

**REPORT OF THE  
AUDITOR GENERAL  
2001  
HIGHLIGHTS**

**PREFACE**

In an attempt to give readers an appreciation of the most significant findings contained in my Annual Report, I publish annually this highlights volume. It provides a brief summary of the results of audit work carried out in 2001.

However I do suggest that those who wish a fuller understanding of any or all of these matters should refer to the full Report. The highlights volume notes the page numbers of the full Report for each of the subjects.

The year 2001 was very busy for the Office. Carrying out the audit of the Province's financial statements for the third time was again a challenge and strained resources. As well an audit of planning and budgeting on a government-wide basis was complex and caused delays. As a result this Report is later than originally planned.

It is also the intent of myself and my staff to provide our messages as clearly and concisely as possible. Comments from readers on the value of this highlights volume or on the complete report would be welcomed.

E. Roy Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
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## OVERVIEW AND SIGNIFICANT ISSUES

(Pages 8 - 11)

**1.1** Last year I discussed what I felt was the major issue facing this Province - achieving fiscal stability - and in order to provide further assistance to efforts by the government to achieve that objective, we focused much of our audit effort this year on the systems and processes that are critical to achieving fiscal stability while delivering priority services. These issues centre around governance, accountability, planning and budgeting.

**1.2** I continue to urge government to give priority to the various issues which weaken effective control over the expenditure of public funds. Acting on the various recommendations contained in this and previous Reports as well as those made in the year 2000 by the Fiscal Management Task Force would assist the government in achieving its fiscal targets and thus deal with Nova Scotia's fiscal crisis.

## ACCOUNTABILITY INFORMATION AND REPORTING

(Pages 14 - 39)

**2.1** As a result of amendments to the Provincial Finance Act in June 2000, the provision of accountability information and reporting to the House of Assembly on government's plans and performance is now required by law. The initial reporting on outcomes under this requirement, titled *Annual Accountability Report*, was released December 20, 2001.

**2.2** Performance information or reports provided by government to MLAs should be relevant, reliable and understandable. The implementation and evolution of such reporting, and the effective use of the information by government and MLAs for accountability purposes will require a significant sustained commitment.

**2.3** The Auditor General's Report, required under Section 9B of the Auditor General Act, on the 2001-02 revenue estimates was dated March 23, 2001 and tabled in the House on March 29, 2001 along with the

Minister of Finance's *Budget Address*. In addition, summary comments and suggestions resulting from our review procedures were communicated to the Department of Finance.

**2.4** The government's March 31, 2001 summary consolidated financial statements were released November 16, 2001 as part of Volume I of the *Public Accounts*. Our Auditor's Report, dated September 28, 2001, on the consolidated financial statements was unqualified.

**2.5** A review of the Province's March 31, 2001 summary consolidated financial statements indicates that in total there were approximately \$31 billion of treasury-related balances and trusts to be managed by government. Additional attention could be directed towards holding the government accountable for its longer-term plans and performance in the various treasury functions or areas.

**2.6** One of the priority matters identified in the 2000-01 business plan of the Technology and Science Secretariat (TSS) was the development of a government-wide Business and Technology Strategy. This initiative was undertaken and coordinated by the Corporate Strategies Division of TSS, and Phase I was completed in July 2000.

**2.7** In December 1996, the Public Accounts Committee (PAC) submitted a report to the House of Assembly which included a number of accountability-related recommendations flowing from the efforts of a PAC Sub-committee on the Public Accounts. Not all of the recommendations have been fully implemented yet.

**2.8** The terms of reference for the use and reporting of the taxes allocated to the Transportation Trust Fund under Section 10 of the Revenue Act should be clarified.

**2.9** The House receives limited information or reporting, on a regular basis, on the management of human resources utilized by government. Reporting by the new Public Service Commission should include summary information to address this area.

**FINANCIAL PLANNING AND BUDGETING****CENTRAL GOVERNMENT AND DEPARTMENTS***(Pages 42 - 72)*

**3.1** Annual business planning and budgeting by government provides a fundamental cornerstone over the use or stewardship of public money and property. Once debated and approved, the Annual Appropriations Act (supported by the Estimates and other planning and budget information tabled) provides the foundation upon which the government can be held to account. This chapter discusses the results of our audit of the Estimates process in central government (Department of Finance, Treasury and Policy Board, and Executive Council) and the three largest departments (Health, Education and Community Services).

