

# **INTRODUCTION**

## 1.

# OVERVIEW AND SIGNIFICANT ISSUES

### INTRODUCTION

**1.1** This Report contains the results of the work carried out by my Office during 1999. My objective continues to be to assist the members of the House of Assembly with their responsibility to hold the government to account for the management of public funds.

**1.2** In performing our work we adhere to the standards promulgated by the Canadian Institute of Chartered Accountants. Chapter 14 of this Report provides a description of the mandate, mission, and strategic goals and objectives of the Office. It describes our core business functions, outcome measures and organization as well as providing a report on the Office's performance during the year.

**1.3** A summary of the most significant findings resulting from this year's work is contained in this chapter. However, readers are cautioned that a full understanding of the issues can only be obtained from the detailed results provided in the individual chapters.

**1.4** The activities of the Office in 1999 were influenced by the additional responsibilities acquired as a result of the amendments to the Auditor General Act passed in 1998. This is further described below and in Chapter 2. As well, the requirement to carry out two reviews of the Revenue Estimates contained in two separate budgets taxed our resources.

### AUDIT MANDATE

**1.5** The Auditor General Act requires me to table this Report of the Auditor General by December 31. It also requires me to report annually to the House of Assembly on the government's financial statements and to have that report included in the public accounts which must also be tabled by December 31. At the time of writing this Report those financial statements as well as my audit of them were being finalized.

**1.6** The Auditor General Act also requires me to review the Estimates of Revenue contained in the Budget Address of the Minister of Finance and to report to the House of Assembly on the reasonableness of the Revenue Estimates. Such reports were included in the June 1, 1999 Budget Address and the October 14, 1999 Budget Address.

**1.7** I am also permitted to table up to two additional reports during a year in order to provide the House of Assembly with more timely information. The resource issues outlined above were not conducive to such reporting this year but where appropriate such reports will be provided in the future.

### ACCOUNTABILITY INFORMATION AND REPORTING

**1.8** Government's efforts over the last several years to put in place a Planning and Accountability Framework have been encouraged and supported by my Office. The quality and usefulness of performance information has evolved and has provided an improved basis for discussion and debate of government's plans, priorities and resource allocation decisions. However, provision of such information continues to be discretionary and it is my strongly held view that requirements for it should be enshrined in legislation.

**1.9** The government's announced decision to make significant changes to its accounting policies and practices is strongly supported by my Office. Most of these are being implemented in preparing

the financial statements for the year ended March 31, 1999 while others will be introduced in next year's financial statements. This decision accelerates the commitment made by government in June 1998 to implement changes in the year ending March 31, 2000.

## **YEAR 2000 UPDATE**

**1.10** As I write this report there are 36 days remaining until January 1, 2000. During the past year government continued to address the issue and to report on progress and plans. Although we have not performed an audit of government's actions we did monitor progress towards minimizing risks, planning for remediation actions and providing Business Continuity Plans for essential and mission critical services. Chapter 3 describes these efforts in some detail.

## **NOVA SCOTIA COMMUNITY COLLEGE**

**1.11** My 1993 Report contained the results of an audit of the college and described many significant deficiencies in governance and management. The government took action to address most of our recommendations including self-governance for the College. The College Board acted on virtually all of the remaining recommendations. A newly revised mission has been established for NSCC and this year's audit concluded that it is well prepared to achieve this mission. There is a need for the Department of Education and the College to define expected outcomes for the Province's funding to the College. These outcomes should serve as a basis for determination of the amount of Provincial funding which the College should receive.

## **PUBLIC-PRIVATE PARTNERSHIPS FOR SCHOOL CONSTRUCTION - FOLLOW-UP REVIEW**

**1.12** In 1997 and 1998 I issued three Reports on aspects of this major capital construction project. This year's audit activity was limited to reviewing progress and to assessing the accounting aspects of lease classification for four signed leases for purposes of the March 31, 1999 financial statements. The government intended to classify these as operating leases but, as a result of our opinion that classification as capital leases was more appropriate, government decided to account for them in that manner.

## **LIABILITY AND RISK MANAGEMENT**

**1.13** I have reported on Finance's policies and practices for managing the Province's debt and debt related activities in three previous Reports. During 1999 an external consultant was engaged jointly by my Office and Finance to undertake an audit of liability and risk management. Although many of our previous suggestions have been addressed certain issues remain outstanding. Finance continues to take action to enhance its policies and practices to manage the debt. Given the size and risks associated with this debt I urge government and the House of Assembly to monitor closely these issues.

## **NORTHERN REGIONAL HEALTH BOARD AND FOLLOW-UP TO 1998 COMMENTS ON RHBs AND NDOs**

**1.14** Governance and management of health care in the Province has undergone massive change and changes are continuing. We were conducting an audit of the Northern Regional Health Board in October 1999 when government announced that governance of the RHBs was being transferred to the Department of Health. Subsequently, government announced that District Health Authorities would be formed. Clearly defined responsibilities, effective planning and communication are essential to implementation of change. This audit identified serious problems in these areas at the

Department of Health that if not addressed will impede any efforts to improve the delivery of health care in the Province.

## **INFRASTRUCTURE WORKS PROGRAM - PHASE II**

**1.15** Audits of Phase I of this program were reported separately by the Auditor General of Canada and my Office in 1996. Phase II has been audited jointly with the Auditor General of Canada and the Provincial Auditor of Saskatchewan with an agreement to issue separate reports. There is no doubt that the program has been largely successful in achieving its primary objective of infrastructure renewal. The audit did identify opportunities to improve some aspects of program delivery.

## **PROPERTY MANAGEMENT**

**1.16** This audit focussed on the Real Property Services Division of the Department of Transportation and Public Works. The audit concluded that the Division gives attention to the economy and efficiency of its operations. However, the Division is limited in its ability to realize all cost reductions possible because of inadequate funding for preventative maintenance, insufficient property management information, unclear assignment of responsibilities and inadequate coordination of accommodation planning.

## **SNOW AND ICE CONTROL**

**1.17** This audit focussed on the snow and ice control operations of the Department of Transportation and Public Works as well as its practices for hiring trucks for road construction and maintenance activities. The audit concluded that the Department has made significant changes to achieve efficiencies and cost reductions while maintaining a consistent level of service. We recommended that the Department more formally analyze the feasibility of further cost-reduction initiatives, and be more strategic in the planning of snow and ice control operations.

## **CONCLUDING REMARKS**

**1.18** Significant changes occurred in 1999 in the manner in which government reports its financial results and in the role played by my Office in the audit of financial reports. I strongly support the accounting policy changes made by the government and am pleased with the role my Office now plays. However, I continue to urge that the positive initiatives that have been taken to provide better accountability information to the House of Assembly be embodied in legislation.

**1.19** As is evidenced by the results of the audits contained in this Report, government's efforts to maintain or enhance delivery of programs to Nova Scotians while reducing expenditures are severely straining systems and resources. Current initiatives, including the efforts of the Fiscal Management Task Force, which are intended to propose solutions to the Province's fiscal dilemma will hopefully be successful.

**1.20** As indicated earlier the Office was challenged in fulfilling its new mandate and responding to other demands. Resources were also impacted by uncontrollable events. In September we were devastated to hear that one of our managers, Angela Cook, had been seriously injured in an automobile accident. We have all been pleased with her continued progress in rehabilitation and look forward to her return early in 2000. I want to thank all my staff for their continued efforts and willingness to take on additional responsibilities when necessary.