Office

Pages 92-98

- 8.1** The Public Safety Communications Program Office has an appropriate capital asset acquisition process in place. However, the acquisition of the Trunked Mobile Radio (TMR) network occurred before the formation of the Program Office. Upon examining the acquisition of this network, we noted that a central government directive required that it be acquired by way of an operating lease. This was not supported by a comprehensive analysis of the costs and benefits or risks and rewards of an operating lease versus other procurement alternatives.
- 8.2** The Public Safety Communications Program Office conducted technical assessments and implemented performance monitoring procedures after the implementation of the TMR network. We recommended a more formal post-implementation evaluation process for major systems to determine the extent to which benefits have been realized and to compare financial and operational results to original plans.
- 8.3** Records relating to commercial users of the Nova Scotia Integrated Mobile Radio System were inherited from another Provincial department and are incomplete. The largest user of the system was not charged for its use for approximately ten years, until the situation was corrected in 2003. There are limited formal agreements with some other commercial users and rates charged to these users are below market rates.

- 8.4** The Public Safety Communications Program Office has appropriate asset management practices to control the performance and safekeeping of its equipment. However, we observed weaknesses in its asset inventory listing for the Nova Scotia Integrated Mobile Radio System.
- 8.5** The Public Safety Communications Program Office has adequate systems for acquiring, maintaining and protecting its capital assets. However, due to a lack of documented analysis to support the directive to pursue an operating lease, the absence of a settlement of the contract dispute and the lack of a formal post-implementation evaluation, we are unable to conclude whether or not the TMR network represents value-for-money in both the short and long term for the Province.
- 8.6** Our recommendations to government from this audit are as follows:

Recommendation 8.1

We recommend that the acquisition of capital assets be supported by comprehensive analysis of the costs and benefits and risks and rewards of identified alternatives. The most economical alternative which meets user needs should be selected. The accounting treatment of the transaction should not be a determinant in negotiating capital acquisitions.

Recommendation 8.2

We recommend that the Public Safety Communications Program Office's processes include a requirement for a formal post-implementation evaluation for major systems.

Recommendation 8.3

We recommend that Transportation and Public Works implement a process to ensure there are formal agreements with all commercial users which are reviewed on a regular basis. The process should ensure rates charged are appropriate and all revenues due to the Province are collected on a timely basis.

Recommendation 8.4

We recommend that the capital asset management system of the Public Safety Communications Program Office include complete lists of capital assets under its control.

- • **Transportation & Public Works & Service NS & Municipal Relations**

Road Safety

Pages 99-117

- 9.1 The quality of public reporting of road safety information should be improved to include regular comprehensive, comparative reports on the status of road safety initiatives and progress toward road safety targets.
- 9.2 Recent information indicates that in 2001 Nova Scotia had the third lowest traffic fatality and injury rates of 13 Canadian jurisdictions.
- 9.3 The Department of Justice spends approximately \$8.0 million on RCMP highway patrol, but does not have any outcome measures related to highway safety.
- 9.4 The Department of Justice's 2003-04 objectives, priorities and goals for the RCMP under the

Provincial Police Service Agreement contained only one item relating to highway patrol, and it was for a matter that had previously been substantially completed by the RCMP. The RCMP has adopted its own goals relating to road safety, but the Department of Justice does not require any reporting by the RCMP against the goals.

- 9.5 Several road safety initiatives recommended by Transport Canada and implemented in other jurisdictions were approved by the Road Safety Advisory Committee and the Deputy Ministers to which it is accountable. However, required legislative changes have not yet been pursued and the status of the initiatives has not been reported to the Committee.
- 9.6 There are methods to ensure the government complies with Provincial legislation and regulations pertaining to road safety. The government manages road safety issues through a multi-stakeholder committee, as well as various safety-related programs. However, we could not form a conclusion on the adequacy of the management systems employed. We could not review minutes for all meetings of the Road Safety Advisory Committee and for the committee of Deputy Ministers which oversee it. We encountered problems with data used by the government to manage road safety programs.
- 9.7 Our recommendations to government from this audit are as follows:

Recommendation 9.1

We recommend that regular comprehensive, comparative reports on the status of road safety initiatives and progress in achieving road safety targets be prepared and reported to the public.

