



Office of the Auditor General

Our Vision

A relevant, valued and independent audit office serving the public interest as the House of Assembly's primary source of assurance on government performance.

Our Mission

To make a significant contribution to enhanced accountability and performance in the provincial public sector.

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1 Message from the Auditor General

I am pleased to present my November 2013 Report to the House of Assembly on work completed by my Office in 2013.

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.

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.

This report presents the results of audits completed in 2013 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 have been made.



2 Government-wide: Controls Over Disposal of IT Assets

Government does not have adequate data security and inventory controls to prevent sensitive information from being exposed when information technology assets are disposed of and sent for reuse elsewhere – primarily in the public education system.

Computers issued to government employees are not configured to encrypt the data on their hard drives. Chief Information Office staff told us they intend to do this, but they do not have an implementation plan or timeline for this project.

Government's inventory of information technology assets is not managed appropriately. Policies and procedures do not have enough detail to provide sufficient guidance in the protection of sensitive data and secure disposal of information technology assets. Responsibilities for tracking information technology assets are not adequately communicated; some departments do not track their assets even though they are responsible for the data stored in them. Government has no processes to maintain the accuracy of inventory records. The Inventory Control Policy does not reflect the current inventory management structure or the increased risks associated with IT assets. Reconciliations of physical IT assets to inventory lists are not performed. We identified computers on inventory lists that were very difficult to locate; in one instance the computer was not found.

Government does not have a complete inventory record of its information technology assets. Some departments purchase their own IT assets; others request them from the Chief Information Office. In 2012, Chief Information Office staff started recording the purchases they made and disposals they performed. The computers purchased prior to that time, as well as those not purchased by CIO, may not be recorded. Without changes to the inventory tracking process, it is possible that the inventory will never be the complete.

We identified deficiencies with the processes used to dispose of surplus computers. There is no validation that all computers sent for secure wiping were actually wiped. The Chief Information Office does not tag all computers that have been wiped to identify computers ready to be sent for reuse. We identified five computers designated for reuse that were not wiped; one of which contained sensitive information.



The software used to wipe hard drives is not meant for business use. It does not provide an audit record or validation that a drive has been successfully erased. The validation could be done manually, but it is not.

Recommendations

Recommendation 2.1

The Chief Information Office should ensure all computers issued to government employees are configured to encrypt their data.

Recommendation 2.2

The Department of Health and Wellness should develop and implement a process to ensure its information technology asset inventory records are complete and accurate.

Recommendation 2.3

The Department of Justice should develop and implement a process to ensure its information technology asset inventory records are complete and accurate.

Recommendation 2.4

The Department of Community Services should develop and implement a process to ensure its information technology asset inventory records are complete and accurate.

Recommendation 2.5

The Department of Community Services should utilize an inventory management application that prevents unauthorized access through strong password control; prevents authorized users from performing unauthorized transactions; logs all user activity; and disables accounts when they become dormant.

Recommendation 2.6

The Department of Transportation and Infrastructure Renewal should administer a central inventory management application that prevents unauthorized access through strong password control; prevents authorized users from performing unauthorized transactions; logs all user activity; and disables accounts when they become dormant.



Recommendation 2.7

The Chief Information Office should modify the standards that support the Wide Area Network Security Policy to indicate the categories of information technology assets covered by the policy and to reference its relationship to government's Information Management Policy.

Recommendation 2.8

The Chief Information Office should document its information technology asset disposal process indicating the procedures, responsibilities and service contacts involved. This documentation or a summary of it should be provided to departments that use the Office's disposal service.

Recommendation 2.9

The Chief Information Office should use sanitization (secure wiping) software that records and reports information on wipe processes and results.

Recommendation 2.10

The Chief Information Office should implement a standard procedure that provides a visual identification of whether information technology assets have been wiped.

Recommendation 2.11

The Chief Information Office should periodically verify that computers sent for disposal were wiped.

