



# Office of the Auditor General

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## Auditor General's Statement to the Media

Release of June 2010 Report to the Nova Scotia House of Assembly

6/2/2010

**Office of the Auditor General of Nova Scotia**  
**Auditor General's Statement to the Media, June 2, 2010**  
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Good morning ladies and gentlemen. This morning I released my report to the legislature on audits completed last fall and winter.

I have a statement and will then take your questions.

First, I want to commend and thank my staff for their dedication and diligence. It has been a fairly intense period in our office, and I want to congratulate and thank them all for their outstanding contributions and the sacrifices they make to ensure this important work is done, and done well.

I also want to extend my thanks to the many public servants in this province whose cooperation, and commitment to excellence and accountability, make the work of the auditor general possible.

Unfortunately, I need to follow that compliment with criticism, for certain decisions made at the senior levels of government, to withhold from my office a large number of documents related to financial assistance programs. These actions violate the Auditor General Act. And, more importantly, such a restriction on my ability to do my job violates the principle that government is ultimately accountable to the legislature.

As a consequence, I was not able to make any conclusions on financial and program controls, and I denied an opinion on my audits of the operations of Nova Scotia Business Inc and the Industrial Expansion Fund. Denial of an audit opinion is the most severe audit sanction available.

In essence we are saying that we have no way of knowing whether these two financial entities – responsible for the distribution of millions of dollars of loans and other financial aid and incentives – have appropriate financial or program controls in place to protect the public funds they disburse or are operating in compliance with legislation, regulations and policies.

Cabinet confidentiality and solicitor-client privilege were cited as the reasons NSBI removed 173 documents from 21 files and redacted information in another 32 documents.

All decisions related to the Industrial Expansion Fund are made at Cabinet, so virtually all information related to those transactions was withheld from our audit. 108 documents at IEF were removed from 24 files.

When we audited NSBI in 2004, we had access to all these types of documents.

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It is well known that, in the solicitor-client relationship, the privilege – that is the right to withhold information – rests not with the lawyer, but with the client; in this case, with government. The government, therefore, is completely at liberty to provide access to those documents if it chooses. And we should be clear that any such information provided to my office remains privileged and confidential. It is not at risk.

Ladies and gentlemen, the Auditor General Act stipulates that public officials *shall* provide such information as the auditor general requires. There are no exemptions in the law. In addition, it is up to the auditor general to determine what material is required, not the government.

By the government's generous interpretation of Cabinet confidentiality, all information provided to Cabinet is secret, and is only released as and when it suits the government's purposes. That is a dangerous and unwarranted restriction on my office's work and runs counter to the principle of public accountability.

We are recommending to Cabinet that it instruct all departments and agencies of government to comply with all terms of the Auditor General Act, to cooperate fully with my office, and to provide us with timely and unrestricted access to all information in their possession.

Even with these restrictions, we were able to identify some deficiencies at NSBI and at IEF including, most notably, a comprehensive lack of documented processes at IEF around assessment and approval of applications for assistance.

A second audit covered in this report was hampered to a lesser extent by the same restrictions on information. The Department of Health, under instruction from the Executive Council Office, refused to provide us information on budget requests related to mental health services.

Treatment of mental illness is a significant part of the health care system. Mental illness accounts for over 15 per cent of the disease burden in developed countries, and for 3.4 per cent of the Nova Scotia health budget.

In 2003, Nova Scotia became the first province to implement mental health service standards. The Department was aware at the time that funding levels were inadequate to achieve these standards.

When the standards were introduced, the Department acknowledged it would take five to ten years to fully achieve compliance with them. Seven years later, our audit found that the mental health service standards were met in only 14 per cent of the cases we tested; and there is no evidence of a plan or funding to close the gap.

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The Department of Health has failed to meet its legislated requirement to monitor and evaluate the quality of mental health services. The lack of departmental oversight and monitoring significantly increases the risk that the mental health care system will fail the people who need it most.

The Department of Health has accepted our report and agrees with all 19 recommendations. However, the government has a poor record of implementing our recommendations. I would draw your attention to the next chapter of this report – a follow-up on the 82 recommendations we made in June 2007. To date, the government has implemented just 27 per cent of those recommendations. This is the worst performance since we began tracking government response to our recommendations in 2002.

The Department of Health was the subject of 48 of those recommendations, and accepted all but one. Two years later, 34 recommendations – 71 per cent – were still not implemented.

This is a concern given the nature of the 2007 recommendations, dealing with issues like financial and quality controls in nursing homes and equitable placement of seniors in need of care.

Similarly, the Department of Justice has not implemented any of the 18 recommendations we made in 2007 to improve the maintenance enforcement program, including some addressing control weaknesses that may have led to alleged incidences of fraud described to us at that time.

We also reported today on an audit of the Environment Department's management of contaminated sites across the province. The risks associated with these sites are not being adequately managed to protect the public interest. Improvements are needed in the way the Department monitors these sites and ensures they are cleaned up appropriately.

The Department is aware of sites that may pose a risk, but has taken no action to deal with them. And it is aware of sites that have not been cleaned up and may pose an unacceptable risk to third parties, human health, or the environment. We made 17 recommendations to correct operational flaws and improve the management of environmental and health risks.

Ladies and gentlemen, this report covers a range of government activity and I have only touched here on some highlights. The report I am delivering today cites some serious deficiencies in the operations of government. Government's poor performance in responding

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to past recommendations is not encouraging. But most disturbing is the government's deliberate and pervasive policy of secrecy – consistently hiding information from the Office of the Auditor General, and significantly weakening the overriding principle of accountability to the legislature.

Thank you for your attention, and I will now take questions.