**3.2** We found that government had established a reasonable approach for preparation of the 2001-02 Estimates. The approach was driven by targets established as part of the government's four-year fiscal plan. We made recommendations for improvement to certain aspects of the Estimates process.

**3.3** The March 29, 2001 Budget Address was the first time since March 23, 1984 (i.e., for the 1984-85 fiscal year) that a Nova Scotia government's budget was presented to the House prior to the start of the fiscal year to which it applied. The Appropriations Act, 2001 (i.e., for the 2001-02 fiscal year) passed Third Reading in the House on April 20, 2001. Further, March 27, 1975 (i.e., for the 1975-76 fiscal year) was the last time an annual Appropriations Act received Royal Assent prior to the start of the fiscal year to which it applied. Government should strive to ensure annual plans and budgets are finalized and approved prior to the start of the fiscal year to which they apply.

**3.4** Information on planned program performance is not integrated with the budget process. Performance information should be a major consideration during budget decisions. The information provided to the House along with the Budget Address should completely identify the nature and extent of significant program changes or adjustments made as a result of decisions during the budget process. Financial budget

information should be clearly linked and cross-referenced to program service or program delivery plans, including information provided on planned outcomes or targets.

**3.5** The budget targets for 2001-02 were communicated to the departments by the Department of Finance and were generally based on the prior year's budget adjusted for certain "funded" cost pressures. In some cases, where funded amounts were less than the initially identified cost pressures, departments did not have operational plans in place to meet the targets. The lack of an operational plan in certain programs increases the risk of overspending the budget target, and we recommend that government ensure annual operational plans, linked to the budget targets, are prepared for all major government programs and entities.

**3.6** The roles and responsibilities of central government and departmental staff in the 2001-02 process appear to have been well-defined and understood by those involved, most of whom had previous business planning and budgeting experience in government.

**3.7** Additional planning information and budget guidelines should be provided to departments and agencies included in the government's reporting entity. These guidelines should include economic and other general overall assumptions or operational parameters that should be considered and, where appropriate, integrated into the individual entity's planning and budgeting processes.

**3.8** Departments need to improve processes for communicating program-specific assumptions implicit in departmental budget requests. This information is required so that decision makers can assess the reasonableness of the budget requests submitted. We expected that departments would provide written guidelines and instructions to agencies and transfer payment recipients to use in preparing budgets, including common assumptions to be used. These would help to ensure budgets are consistently prepared

and that potential funding issues are identified. This was generally not the case. Instructions from departments usually included very high level directions such as *produce a balanced budget* or *assume existing service levels*.

**3.9** The government's estimated revenues and related economic assumptions are supported by a variety of formal and less formal systems and models. The assumptions and risks used in determining the estimated revenues are well documented.

**3.10** There are extensive supporting information and models for the budgeting of net debt servicing costs. In the formal budget documents released along with the Minister's Budget Address, the debt-related treasury aspects of government's plans and budget are well covered.

**3.11** In order to improve control, borrowing authorities should have a defined life span and carry-forward borrowing authority amounts should be included in the information provided to the House of Assembly when additional borrowing authority is requested.

**3.12** The House does not have or receive sufficient, appropriate information on the components of the restructuring costs appropriation in order to support effective review, debate and approval by MLAs. We did not have full unencumbered access to the information supporting the amounts budgeted for 2001-02 restructuring costs. The information not available to us related to the government's labor relations strategy which supports the wage settlement allocation in the restructuring costs appropriation. Finance had previously obtained a legal assessment on restricting access to such budget supporting information. We recognize the difficulty of balancing the need to protect the government's negotiating position, as an employer, with the need for transparency.

**3.13** The budget submission of the Department of Health included insufficient detail on cost pressures. The government hired consultants to complete a joint

review of the Department of Health's budget process with the goal of suggesting improvements for future years. The consultants indicated that Health had developed a clear vision and direction for the health system. However, information systems for certain major programs with a history of overexpenditure (such as home care and long-term care) were deficient. The consultants also noted deficiencies in the information systems for acute care, mental health and other programs delivered by District Health Authorities. Due to health system restructuring concurrent with the budget process, we believe that the 2001-02 budget preparation process was not typical for the Department of Health.