Recommendation 2.12

The Chief Information Office should develop a process to ensure all the information technology asset disposals it performs are recorded in a centralized tracking system.

Recommendation 2.13

The Chief Information Office should retain specific disposal details for each asset it services such as sanitization (secure wipe) status, date of disposal, the individual who performed the disposal procedures, and current location.

Recommendation 2.14

The Department of Transportation and Infrastructure Renewal should work with Treasury Board Office to update the Inventory Control Policy to reflect the current inventory management structure and processes. The policy should contain a definition of which assets to

list and control; assignment of responsibilities to control inventories; a requirement to maintain accurate and complete inventory records which are reconciled to physical assets on a regular basis; processes for secure disposal of replaced assets; and responsibilities for enforcement of the requirements of the updated policy.





3 Economic and Rural Development and Tourism: Funding Programs

The funding programs we examined which process the bulk of the funding at the Department of Economic and Rural Development and Tourism are not well-managed. Processes to evaluate applications and disburse funding require significant improvement; there is limited monitoring of approved projects and a lack of accountability for funds expended.

Similar to our 2011 audit of the Industrial Expansion Fund, our audit of Nova Scotia Jobs Fund transactions identified numerous issues. The Department has not taken sufficient action to address the concerns identified in the 2011 audit. We found deficiencies in all ten Jobs Fund files we tested. Although a process guide was developed, we found the guide is not consistently followed. Improvements in some areas are overshadowed by missing application information, and project assessments which do not always include required economic and financial analysis. For example, financial assistance totaling \$323 million to three companies was approved without financial analysis. We also identified deficiencies in information submitted to Cabinet for approval. We recommended the Department update the guide for the recommendations in this chapter and require all staff to use the guide in all transactions. Government should consider whether this program is the appropriate mechanism to deliver loans and subsidies to businesses. In doing so, government may wish to revisit our 2011 recommendation to consider whether the administration of the fund should be transferred to Nova Scotia Business Inc.

We tested seven projects under the Strategic Funding Initiatives program and found none met program eligibility criteria. However, these projects totaling \$805,000 were approved for funding. This program has since been transferred to the Department of Communities, Culture and Heritage; we recommended that Department develop and implement appropriate policies which address the issues identified by this audit.

In the remaining eight programs we tested, two programs generally followed guidelines but the Department did not complete sufficiently detailed analysis of applications for the other six programs.

Across all the programs we tested, monitoring of approved projects is limited. In general, there is a lack of accountability back to the Department for funds received. We recommended improvements



including site visits and third party verification that projects were carried out as intended.

All funds approved through these programs used public money and, as a general principle, thus require full public scrutiny.

Recommendations

Recommendation 3.1

The Department of Economic and Rural Development and Tourism should require all Jobs Fund applicants to submit formal applications.

Recommendation 3.2

The Department of Economic and Rural Development and Tourism should require all Jobs Fund applicants that have audited financial statements to include these with their applications.

Recommendation 3.3

The Department of Economic and Rural Development and Tourism should complete a financial analysis of all applicants to the Jobs Fund. The analysis should be in compliance with the Jobs Fund Process Guide and documented in the file.

Recommendation 3.4

The Department of Economic and Rural Development and Tourism should document and assess the reasonableness of Jobs Fund applicant financial projections.

Recommendation 3.5

The Department of Economic and Rural Development and Tourism should complete an economic analysis for all Jobs Fund applicants.

Recommendation 3.6

The Department of Economic and Rural Development and Tourism should immediately develop, implement and consistently use a standard checklist to ensure the compliance with the Jobs Fund Process Guide.

Recommendation 3.7

The Department of Economic and Rural Development and Tourism should implement management review of all transactions once the



investment manager has completed the assessment. Evidence of management review should be documented in the file.

Recommendation 3.8

The Department of Economic and Rural Development and Tourism should establish a requirement that all proposals be presented to the Nova Scotia Jobs Fund Board prior to being submitted to Cabinet.