Recommendation 9.2

We recommend that TPW publish its accountability reports on a more timely basis.

Recommendation 9.3

We recommend that public information on the status of road safety be comprehensive, comparable and provide credible information which is fairly presented.

Recommendation 9.4

We recommend that the Department of Justice include outcome measures related to highway safety in its business planning process.

Recommendation 9.5

We recommend that objectives, priorities and/or goals related to the traffic services component of the Provincial Police Service Agreement be communicated to the RCMP before the fiscal year begins. The targets should relate to expected future progress and achievement.

Recommendation 9.6

We recommend that the Province ensure all significant requirements of the Letter of Agreement with the RCMP on commercial vehicle enforcement are met.

Recommendation 9.7

We recommend that the Department of Justice request the RCMP to report progress relating to road

safety as it pertains to services the RCMP provide under the Provincial Police Service Agreement. The Department should also ensure that all reporting requirements of the Provincial Police Service Agreement are met.

Recommendation 9.8

We recommend that TPW resolve the problems with the accuracy and timeliness of the collision rate books and use the information to determine road sections with high collision rates.

Recommendation 9.9

We recommend that minutes be prepared, approved and retained for all meetings of the Road Safety Advisory Committee, its sub-committees and its Deputy Minister oversight committee.

Recommendation 9.10

We recommend that responsible departments report back to the Road Safety Advisory Committee on the status of initiatives which it has recommended.

Recommendation 9.11

We recommend that Road Safety Advisory Committee business plans be formulated and communicated to affected organizations and departments before the beginning of the fiscal year to which they pertain.

CROWN AGENCIES AND CORPORATIONS

Emergency Measures Organization of Nova Scotia

Pages 120-131

- 10.1** The Emergency Measures Organization has appropriate systems for assessing whether municipalities have emergency measures plans which comply with legislation. EMO also evaluates municipalities' general state of preparedness for emergencies and provides assistance to help municipalities improve plans.
- 10.2** There is an emergency plan in place for the Province. EMO has a process in place to collect and review departmental emergency plans, but not all of the plans have yet been collected and no assessments have been completed by EMO to date.
- 10.3** Provincial regulations require EMO to ensure important Provincial government services are continued in the event of a war-time emergency. No such requirement exists for a peace-time emergency and, based on our enquiries, there is no government organization ensuring that departments and agencies have up-to-date service continuity plans.
- 10.4** A lack of clarity regarding documentation required to support Provincial claims under the Federal disaster financial assistance program has caused delays in the Provincial government recovering assistance paid to individuals and organizations affected by disasters.
- 10.5** EMO has appropriate systems and controls to manage its capital assets. Various issues regarding EMO's command centre site have been raised by internal reviews and steps are being taken to address the more significant ones.

- 10.6** The E911 Cost Recovery Fund has insufficient procedures to ensure that all fees due from telecommunications companies are received by the Fund. The agreements with the companies contain provisions under which the companies' records can be audited, but no such audits have been performed.
- 10.7** Our recommendations to government from this audit are as follows:

Recommendation 10.1

We recommend that the Civil Emergency Planning Regulations be updated to include a process which ensures the continuity of government in both war and peacetime emergency situations. Responsibility for business continuity should be clearly and formally assigned.

Recommendation 10.2

We recommend that changes to Executive Council approvals for financial assistance programs be formally documented.

Recommendation 10.3

We recommend that all disaster financial assistance claim files include adequate support for the final decision on eligibility to ensure that assistance paid can be recovered on a timely basis from the Federal government.

Recommendation 10.4

We recommend that the capital acquisition process of the Emergency Measures Organization include a requirement for a formal post-implementation

evaluation when significant new systems are acquired.

Recommendation 10.5

We recommend that EMO management consult with officials of the Department of Finance and Treasury and Policy Board about including more information on the financial position and operations of the E911 Cost Recovery Fund in the public financial reporting of the Province.

Recommendation 10.6

We recommend the establishment of adequate controls to ensure all amounts due to the E911 Cost Recovery Fund are collected.

Recommendation 10.7

We recommend that the annual plans and budgets of the E911 Cost Recovery Fund be approved prior to the start of the fiscal year to which they relate.
