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# MESSAGE FROM THE AUDITOR GENERAL AND CHAPTER SUMMARIES

## INTRODUCTION

- 1.1 I am pleased to present my December 2006 Report to the House of Assembly on work completed by my Office in the second half of 2006.
- 1.2 In addition to this Report, I have also submitted the following this year:
- My 2005 Performance Report and 2006 Business Plan dated April 3, 2006 were tabled with the Public Accounts Committee on May 3, 2006.
  - My first Report on the Estimates of Revenue for the fiscal year ending March 31, 2007, dated May 5, 2006, was included with the Budget Address tabled by the Minister of Finance on May 9, 2006.
  - My first Report to the House of Assembly, on work completed by my Office during the first half of 2006, dated June 16, 2006, was tabled on July 26, 2006.
  - My second Report on the Estimates of Revenue for the fiscal year ending March 31, 2007, issued subsequent to the election, and dated June 30, 2006, was included with the Budget Address tabled by the Minister of Finance on July 4, 2006.
  - My Report on the Province's March 31, 2006 consolidated financial statements, dated July 31, 2006, was tabled with the Public Accounts by the Minister of Finance on September 29, 2006.
- 1.3 As the Province's Auditor General, my goal is to help provide better government for the people of Nova Scotia. As an independent officer of the House, I provide to the House, and to the public, assurance on, and assessments of, the integrity of government's financial reporting, the use of public funds and the operations and performance of the public sector. I consider the needs of the public and the House, as well as practical realities facing management, in providing sound practical recommendations to improve the management of the public sector.
- 1.4 My priorities, during my term of office, are: to focus audit efforts on areas of high risk that impact on the lives of Nova Scotians; to contribute to a more effective, efficient and better performing public service for Nova Scotia; and to foster better financial and performance reporting to the Legislature and the people. This report reflects this service approach.
- 1.5 I wish to acknowledge the valuable efforts of my staff who deserve the credit for the work reported here. As well, I wish to acknowledge the cooperation and

courtesy we received from staff in departments and agencies during the course of our work.

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## WHO WE ARE AND WHAT WE DO

- 1.6** The Auditor General is an officer of the Legislature, appointed by the House of Assembly for a ten-year term. He or she is responsible to the House and to the people of Nova Scotia for providing independent and objective assessments of the operations of government, the use of public funds and the integrity of financial and performance reports.
- 1.7** The Auditor General's mandate, responsibilities and powers are established by the Auditor General Act. The Act stipulates that the Auditor General shall provide an annual report and opinion on the government's financial statements; provide an opinion on the revenue estimates in the government's annual budget address; and report to the House at least once, and up to three times annually, on the work of the Office.
- 1.8** The Office has a mandate under the Act to audit all parts of the Provincial public sector including government departments and all agencies, boards, commissions or other bodies responsible to the crown, such as Regional School Boards and District Health Authorities. The mandate also includes transfer payment recipients external to the Provincial public sector.
- 1.9** In its work, the Office of the Auditor General is guided by, and complies with, the professional standards established by the Canadian Institute of Chartered Accountants, otherwise known as Generally Accepted Auditing Standards (GAAS). We also seek guidance from other professional bodies and audit-related best practices in other jurisdictions.
- 1.10** This Report presents the results of the Office's audits and reviews conducted in 2006 at a number of departments and agencies as well as comments on government financial reporting and our follow-up of audits conducted in 2003. Where appropriate, we make recommendations for improvements to government operations, processes and controls. Where departments or agencies have provided responses, they have been included. We will follow up on the implementation of our recommendations in two years rather than the previous three, with the expectation that significant progress will be made.
- 1.11** A separate booklet also provides highlights and summaries from this report.

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## SIGNIFICANT ISSUES AND COMMON THEMES

- 1.12** In conducting our audits, we sometimes identify issues that may have broader applicability beyond the particular entities in which the issues emerged.

- 1.13** First, we found, in several audits, deficiencies in the quality or adequacy of information used to measure and monitor operational performance. Good performance information is needed to ensure that public sector entities are achieving their stated objectives. Departments, agencies and boards may wish to review the performance information available to them to ensure that senior management and governing bodies are able to properly fulfill their governance responsibilities.
- 1.14** Secondly, we noted that deficiencies with respect to management operational information are in some cases being addressed by the development of new information systems. We encourage the timely and cost-effective completion of such projects to provide management with better program information.

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## **EXECUTIVE SUMMARY BY CHAPTER**

- 1.15** The Report presents our findings, conclusions and recommendations resulting from audits and reviews in the following areas. Responses received from auditees have been included in the appropriate chapter.

### **Chapter 2 Government Financial Reporting**

- 1.16** Significant steps have been taken to move government's consolidated financial statements towards full compliance with Generally Accepted Accounting Principles (GAAP). However, I found it necessary once again to qualify the opinion on the government's revenue estimates in the budget, due to non-compliance with GAAP in some areas and because we were not provided access to certain information required to complete the review. We encourage government to continue its efforts to improve its financial reporting. In particular, the status of the Workers' Compensation Board of Nova Scotia, as it relates to the Province's consolidated financial statements, needs to be clarified.
- 1.17** As we have reported in prior years, we reiterate our concern regarding the impaired effectiveness of accountability to the House resulting from legislation permitting after-the-fact approval of additional appropriations. As well, we noted a concern with respect to compliance with the Provincial Finance Act for the approval of a significant financial obligation.

## **Finance and Public Service Commission**

### **Chapter 3 Audit of HR Application Controls in SAP R/3 System**

- 1.18** Our audit of computer application controls in the government's SAP human resources system identified issues of inappropriate access granted to users and inappropriate segregation of certain duties. These issues should be addressed before the system is expanded to additional user groups.

## Health

### Chapter 4 Review of Systems to Collect Wait Time Information

- 1.19** The Department of Health requested that our Office review the accuracy, completeness and reliability of some of the information on the Province's wait times website. We reviewed the systems supporting production of three wait times with mixed results. In some cases the systems were adequate, while other systems required improvement.

## Justice

### Chapter 5 Correctional Services

- 1.20** Performance information currently available is inadequate to assess the efficiency and effectiveness of Correctional Services programs and services. Our audit also identified a need to improve compliance with policies and procedures in several areas, notably in monitoring and enforcing community-based sentences and admittance and release policies for intermittent sentences. We could not conclude on compliance with policies and procedures relating to conditional releases due to insufficient documentation by the Department.

## Transportation and Public Works

### Chapter 6 Planning and Management of Highway Projects

- 1.21** The Department has determined that annual funding for capital highway projects is currently insufficient to meet the Province's long-term highway transportation system needs. Accordingly, the Department has established prioritization processes to select highway projects. However, processes and information used by the Department are not sufficient to ensure that optimal projects are selected. We also found improvements were needed in long-range planning, data collection related to highway projects, and project management.

## Follow-ups

### Chapter 7 Follow up of 2003 Audits

- 1.22** Only 48% of the recommendations made in our 2003 Report have been implemented, with a further 34% described as in progress. Three years have elapsed since that Report was issued and progress has been slow.

## Other

### Chapter 8 Review of Financial Statements and Management Letters

- 1.23** Each year my Office reviews the auditors' reports and management letters issued to crown corporations and agencies by their financial statement auditors. Summary

information on the reported results of those audits that may be of interest to the House is provided in this chapter.

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