Recommendation 3.9

The Department of Economic and Rural Development and Tourism should implement a process to ensure information submitted to Cabinet is complete and accurate.

Recommendation 3.10

The Department of Economic and Rural Development and Tourism should only disburse financial assistance based on expenses incurred and paid. Disbursements should be supported by original receipted invoices and cancelled cheques or equivalent documentation to prove the company has paid the related expenses.

Recommendation 3.11

The Department of Economic and Rural Development and Tourism should use the most current version of standard terms and conditions when signing agreements for financial assistance.

Recommendation 3.12

The Department of Economic and Rural Development and Tourism should immediately develop, implement and consistently use a checklist to ensure required information has been submitted. Funding should not be disbursed until all information has been received and all conditions have been met.

Recommendation 3.13

The Department of Economic and Rural Development and Tourism should develop a disbursement memo or similar document and require the solicitor or investment manager to complete this memo confirming all conditions have been met prior to releasing funding.

Recommendation 3.14

The Department of Economic and Rural Development and Tourism should ensure criteria for the receipt of financial assistance and loan forgiveness are consistent with the information used to assess and approve the initial request.



Recommendation 3.15

The Department of Economic and Rural Development and Tourism should require an independent third party to confirm that criteria have been met prior to forgiving a loan.

Recommendation 3.16

The Department of Economic and Rural Development and Tourism should immediately develop and implement a process to track and document the annual monitoring of Jobs Fund clients.

Recommendation 3.17

The Department of Economic and Rural Development and Tourism should include consequences for failure to comply with terms and conditions in all letters of offer. In the event of noncompliance, the Department should take appropriate action.

Recommendation 3.18

The Department of Economic and Rural Development and Tourism should update the Nova Scotia Jobs Fund Process Guide to address the recommendations in this chapter. The Department should require all staff to follow the Process Guide for all transactions.

Recommendation 3.19

Before continuing with the Strategic Funding Initiatives program, the Department of Communities, Culture and Heritage should develop and implement appropriate program policies. In doing so, the Department should consider the issues identified during our audit and develop policies which address these concerns.

Recommendation 3.20

The Department and Economic and Rural Development and Tourism should comply with program guidelines to collect and assess consistent information for each applicant before providing financial assistance.

Recommendation 3.21

The Department of Economic and Rural Development and Tourism should develop and document evaluation processes for funding applications. These should clearly outline evaluation criteria as well as provide guidance on how criteria should be assessed.

Recommendation 3.22

The Department of Economic and Rural Development and Tourism should document its evaluation of funding program applications. Documentation should include rationale to support the assessment of program criteria for approved and rejected applications.



Recommendation 3.23

The Department of Economic and Rural Development and Tourism should follow its document retention policy for rejected applications.

Recommendation 3.24

The Department of Economic and Rural Development and Tourism should comply with Capital Investment Incentive program guidelines.

Recommendation 3.25

The Department of Economic and Rural Development and Tourism should follow its process guidelines and ensure companies submit support for full project costs.

Recommendation 3.26

The Department of Economic and Rural Development and Tourism should require Workplace Innovation and Productivity Skill Incentive program recipients to provide documentation confirming that training has started prior to receipt of funding.

Recommendation 3.27

The Department of Economic and Rural Development and Tourism should develop a monitoring framework for all funding programs that utilizes site visits and third party corroboration to confirm projects are occurring as intended.

Recommendation 3.28

The Department of Economic and Rural Development and Tourism should develop and implement a funding program review process. The review should be conducted by staff external to the funding program and focus on determining whether application assessment and funding disbursement are in compliance with program guidelines.

Recommendation 3.29

The Department of Economic and Rural Development should develop specific and measurable goals and objectives for each funding program.