**3.14** Department of Health management was aware of the problems with the 2001-02 budget process and is addressing the deficiencies. There were initiatives in progress to improve available information in various health sectors.

### **CAPITAL EXPENDITURES**

*(Pages 73 - 80)*

**4.1** In October 2000, the Department of Finance released a discussion paper entitled *Prioritization of Tangible Capital Assets* which described a process which government departments would follow in obtaining funding for tangible capital assets. The process was subsequently implemented.

**4.2** The new capital asset planning and budgeting process was well communicated to the individuals required to comply with its requirements.

**4.3** Information used to make decisions on the funding of tangible capital assets was not documented in all cases examined.

**4.4** Certain departments were allocated blocks of capital funding to be spent as the department decided, which we believe to be inconsistent with the requirements or intent of the new tangible capital asset planning and budgeting process, and inconsistent with the handling of requests for capital spending from other departments.

**4.5** The process used to set amortization rates was reasonable, and the calculation of amortization costs for the 2001-02 Estimates was accurate.

**4.6** Procedures for monitoring departmental spending to ensure consistency with capital asset funding approvals appear to be reasonable.

### **CAPITAL DISTRICT HEALTH AUTHORITY**

*(Pages 81 - 98)*

**5.1** The Capital District Health Authority (CDHA) was established in 2001 under the new Health Authorities Act. Preparation of the first budget for the new organization was a challenge for the management team and Board, especially because CDHA had been informed that its Provincial funding would not increase over the amount provided to the predecessor organizations in the prior year. Subsequently, CDHA's funding was increased by \$27.2 million.

**5.2** CDHA's process for budget preparation was appropriate and the Authority submitted its budget request to the Department of Health in the required timeframe.

**5.3** Government requires information about the assumptions underlying budget submissions. The quality of the budget is largely dependent on the completeness and reasonableness of the assumptions. We recommended improvements to the documentation and communication of assumptions underlying the CDHA's budget submission.

**5.4** CDHA senior management instructed staff to maintain expenditures at the prior year's level. However, statistical information on volumes circulated with the budget instructions indicated that service volumes were expected to increase in certain areas. There were no approved operational plans to 'close the gap' between the impact of increased activity levels and available funds. Similarly, during the budget process the Department of Health requested CDHA to make cuts of \$9.6 million to its expenditures, of which \$5.2 million was assigned to clinical areas. There was no approved operational plan to achieve the clinical reduction.

**5.5** CDHA has analyzed its long-term capital needs although the analysis is incomplete in some areas. The Department of Health and CDHA should work toward establishing a common perspective on those needs, and an appropriate funding strategy. CDHA's 2001-02 capital budget submission to the Department of Health, based on departmental requests, totaled \$53.5 million. CDHA allocated \$3.9 million of Department of Health funding to capital, and \$5.3 million is anticipated from other sources such as Foundations. The balance of \$44.3 million has not been funded in the current year.

## **AGRICULTURE AND FISHERIES**

### **FOOD SAFETY**

*(Pages 100 - 120)*

**6.1** Under the Health Act, there are a number of municipal regulations related to food service establishments. This results in differences throughout the Province in licensing, inspection and other compliance requirements. The Department is preparing new regulations for food service establishments to replace existing Provincial and various municipal regulations. The Department is also developing new regulations for slaughterhouses and meat processing plants. Each set of new regulations is based upon national standards and codes of practice developed by the Canadian Food Inspection System Implementation Group. These are based on scientific risk assessment and management principles.

**6.2** The respective licensing, inspection, enforcement and other responsibilities of the different entities involved in the food safety system appear to be well defined.

**6.3** The Department has developed policies and procedures to guide staff. Except in the case described below, we found policies to be consistent with legislation and regulations.

