

19.**CLAIMS UNDER FEDERAL-PROVINCIAL AGREEMENTS****INTRODUCTION**

19.1 The Province has entered into a number of agreements with the Government of Canada for various cost-shared programs. Our Office has the responsibility to audit programs and sub-programs under certain agreements. For the fiscal year ended March 31, 1996, we commenced audits of claims under thirteen separate agreements (although not all of these audits were completed at the time of the writing of this Report). The agreements were administered by eight government departments and two Provincial agencies. Total expenditures under these agreements amounted to \$630 million, of which \$315 million was recoverable from the Government of Canada.

19.2 Our responsibility is to determine whether the departments and agencies concerned have complied with the terms of the agreements and whether amounts incurred and claimed are in accordance with the agreements. We also review and evaluate the system of internal control to process expenditures under the agreements.

PRINCIPAL FINDINGS***Reservation of Opinion***

19.3 This year there were two cases where it was necessary to express a reservation of opinion.

19.4 *Agreement on Social Housing* - We qualified our opinion on the Private Non-Profit Housing Subsidies claim because internal audits conducted by staff of the Department of Housing and Municipal Affairs and auditors of the housing sponsors, upon which we rely to support our audit opinion, did not conclude that the rent-to-income (RGI) scale was applied correctly by project sponsors.

19.5 *Agreement on Sustainable Economic Development* - Staff assigned to this agreement have assumed responsibility for projects administered by the former Nova Scotia Centre for Environmentally Sustainable Economic Development. We qualified our audit opinion because we were unable to determine whether amounts requested by and paid to project applicants were eligible according to the Letters of Offers and supported by actual project expenditures.

Other Findings

19.6 We found certain situations during our claims audits where accounting and financial systems and procedures were deficient. Although they are not of a magnitude to require a reservation of opinion, three such situations are significant enough to report to the House of Assembly.

19.7 *Agreement on Legal Aid* - All applicants who request legal aid services from the Nova Scotia Legal Aid Commission are required to complete application forms. We noted instances where applications were not fully completed, and for some applicants we were unable to determine whether they met the Commission's financial eligibility requirements.

19.8 *Agreement on Social Housing* - Claims under this agreement include costs incurred by Non-Profit Housing sponsors. All sponsors are required to submit financial statements to the Department of Housing and Municipal Affairs. Adjustments to the amount claimed from Canada Mortgage and Housing Corporation were not being processed on a timely basis after the Department had calculated adjustments due to/from project sponsors. The subsidy payments to Special Purpose sponsors were not recalculated by Department staff taking into account the change in interest rates when the mortgages were renewed resulting in overpayments to certain sponsors. As we reported in our 1995 Annual Report, formal standards have not been established for the audit, contents and presentation of the financial statements of sponsors.

19.9 *Agreement on Vocational Rehabilitation of Disabled Persons* - The Department of Health provides funding to a number of agencies in the form of grants which are cost shareable with Human Resources Development Canada under the agreement. The Department did not require the agencies to submit detailed budget information, sign a Letter of Understanding with the agencies, have a system in place to ensure financial statements were received on a timely basis, and conduct evaluations of programs delivered by the agencies.