Recommendation 3.30

The Department of Economic and Rural Development and Tourism should develop and implement a regular performance review process for all funding programs, including the Jobs Fund. The process should outline the frequency of review and document the measures to be used in assessing program goals and objectives.

4 Health and Wellness: Public Health Surveillance



Nova Scotia's public health surveillance system is not adequate. An effective surveillance system provides information on trends and outbreaks of disease and guides improvements in long-term health for citizens. Although the Department of Health and Wellness has made improvements in recent years, significant changes are still needed to move Nova Scotia to an adequate public health surveillance system. Current information systems have limited functionality because they do not enable detailed analysis of disease data. The surveillance system does not address other areas of public health such as indicators of overall population health.

In 2006, a Department-prepared report noted that public health information systems were a source of inefficiency and vulnerability. This has not changed. The current system to report specific diseases has limited functionality and we found errors and omissions in data.

After years of involvement in a national project to develop an IT system for public health, Nova Scotia withdrew from the project in 2010. Three years later, there is still no comprehensive surveillance system. Our 2008 recommendation that the Department implement an electronic immunization registry has not been addressed.

The Province must also move towards surveillance of population health information. Rather than just examining why a person got sick, modern public health surveillance considers how to improve the overall health of the population. Currently, this information is ad hoc at best.

Progress addressing deficiencies identified in the Department's 2006 report on public health has been slow. Proactive leadership will be needed to ensure the Province addresses deficiencies. Implementing the recommendations in this report is an important step in moving towards an adequate public health system which supports programming, provides information on disease and helps improve overall population health.

Despite these issues, there have been improvements in recent years. Lab and epidemiological capacity have improved. The lab network has plans to deal with increased testing requirements of



busy times such as during an outbreak, and the Province now has more epidemiologists. Recent developments such as public health standards and detailed protocols help identify what the future public health system should look like. However, there is no implementation plan detailing how these changes will be achieved; we recommended such a plan be developed immediately.

Recommendations

Recommendation 4.1

The Department of Health and Wellness should expedite the approval process and move forward with the public health protocols in a timely manner.

Recommendation 4.2

The Department of Health and Wellness should develop a plan to implement its public health protocols following approval. The plan should include detailed timelines and involve input from stakeholders impacted by the new protocols.

Recommendation 4.3

The Department of Health and Wellness should clearly define and communicate goals and objectives for surveillance of non-notifiable disease indicators.

Recommendation 4.4

The Department of Health and Wellness should identify an appropriate information system for public health surveillance and work with Treasury Board Office to implement the system in a timely manner.

Recommendation 4.5

The Department of Health and Wellness should implement recommendation 4.5 from our February 2008 Report to develop an electronic immunization registry.

Recommendation 4.6

The Department of Health and Wellness should require district health authority staff to implement a quality check to ensure completeness and accuracy of ANDS data fields.



Recommendation 4.7

The Department of Health and Wellness should periodically review notifiable disease and condition reporting to ensure reports continue to meet user needs.

Recommendation 4.8

The Department of Health and Wellness should work with the Public Health Agency of Canada to fill the field surveillance officer position under the terms of its memorandum of agreement with the Agency.

Recommendation 4.9

The Department of Health and Wellness should implement its plans to collect and report non-notifiable disease indicators and work toward obtaining the more detailed data needed to analyze indicators.

Recommendation 4.10

The Department of Health and Wellness should require that all data held in, or accessible by, the Department be available to the Population Health Assessment and Surveillance team as required.



5 Labour and Advanced Education: Occupational Health and Safety

The Occupational Health and Safety Division at the Department of Labour and Advanced Education is responsible for investigations and inspections related to workplace safety. We found the Department's investigations into serious workplace accidents are adequate. However there was insufficient evidence in inspection files to determine whether occupational health and safety inspections were adequately carried out.