**6.4** Churches, fire departments and other volunteer organizations can hold up to six events each year in which food is served without requiring a formal inspection by the Department of Agriculture and

Fisheries. Organizations are required to obtain a Temporary Events Licence from the Department when food is involved, and there is generally a review of food preparation, transport, storage and serving practices by a Food Safety Specialist prior to granting the licence. However, any advice from the inspector is provided in good faith and there is no follow-up to determine if the advice was acted upon. We could find no support for such an exemption in the Health Act, and consequently the policy may not be in compliance with Provincial legislation. We did note that the exemption is specified in draft regulations awaiting finalization and approval.

**6.5** We observed weaknesses in the system with respect to day care centres. Day care centres are inspected by the Department of Environment and Labour. Many centres serve food, and in such cases the inspection will address issues relating to food safety. The current system does not ensure that all day care centres are inspected on a regular and timely basis. In addition, the manner of determining the frequency of inspections for day care centres is different from that used by the Department of Agriculture and Fisheries for food service establishments, and the licensing of day care centres is inconsistent from region to region.

**6.6** We reviewed a sample of inspection files to determine if the Department's monitoring and inspection systems were operating effectively to ensure food safety requirements outlined in legislation, regulations and policies were being met. We found that systems were operating satisfactorily. However, we had a number of observations relating to weaknesses in file documentation and errors in the recording of inspection information in the Food Safety Section's computer database.

**6.7** Based on our review of a sample of files, inspection frequency targets were generally met in 2000. However, a new risk-based policy requiring more frequent inspections is being implemented in the Food Safety Section. When the new policy is fully implemented, substantially more inspections will be required on an annual basis. We are concerned that the Department may not be able to meet the revised inspection frequencies and we recommended that the Department develop a strategy to address the increased

demand the new policy will place on its staff and other resources.

**6.8** The Food Safety Section has good systems for ensuring the competency of its staff. Standards have been set for the educational and professional requirements of inspection and management staff. Regular training is provided to keep staff current on issues relating to food safety. There is a system for monitoring and evaluating the performance of staff.

**6.9** We recommended a system of periodic rotation of inspectors among the body of food service establishments they inspect, where it is practical.

**6.10** We observed room for improvement in the Department's reporting on performance with respect to its food safety responsibilities.

## **EDUCATION**

### **PLANNING FOR SCHOOL CAPITAL EXPENDITURES** *(Pages 121 - 132)*

**7.1** Since 1997, the Province contracted for 31 new schools built under the public-private partnership process at a cost estimated to exceed \$350 million. An additional 18 new schools were approved by Executive Council at an estimated cost of \$229.6 million. In December 2000, the School Capital Construction Committee recommended an additional 85 school capital projects at an estimated cost of \$348.2 million. Those projects have not yet been approved by Executive Council. This chapter examines the Department of Education's processes for prioritizing and planning these significant capital expenditures.

**7.2** The Department of Education's process for school capital planning and project approval, as described to us by management, appears adequate. Some aspects of the process, such as evaluation of individual projects against criteria, have not been well documented. For the process to be transparent, the Department of Education should document major steps such as evaluation of potential projects against pre-established criteria.

**7.3** The School Capital Construction Committee presented its draft Report to Executive Council on June 12, 2001. The Report has not yet been approved as Executive Council required further information from the Committee.

**7.4** The Department established the space requirements for seven schools contracted out in October 2000 without benefit of a complete set of space programming guidelines. Department staff used a number of documented sources, professional judgement and experience when drafting the school space requirements. We recommend the Department maintain updated space programming guidelines.

**7.5** The January 12, 2001 Memorandum of Understanding provides a good accountability framework for the interdepartmental relationship between the Departments of Education and Transportation and Public Works for the school capital construction process. Due to the interrelatedness of the roles and responsibilities described in the MOU, a post-mortem assessment of the previous year's projects needs to be conducted annually and the MOU adjusted, if necessary, to ensure continued operational effectiveness.

**7.6** Status reports on capital construction projects are essential for the Department of Education to effectively manage cash flow and to ensure that projects are being constructed within approved budgets. The Department of Transportation and Public Works should ensure that formal status reports are both timely and complete.

**7.7** Internal Department of Education reports indicate that a serious deferred maintenance problem currently exists in Nova Scotia schools. To ensure that this problem does not escalate further, the Department of Education should begin to monitor Regional School Board spending on preventive maintenance to ensure that adequate funds are being directed toward this area and spent in the most effective manner.

