
Introduction



1 Message from the Auditor General

Introduction

1.1 I am pleased to present my February 2010 Report to the House of Assembly on work completed by my Office in the summer and fall of 2009.

1.2 During 2009, I submitted the following reports.

- My Report to the House of Assembly on work completed in the winter of 2009, dated April 2, 2009, was tabled on April 22, 2009.
- My first Report on the Estimates of Revenue for the fiscal year ending March 31, 2010, dated May 1, 2009, was included with the budget address prepared by the Minister of Finance and dated May 4, 2009. This budget address was not tabled in the House of Assembly.
- My Business Plan for 2009-10 and my Report on Performance for 2008-09 were provided to the Members of Legislative Assembly on July 15, 2009.
- My Special Report on Pandemic Preparedness, dated July 28, 2009, was tabled on July 30, 2009.
- My Report on the Province's March 31, 2009 consolidated financial statements, dated July 15, 2009, was tabled with the Public Accounts by the Minister of Finance on September 10, 2009.
- My second Report on the Estimates of Revenue for the fiscal year ending March 31, 2010, dated September 21, 2009, issued subsequent to the election, was included with the budget address tabled by the Minister of Finance on September 24, 2009.

1.3 As the Province's Auditor General, my goal is to work towards better government for the people of Nova Scotia. As an independent, nonpartisan officer of the House, I and my Office help to hold the government to account for its management of public funds and contribute to a well-performing public sector. I consider the needs of the public and the House, as well as the realities facing management, in providing sound, practical recommendations to improve the management of public sector programs.

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 efficient, effective, and better performing public service for Nova Scotia; and to foster better financial and performance reporting to the

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House of Assembly and the people; all while promoting excellence and a professional and supportive workplace at the Office of the Auditor General. 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 board members and staff in 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 provides the Auditor General with the authority to require the provision of any documents needed in the performance of his or her duties. Additionally, public servants must provide free access to all information which the Auditor General requires.
- 1.8 The Auditor General 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; examine the management, use and control of public funds; and report to the House at least once, and up to three times annually, on the work of the Office.
- 1.9 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, as well as transfer payment recipients external to the provincial public sector.
- 1.10 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.

Chapter Highlights

- 1.11 This Report presents the results of audits and reviews completed in the summer and fall of 2009 at a number of departments and agencies. Where appropriate, we make recommendations for improvements to government operations, processes and controls. Department or agency responses have been included in the appropriate chapter. We will follow up on the implementation of our recommendations in two years, with the expectation that significant progress will be made.

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Performance Audits

Chapter 2 – Electronic Health Records

- 1.12 Nova Scotia is working towards the development of a provincial electronic health record (EHR) system known as SHARE. We found the SHARE project was well planned and managed. While the system is intended to be operational in March 2010, additional health information systems will need to be developed and existing systems upgraded before all aspects of Nova Scotians' health information will be available in a province-wide EHR. We recommended the Department of Health develop a formal IT strategic plan for electronic health records and determine funding for implementation of remaining EHR initiatives.

Chapter 3 – Contract Management of Public-Private Partnership Schools

- 1.13 Our audit identified significant weaknesses in both the contracts for management of P3 schools, and the processes and procedures which ensure services paid for are received. We could not determine whether key calculations supporting contract payments are correct or whether many services paid for are received. Two developers subcontracted their responsibilities under their service contracts for certain schools back to regional school boards, effectively transferring the risks for the operation and maintenance of the schools from the developers back to government.

Chapter 4 – Members' Constituency and Other Expenses

- 1.14 We found serious weaknesses in the funding system for Members' constituency and other expenses which increase the risk of excessive and inappropriate expenditures by Members. Inappropriate claims were made by some Members which were not in accordance with the regulations. We also found expenditures which, although not in violation of regulations, we believe were excessive and may not be reasonable for constituency work. We recommended a comprehensive examination of the funding system for constituency and other expenses.



Financial Reporting

Chapter 5 – Government Financial Reporting

- 1.15 The review opinion on the 2009-10 Revenue Estimates was again qualified because third party revenues were not estimated or included in the revenue estimates. The Auditor General's opinion on the March 31, 2009 consolidated financial statements was unqualified. We also commented on other financial reporting matters including the amount and approval of additional appropriations. We believe the existing process to approve additional appropriations reduces accountability to and control by the House of Assembly.

Chapter 6 – Indicators of Financial Condition

- 1.16 For the first time, our Report includes a Chapter on indicators of financial condition. We believe information on financial condition is of value to users of financial statements in demonstrating how the government may be able to respond to changes in the economic climate. The indicators we considered each demonstrate the improved financial condition of the Province from 2002 to 2008.

Chapter 7 – Review of Agency Financial Statements and Management Letters

- 1.17 We found auditors identified numerous internal control and information technology deficiencies, many of which existed in prior years and have not been corrected. Management of the various agencies should address the deficiencies identified by their auditors to ensure the integrity of their financial statements and financial reporting processes.