Although workplace safety is a shared responsibility, an effective regulatory process is key to success. Practices among inspectors such as preparation of inspection reports, obtaining recipient sign off and collecting evidence of compliance with orders, are not consistent. Checklists which focus on the risk areas an inspector should be examining during an inspection would serve to help ensure all essential risk areas are addressed.

Orders issued by inspectors to address health and safety weaknesses are not adequately followed up to ensure corrective action is taken. 1,228 orders (32%) issued from April 2012 to March 2013 were not complied with by the date required. Yet, inspectors issued only 10 summary offense tickets for violations or noncompliance during that time. The significant rate of noncompliance is concerning. Additional guidance on follow-up and the types of situations and outstanding orders that would warrant a summary offence ticket is needed. Although the seriousness of the deficiencies identified may vary, timely action is necessary to properly mitigate the related risks to health and safety in the workplace.

Improvements in operational planning and monitoring are also needed to ensure high-risk workplaces are targeted for inspections. There are a significant number of workplaces subject to the provisions of the Occupational Health and Safety Act in Nova Scotia – many more than practical for Department staff to regularly inspect. Management uses Workers' Compensation Board information to identify higher-risk industries; however, more specific inspection targets need to be developed and monitored to ensure resources are directed primarily to higher-risk workplaces.

Management does not use the Department's information system to its fullest potential. Information that could be useful to management is not collected or is not collected in a consistent manner. Additionally,



the Department's file review process is not functioning. The Department does not have a system to log and track complaints to ensure all complaints received are recorded and investigated. We recommended that the Department establish such a process.

Recommendations

Recommendation 5.1

The Department of Labour and Advanced Education should establish inspection targets for the Occupational Health and Safety Division and its regions to ensure inspection staff focus their efforts on the higher-risk industries identified by the Department. Inspection targets should be documented in an annual plan and monitored.

Recommendation 5.2

The Department of Labour and Advanced Education should evaluate inspection results against the annual plans to determine if targets were met and where adjustments need to be made.

Recommendation 5.3

The Department of Labour and Advanced Education should communicate with the Nova Scotia Business Registry and Workers' Compensation Board to establish a process to obtain information on registered new businesses on a regular basis.

Recommendation 5.4

The Department of Labour and Advanced Education should develop and implement inspection checklists.

Recommendation 5.5

The Department of Labour and Advanced Education should request that recipients sign inspection reports as acknowledgement of receipt of the reports and related orders.

Recommendation 5.6

The Department of Labour and Advanced Education should require evidence of compliance with orders be obtained for violations that pose serious health and safety risks.

Recommendation 5.7

The Department of Labour and Advanced Education should monitor to ensure approval is obtained and documented in the files for extensions to compliance order dates greater than 60 days.



Recommendation 5.8

The Department of Labour and Advanced Education should comply with its policy concerning manager review of investigations.

Recommendation 5.9

The Department of Labour and Advanced Education should comply with its policy concerning two officers attending at the preliminary investigation of a workplace fatality.

Recommendation 5.10

The Department of Labour and Advanced Education should develop and implement policies and procedures that provide guidance to inspectors on follow up and enforcement of outstanding orders.

Recommendation 5.11

The Department of Labour and Advanced Education should establish a complaint logging and tracking system to ensure all complaints received are recorded in the activity information system and investigated in a timely manner.

Recommendation 5.12

The Department of Labour and Advanced Education should develop and implement performance standards for response times to incidents and complaints.

Recommendation 5.13

The Department of Labour and Advanced Education should monitor whether inspectors are updating the activity information system as frequently as required.

Recommendation 5.14

The Department of Labour and Advanced Education should utilize a time tracking system to develop performance standards for planning and monitoring.

Recommendation 5.15

The Department of Labour and Advanced Education should review system information capabilities to determine what information should be collected in order to fully utilize the system for analysis and decision making.

Recommendation 5.16

The Department of Labour and Advanced Education should implement a file review process for inspection and investigation files that includes documentation of the review and sign off by the manager.