**SCHOOL BOOK BUREAU**  
*(Pages 133 - 139)*

**8.1** The School Book Bureau of the Department of Education is responsible for the ordering, financial administration, storing and distribution of learning resources (such as text books, maps and software) for use in the public school system.

**8.2** The Department indicated, based on a survey of suppliers, that the Bureau receives a purchase discount because of bulk ordering and shipping to one location.

**8.3** The Department recently initiated a program of directed purchasing for certain learning resources. There is evidence that this program has achieved additional savings by increasing bulk purchasing. Extended use of this method of procurement, where appropriate, should be explored by the Department.

**8.4** The procurement of learning resources should comply with the Government Procurement Policy or be supported by appropriate exemption documentation. The Department was unable to provide documentation supporting an exemption.

**8.5** The benefits expected from initiatives to improve operational effectiveness and efficiency, such as the new on-line ordering system now being implemented by the Bureau, should be quantified where applicable so that actual results can be evaluated against original expectations.

**8.6** Operational accountability and performance could be enhanced through the standard reporting of performance indicators and operational targets.

**8.7** We reviewed and tested the systems and controls over the processing of cheques and cash and the ordering, receiving, storing and shipping of learning resources and found no significant weaknesses. Policies and procedures should be documented where appropriate.

**ENVIRONMENT AND LABOUR****OCCUPATIONAL HEALTH AND SAFETY***(Pages 140 - 160)*

**9.1** The Department of Environment and Labour, in accordance with the Occupational Health and Safety Act, is responsible for the promotion, coordination, administration and enforcement of occupational health and safety within the Province of Nova Scotia.

**9.2** The Department has a good system to communicate and explain occupational health and safety legislation, regulations and policy. However, the process used to plan and control regulation development is inadequate. The Department has limited resources to dedicate to this function, but does not have formal criteria or a prioritization process to identify areas where the need for new regulatory standards is most urgent. Also, once a decision is made to amend or create new regulations, there are no milestones, time lines or responsibilities established.

**9.3** The Department has a broad mandate under the Occupational Health and Safety Act and its associated regulations and we saw no instances of the Department not complying with legislation and regulations. However, as with any Nova Scotia law, this Act applies only to persons and businesses within the Province. We noted elements of uncertainty relating to the Act's application to certain work activity conducted offshore of the Province.

**9.4** If the Department continues to perform inspections at its current rate, it could take more than ten years to perform an inspection of all businesses in Nova Scotia. Despite this high volume, the Department does not have a rigorous approach to the targeting of higher-risk workplaces for inspection.

**9.5** Our examination of inspection files found instances of poor documentation, as well as inadequate follow-up of compliance orders issued. We also concluded that documentation of complaints and related investigations need to be improved.

**9.6** The Division needs better procedures to monitor the work activity of Occupational Health and Safety officers.

**9.7** The Department's system for enforcement of the Occupational Health and Safety Act and Regulations is satisfactory.

**9.8** The Department has a reasonable internal accountability framework, but its annual report lacks substantive information on the performance of the Occupational Health and Safety Division and does not fulfil its potential as an accountability document.

### **PUBLIC SAFETY**

*(Pages 161 - 181)*

**10.1** The Department of Environment and Labour is responsible for administering a significant number of Acts and regulations related to public safety. The Department has a good process for communicating legislative and regulatory changes to those who will be affected by them.

**10.2** The Department is involved in the development of many pieces of legislation and regulations, but there are no formal criteria or prioritization techniques used to identify where the need to develop new or amend existing legislation and regulations is most urgent. There are no milestones, time lines or responsibilities established once a decision is made to amend or develop new legislation and regulations.

**10.3** The application of public safety legislation and regulations is unclear with respect to offshore facilities and activities.

**10.4** There are numerous instances of non-compliance with public safety legislation. Observed deficiencies include unmet inspection and investigation requirements, failure to seek and obtain certain approvals and inadequate reporting by outside organizations to the Public Safety Division.

**10.5** There is no formal risk assessment process to determine inspection frequencies or select individual

inspections. In many instances, the Division has not been able to comply with the frequency of inspections specified in legislation or policies.

**10.6** The documentation prepared to support an inspection varies considerably within the Division, and in many cases was inadequate or non-existent.

