



# Office of the Auditor General

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## Auditor General's Statement to the Media

Release of Spring 2011 Report to the Nova Scotia House of Assembly

5/18/2011

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Good afternoon, ladies and gentlemen.

Today I tabled a Report to the House of Assembly covering audits completed by my Office during the fall of 2010 and winter 2011.

There are eight chapters in the Report, so it is a long one covering a range of government activities. I want to thank my staff for a job well done. I also thank the many public servants across government for their cooperation in helping us carry out our work.

We make over 100 recommendations in the report to correct problems we found, and to improve departmental and agency operations. However, given past performance, I remain concerned about government's will to act on these recommendations.

The report follows up on recommendations we made from 2005 to 2008.

Audited departments and agencies accepted almost all the recommendations made in those years; but their record in implementing them over time has been poor.

Education and Health, for instance, have implemented just 14 and 36 per cent respectively. These two departments represent almost 60 per cent of government spending.

By contrast, to give credit where it is earned, Community Services has implemented 75 per cent of our recommended improvements to their operations.

Our recommendations are intended to protect the public purse, to improve service to Nova Scotians, and to increase the efficiency and effectiveness of government programs. They are made in the interest of better government. It is disturbing that implementation should be so limited, over such a period of time.

Let's look now at our current performance audits.

We have completed audits of Nova Scotia Business Inc. and the Industrial Expansion Fund. You may recall that last year we discontinued our work and offered no opinion on controls at these entities because we were refused access to information.

The new Auditor General Act eliminated that issue, ensuring us full access to the information we need to do our job.

These two entities provide considerable financial assistance to business - as much as \$396 million from IEF and \$210 million from NSBI, over the last five years.

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Yet they operate quite differently. NSBI, with an independent Board of Directors, appears generally well managed, with sound business processes and strong controls. On the other hand, IEF, administered by the Department of Economic and Rural Development and Tourism, lacks basic administrative policies, processes, controls or even documentation, either for evaluating applications, or for monitoring loan conditions and repayments.

Virtually the only oversight of this program comes from Cabinet. There is a question whether this is adequate, or an appropriate way to manage public funds.

We are recommending significant improvements in controls over this fund, or alternatively, its transfer to NSBI, where adequate controls are in place.

At the government's request, our Office reviewed the apparent cost overruns associated with design and construction of the new Colchester Regional Hospital in Truro.

We found the original budget request of \$104 million that went to Cabinet was not realistic and could never have been sufficient to complete the project. Subsequent budget requests were also not only understated, but incomplete and inaccurate. The current estimated cost of \$184 million still under-estimates items like furniture and equipment and has no provision for the demolition of the old hospital.

Weak oversight and project management have negatively affected the project. Major design decisions were made without consideration of the related costs. As a result, the building cost may be greater, and the design not as efficient, as it could be. And the Department has stated that no additional operating funds will be provided. Yet the new hospital is 100,000 square feet larger than the old facility, and additional services will be offered that are currently offered in other locations.

To avoid these problems in future, we have recommended that large building projects be coordinated by a central agency with construction expertise.

Another chapter in our Report also applies to the Health and Wellness Department, and its ongoing program to replace old long term care facilities and to build new ones.

This program has been well managed in many respects, in particular in tendering for new facilities and the management of construction. However, there are some issues, especially with replacement facilities, some of which could have been avoided had the department implemented recommendations from our 2007 report.

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Firstly, there is no evidence that facilities are being replaced on the basis of the greatest need for replacement or indeed in any priority. More significantly, there was no competitive process to determine who would build and operate replacement facilities. Replacements were negotiated only with the existing providers, without open tenders.

And as we have commented on in the past, the Department is managing this expensive program largely without contracts. The lack of written contracts with long term care providers is not acceptable management practice. We have recommended the department sign contracts with all providers without delay.

We examined the operations of the Office of the Fire Marshal and concluded that the Fire Marshal is not doing enough to ensure that public buildings and other places where people gather are being adequately inspected for fire hazards. Less than half the required inspections we sampled were done. The office cannot show that when fire safety deficiencies are found, they are corrected.

These issues are not new. They were cited in our reports as far back as 2001 and earlier. Management at the Department of Labour and Advanced Education, including the Fire Marshal's Office, now need to take this issue seriously, and take action.

The buildings involved include hospitals, schools, nursing homes, day cares, theatres, and many others. Some should be inspected by the fire marshal's office, others by municipal inspectors, but in all cases the province has ultimate responsibility.

The final two chapters of the Report deal with operations in the Registry of Motor Vehicles, where we found weaknesses in information management and weaknesses in processes designed to keep unsafe drivers and mechanically unfit vehicles off the roads.

Backlogs in processing collision reports, delays in acting on poor driving records, and other deficiencies allow potentially unsafe drivers to continue driving. Private facilities that issue vehicle safety stickers are poorly controlled.

Weaknesses in information systems at the Registry need to be corrected, to better protect customers from the risk of privacy invasion or identity theft, and protect the department from the risk of fraud.

The recommendations in this Report are intended to help provide better government to Nova Scotians. We will follow up in two years to see if they have been adequately dealt with.

Thank you all for your attention.

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I will now take any questions you may have.