
Introduction



1 Message from the Auditor General

Introduction

- 1.1 I am pleased to present my November 2010 Report to the House of Assembly on work completed by my Office in the spring and summer of 2010.
- 1.2 During 2010, I submitted the following reports.
 - My Report to the House of Assembly on work completed in the summer and fall of 2009, dated January 19, 2010, was tabled on February 3, 2010.
 - My Report on the Estimates of Revenue for the fiscal year ending March 31, 2011, dated April 3, 2010, was included with the budget address delivered by the Minister of Finance on April 6, 2010.
 - My Report to the Speaker on my forensic investigation with respect to the Members' expenses was issued on May 18, 2010.
 - My Report on the Province's March 31, 2010 consolidated financial statements, dated June 30, 2010, was tabled with the Public Accounts by the Minister of Finance on July 29, 2010.
 - My Business Plan for 2010-11 and my Report on Performance for 2009-10 were provided to the Public Accounts Committee on June 4, 2010 and July 13, 2010 respectively.
- 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 House and the public, as well as the realities facing management, in providing sound, practical recommendations to improve the management of public sector programs.
- 1.4 My priorities are: to conduct and report audits that provide information to the House of Assembly to assist it in holding government accountable; to focus audit efforts on areas of higher risk that impact on the lives of Nova Scotians; to contribute to a better performing public service for Nova Scotia; and to encourage continual improvement to financial reporting by government, all while promoting excellence and a professional and supportive workplace at the Office of the Auditor General. This Report reflects this service approach.

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- 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.

Who We Are and What We Do

MESSAGE FROM THE AUDITOR GENERAL

- 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 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. 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 spring and summer of 2010 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.

Performance Audits

Chapter 2 – Rent Supplement Housing

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AUDITOR GENERAL

- 1.12 The Department of Community Services' policies for rent supplement arrangements are outdated, with some policies dating back to 1994. We identified areas in which policies should be strengthened as well as instances in which existing policies were not followed. The Department's policies for housing authority inspection of rental supplement units for safety issues have not been updated in over 15 years. Additionally, the Department's process to award subsidies for developing new affordable rental housing units is not adequate.

Chapter 3 – Services for Persons with Disabilities

- 1.13 The Department of Community Services has been involved in an ongoing review of the services for persons with disabilities program since 2002. While many changes have taken place in recent years, further work is needed. The Department's policies for follow up and resolution of incidents and complaints received concerning unlicensed service providers are not adequate. We also found a lack of compliance with policies and procedures for client assessment, placement and reassessment. The Department has draft policies in this area and we recommended these be finalized and implemented. We also identified concerns with waitlists; there was no current waitlist in one region we visited and another region has a waitlist but inadequate support for priority placement on the waitlist.

Chapter 4 – Registry Systems

- 1.14 The Department of Service Nova Scotia and Municipal Relations does not have adequate controls in place to ensure the confidentiality, integrity and availability of information in certain of its registries. We examined business process controls and found day-to-day data collection, input and maintenance procedures associated with the registries functioned within a solid control framework. We also examined information technology controls and concluded that there are security vulnerabilities stemming from weaknesses in areas such as user account management, configuration

settings, and the maintenance of operating systems, databases and software. We also concluded that there is a risk of exploitation from system users operating within the provincial network, such as employees and contract staff. Unauthorized access to the systems or databases supporting the registries could result in the disclosure of sensitive information, modification or deletion of registry information, or disruption of registry operations.

Financial Reporting

Chapter 5 – Government Financial Reporting

- 1.15 The review opinion of the 2010-11 Revenue Estimates included in the April 6, 2010 Budget Address 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, 2010 consolidated financial statements was unqualified. Government has made progress in documenting its internal controls and is continuing this process. We noted the Province's new Finance Act does not prescribe the accounting principles to be adopted by the Province. We feel that sound financial reporting would be strengthened by inclusion of a requirement in the Finance Act to comply with generally accepted accounting principles.

Chapter 6 – Indicators of Financial Condition

- 1.16 In this Report, we expanded the information on financial indicators by including comparative information on these indicators from five similar jurisdictions. We believe information on financial condition is helpful to users of financial statements because it demonstrates how the government may be able to respond to changes in the economic climate. The indicators we considered each demonstrate an aspect of the financial condition of the Province.

Chapter 7 – Review of Agency Financial Statements and Management Letters

- 1.17 During our review of management letters for agencies which form part of the government reporting entity, we found auditors had identified numerous internal control and information technology deficiencies. Many deficiencies identified by auditors in the prior year still existed in 2009-10. We noted that approximately 33% of the recommendations made in 2009-10 were repeated from 2008-09 and, of these, over half had been reported in 2007-08.