**10.7** Documentation submitted by companies to support their compliance with orders issued is often inadequate. There was also minimal or no documentation in many files to document that inspectors or Deputy Fire Marshals had verified compliance with orders issued.

**10.8** The Department has a reasonable internal accountability framework, but its annual reports lack substantive information on the performance of the Public Safety Division, and do not fulfil their potential as accountability documents. Certain statistics in the report of the Office of the Fire Marshal are untimely, incomplete and inaccurate.

## FINANCE

### TREASURY MANAGEMENT SYSTEM

*(Pages 182 - 188)*

**11.1** In 1998, the Investments, Pensions and Treasury Services Branch of the Department of Finance issued a Request for Proposals for a treasury management system and in 1999 acquired the "Millennium" software package. In 2001, we audited the controls over the new treasury management system.

**11.2** Good procurement practices were followed in the acquisition of the treasury management system, and Millennium was the lowest priced of those systems proposed in response to the Request for Proposals.

**11.3** Millennium generally meets the requirements outlined in the Request for Proposals. The only exceptions were that there is no direct interface with the Province's central financial management system and a small number of particular types of transaction are not accurately processed by Millennium and require some manual processing.

**11.4** No post-implementation review for the acquisition of Millennium has been conducted.

**11.5** Controls over daily cash management are adequate to ensure the safeguarding of Provincial assets.

**11.6** Controls over long-term investments are adequate to ensure the safeguarding of Provincial assets.

**11.7** Controls over long-term debt management are adequate to ensure the safeguarding of Provincial assets. However, the Debt Management Committee met only once during the period of our audit. Control would be enhanced if meetings were more frequent. We understand that meetings have been more frequent during the current year.

**11.8** Controls over the general computer environment of Millennium are adequate. One exception is the lack of business continuity and contingency plans. In particular, the lack of an agreement between the Branch's management and the management of the Resources Corporate Services Unit Information Technology Section on recovery procedures in the event of a major disaster could lead to delays in the resumption of operations.

**11.9** Our tests of system process controls indicate that reasonable controls to ensure completeness, accuracy, authorization and an adequate management trail are in place. Improvements could be made by implementing a direct interface with the government's central financial management system. We found no errors in our testing, but any manual transcription of data is inherently error prone.

**JUSTICE AND HEALTH****CENTRAL NOVA SCOTIA CORRECTIONAL FACILITY  
AND EAST COAST FORENSIC PSYCHIATRIC  
HOSPITAL***(Pages 189 - 211)*

**12.1** In December 1999 government signed agreements with a private consortium to design, build and own a correctional and forensic facility in the Burnside Industrial Park in Dartmouth. The Province agreed to lease the facility for 25 years. The final agreement indicated the cost of the facility was \$60 million. Construction was completed and the facility was occupied by the fall of 2001.

**12.2** We believe accountability for the project would have been improved if government had provided timely, comprehensive reporting of project status or other significant information to the House of Assembly in departmental annual reports. For example, there was no detailed reporting to the House on the \$22.0 million increase in the cost of the new facility.

**12.3** Project goals and processes were consistent with department and government goals and policies, and provided clear expectations for the project.

**12.4** Organizational structures and processes were established near the beginning of the project and were improved as the project progressed.

**12.5** Government chose a facility site in Bedford rather than a site recommended by staff, and the extra cost for the land is estimated at about \$1.0 million. The subsequent change in site location from Bedford to Burnside cost the Province at least an extra \$3.1 million.

**12.6** The Province did not compare the anticipated cost of the public-private partnership (P3) project to the cost of undertaking the project conventionally. Draft Provincial guidelines for P3 projects recommended that public sector comparators be prepared when significant capital projects are being planned.

**12.7** The government structured the project as a P3. We did not see significant benefits being realized by

government in structuring the project this way. The government did not transfer significant amounts of risk to the private sector that it would have borne if it had built and owned the facility itself. We also identified certain additional costs, risks and uncertainties incurred by government as a result of using the P3 process in place of a more traditional method.

**12.8** There should be a post-completion review to assess the project. The knowledge gained and observations made could benefit future government projects.

**12.9** The Province paid approximately \$350,000 to the developer to the end of September 2001 before the facility was fully occupied.

