



June 4, 2015

Honourable Kevin Murphy  
Speaker  
House of Assembly  
Province of Nova Scotia

Dear Sir:

I have the honour to submit herewith my Report to the House of Assembly under Section 18(2) of the Auditor General Act, to be laid before the House in accordance with Section 18(4) of the Auditor General Act.

Respectfully submitted

A handwritten signature in black ink, which appears to read 'Michael A. Pickup'.

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# 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.

## Our Priorities

Conduct and report audits that provide information to the House of Assembly to assist it in holding government accountable.

Focus our audit efforts on areas of higher risk that impact on the lives of Nova Scotians.

Contribute to a better performing public service with practical recommendations for significant improvements.

Encourage continual improvement in financial reporting by government.

Promote excellence and a professional and supportive workplace at the Office of the Auditor General.



## Who We Are and What We Do

The Auditor General is an independent nonpartisan 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 reports. The Auditor General helps the House to hold the government to account for its use and stewardship of public funds.

The Auditor General Act establishes the Auditor General's mandate, responsibilities and powers. The Act provides his or her Office with a modern performance audit mandate to examine entities, processes and programs for economy, efficiency and effectiveness and for appropriate use of public funds. It also clarifies which entities are subject to audit by the Office.

The Act stipulates that the Auditor General shall provide an opinion on government's annual consolidated financial statements; provide an opinion on the revenue estimates in the government's annual budget address; and report to the House at least annually on the results of the Office's work under the Act.

The Act provides the Office a mandate 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 funding recipients external to the provincial public sector. It provides the Auditor General with the authority to require the provision of any documents needed in the performance of his or her duties.

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.





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# Introduction

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# 1 Message from the Auditor General

## Introduction

- 1.1 I am pleased to present my June 2015 Report to the House of Assembly on work completed in late 2014 and early 2015. This report focuses on the results of three performance audits and our review of the implementation of our 2011 and 2012 recommendations.
- 1.2 I wish to recognize the hard work and results produced by my dedicated team of independent audit professionals. We strive to provide valuable recommendations and actions so that government can better serve Nova Scotians. I believe that the observations and recommendations identified in these three chapters, when acted upon by government, can help provide more effective services to Nova Scotians in a manner that is also increasingly more economical and efficient.
- 1.3 I also wish to acknowledge the cooperation and courtesy we received from staff in departments and agencies during the course of our work.
- 1.4 The team members who led these audits were:
  - Terry Spicer, CMA – Deputy Auditor General
  - Evangeline Colman-Sadd, CA – Assistant Auditor General
  - Dianne Chiasson, CGA, PMI – Audit Principal
  - Angela Cook, CMA – Audit Principal
  - Robert Jewer, CGA – Audit Principal

## Overview and Chapter Highlights

- 1.5 The report has three performance audit chapters covering:
  - Aquaculture monitoring
  - Procurement and management of professional services contracts
  - Responsible gaming and prevention and treatment of problem gambling



- 1.6 We also have a chapter on the results of our work to determine whether government acted upon the recommendations we made in audits in 2011 and 2012.
- 1.7 The following provides an overview of each of the remaining four chapters in this report.

***Follow-up of 2011 and 2012 Performance Audit Recommendations***

- 1.8 Each spring we review the results of how government has addressed the recommendations we made and the actions senior leaders in government promised to carry out. Implementing these recommendations is about promoting better government by recommending changes to improve the effectiveness of services to Nova Scotians and to help government staff and management deliver those services in a more economical and efficient manner.
- 1.9 This year our follow-up results show that 57% of the 2011 and 2012 recommendations have been implemented by government. This is an improvement over our 2014 review which showed that only 50% of recommendations had been implemented. While it is not as high as Nova Scotians should expect, it is a sign that government is moving in the right direction. As well, I am pleased to note that six departments or agencies implemented over 70% of their recommendations, which is a significant improvement.
- 1.10 To further improve implementation, we need:
- ministers and deputy ministers to provide oversight and be accountable for better results;
  - boards of directors and CEOs to focus on improvements and be accountable for delivering results; and
  - continued attention by the Public Accounts Committee to monitor and hold entities accountable for actual improvement.
- 1.11 While this year is a positive step, government will need to make this a priority as it manages its risks, keeping in mind that these audits cover higher risk topics and management overwhelmingly agreed that changes are needed.

***Fisheries and Aquaculture: Aquaculture Monitoring***

- 1.12 The Department of Fisheries and Aquaculture issued aquaculture licenses, leases and renewals in compliance with applicable legislation, regulations and policies. However, weaknesses in its processes and information systems



impact its ability to identify risks and efficiently and effectively manage and monitor the industry. The relocation of most of the Aquaculture Division and resulting loss of staff likely contributed to a backlog and delay in processing aquaculture site renewal applications.

- 1.13 The Department's ability to enforce operator compliance with meeting environmental monitoring program requirements is limited to issuing Ministerial Orders or revoking a license. The Department also completes environmental monitoring audits. However, there are no written procedures or guidance for staff in conducting the audits and the Department does not effectively communicate the results to operators.
- 1.14 The Department provides optional fish health monitoring but there is no regulatory requirement for operators to report to the Department on fish diseases. A disease outbreak could occur without the Department being aware of it.

***Government-wide: Procurement and Management of Professional Services Contracts***

- 1.15 Overall, the six departments examined complied with many aspects of provincial legislation, policy, and guidelines. However, 10% of our sample items lacked proper approval to enter into a contract.
- 1.16 We also found Procurement Services carries out limited monitoring to ensure compliance with the Public Procurement Act and policy and has not taken appropriate action to address instances of noncompliance.
- 1.17 We found contracts were monitored to ensure services were received, and payments made, in accordance with contract terms. However, we identified issues with contracts signed after the work start date and professional services with no contracts. Most of the contracts we examined were missing two key contract terms: a dispute resolution clause and a payment penalty clause.
- 1.18 For the second time in the past year, we identified potential noncompliance with Canada Revenue Agency rules related to employees versus independent contractors. We recommended that Procurement Services assess the risk of this issue across government and determine if further work is needed to identify whether government may have possible liabilities related to this.

***Responsible Gambling and the Prevention and Treatment of Problem Gambling***

- 1.19 The Department of Health and Wellness does not monitor gambling treatment within health authorities for compliance with treatment standards. The Department does not know whether prevention and treatment services result



in reduced gambling-related harms. We recommended Health and Wellness monitor compliance with standards and treatment services to see if they are helping Nova Scotians experiencing gambling problems. Information on gambling treatment services is communicated to the public but few people are accessing services. Health and Wellness and the Nova Scotia Health Authority need to focus on increasing the number of people seeking problem gambling treatment services to help Nova Scotians in trouble.

- 1.20 Nova Scotia Provincial Lotteries and Casino Corporation programs are consistent with a framework established by an external responsible gaming group. The Corporation does evaluate the effectiveness of its responsible gambling programming annually; however, there is a lack of support for the targets used in the evaluation.
- 1.21 The province has not clearly defined roles and responsibilities in First Nations gaming agreements; as a result, there are no processes to ensure gambling on First Nations reserves is in compliance with relevant provincial laws. The majority of First Nations gaming agreements do not include responsible gambling requirements.