**12.10** The project was a cooperative effort of several government departments and related entities. Although numerous committees existed throughout the project and a project office was established, we could not determine the full financial cost of the project over the period from 1995 to 2001. We tabulated approximately \$5.5 million of project-related costs in addition to the cost of \$60 million to construct the facility, but we do not believe we have identified all such costs.

**12.11** In planning the correctional facility, the Department of Justice reserved surplus government equipment and thereby limited its cost of new furniture and equipment to approximately \$104,000.

## **CROWN AGENCIES AND CORPORATIONS**

### **HALIFAX-DARTMOUTH BRIDGE COMMISSION**

*(Pages 214 - 224)*

**13.1** We have suggested that documentation standards be improved in certain financial management areas such as budgeting and monitoring, and that the Halifax-Dartmouth Bridge Commission's Board and committee minutes related to discussions in these areas be expanded.

**13.2** Although the Commission has a documented procurement policy, we were unable to determine

compliance in all areas tested. We have recommended standardized forms be used and a record retention policy be established for the procurement process. We also recommended that the Commission document the reasons for obtaining certain services through sole-source arrangements, as required under the Provincial Procurement Guidelines.

**13.3** The Commission is fulfilling reporting requirements as specified in its legislation and the Trust Indenture related to its long-term debt. We noted that efforts are being made by the Commission to clarify its reporting and accountability relationship with the Department of Finance in light of government-wide expenditure controls implemented during 2000-01.

**13.4** Financial information, including information on investments held in sinking funds and other reserves, is adequate for monitoring and decision-making purposes. We noted that the financial position of the Commission has improved in the past 10 years. The portion of total expenditures related to debt servicing costs has declined from 67.3% in 1990 to 44.0% in 2000, an improvement of 65.3%.

**13.5** We tested compliance with aspects of the Commission's capital asset policy and noted no significant deviations. We recommended capital projects included in the annual budget be prioritized.

**13.6** The Commission has acknowledged the need for a long-range strategic plan. Variables to be included in a comprehensive plan need to be identified and analyzed as necessary.

**13.7** The Commission has policies and procedures to ensure the safety of its employees and contracted staff, many of which likely impact and help secure the safety of the traveling public. We recommended a safety manual be prepared to document those policies and procedures directed toward public safety.

**REVIEW OF FINANCIAL STATEMENTS AND  
MANAGEMENT LETTERS**

*(Pages 225 - 230)*

**14.1** Section 17 of the Auditor General Act permits this Office to conduct additional reviews of those crown corporations and agencies where the financial statements are reported on by private sector auditors. This Chapter of our Report contains comments on our review of the results of private sector audits, as well as comments on audits performed by this Office.

**OTHER AUDIT OBSERVATIONS**

**ADDITIONAL APPROPRIATIONS**

*(Pages 232 - 235)*

**15.1** Formal approval of additional appropriations totalling \$450 million and \$658 million is required for the years ended March 31, 2001 and March 31, 2000 respectively. It must be acknowledged that a significant portion (i.e., more than half) of these totals relate either to changes in accounting policies necessary for the Province to adhere to generally accepted accounting principles or to unusual items, both of which would not have been considered in the estimates process for those years.

**15.2** There were no special warrants approved for the 2000-01 fiscal year.

**CASH AND OTHER LOSSES**

*(Pages 236 - 238)*

**16.1** The losses reported to us for the year ended March 31, 2001 totaled \$560,139; consisting of cash losses of \$41,539, property losses estimated at \$817,296 and recoveries of \$298,695.

**16.2** Not all departments and crown agencies comply, on a timely basis, with the loss reporting requirements of the Management Manual.

**OFFICE OF THE AUDITOR GENERAL**

**REPORT ON THE OFFICE OF THE AUDITOR  
GENERAL**

*(Pages 240 - 260)*

**17.1** The year 2000-01 was productive for the Office of the Auditor General. It was a year in which the Office made significant efforts to examine its role and renew its strategic directions. It was also a time for further developing the measuring and reporting of Office performance. This Chapter presents a summary of Office accomplishments and activities in 2000-01, a discussion of performance indicators developed for the Office and measurements made against them, as well as the Office's complete 2002-03 Business Plan.

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