

## 11.

### HEALTH - NOVA SCOTIA HEALTH RESEARCH FOUNDATION

#### BACKGROUND

**11.1** The Nova Scotia Health Research Task Force, established in 1996, reported that health research in Nova Scotia was “*severely disadvantaged*”. Although “*pockets*” of research existed, Nova Scotia was impaired because the Province had no “*coordinating mechanism*” and a shortage of funding. The Task Force recommended establishing a research foundation. The Nova Scotia Health Research Foundation Act received Royal Assent on December 3, 1998 and was proclaimed in January 2000. The Foundation became a nucleus for a collaborative and integrated health research community in Nova Scotia. The Board of Directors consists of at least ten persons appointed by Executive Council after consultation with and receipt of nominations from health agencies, health charities, health professional bodies, the health research community and the public.

**11.2** The legislation sets out three main purposes of the Foundation:

- fostering health research throughout the Province by assisting, collaborating with and funding individuals and organizations (universities and hospitals) conducting research;
- increasing public knowledge and awareness of the Foundation and its benefits; and
- studying matters, consistent with the priorities identified by health boards, government, institutions, and individuals, and reporting its findings to the Minister.

**11.3** In addition, the Foundation offers workshops, develops collaborative programs, and fosters discussions with researchers.

**11.4** The Foundation offers two types of grants, operational and personnel support, in four areas. Administration is limited to a maximum of 15% of expenditures. Regulations set limits on the amount of research expenditures in the four areas as follows:

- 40% medical research
- 15% health outcomes
- 15% health services
- 15% health public policy

**11.5** Exhibits 11.2 and 11.3 show actual grants by purpose for 2001-02, along with the target purposes specified in the Regulations.

**11.6** The Foundation funds its capacity-building programs as well as the operational expenses from the 15% allocated to administration. In its first two annual award competitions, operating grants were for building research capacity and provided initial support to a researcher or program for the first one or two years prior to the researcher seeking continuing support from an agency providing research funding for a longer term. Personnel grants are for research in accordance with

the Foundation's objectives and are used to support Masters or PhD students training under a researcher, or *sponsor*, with a full-time appointment in a Nova Scotia academic institution. Research project grants are currently available for up to three years.

**11.7** Interested applicants must compete for funding grants. Since the Foundation began operations in January 2000, two competitions have resulted in grant awards of more than \$9 million. The Foundation receives funding to pay the grants from the Department of Health.

**11.8** All grant applications are reviewed by Peer Review Committees. The role of these committees is to review and assess the scientific merit of all applications, and decide on which projects are suitable for funding. The Committees are governed by a set of guidelines very similar to the rules and regulations of the Federally-funded Canadian Institutes of Health Research (CIHR).

**11.9** In addition to holding its own competitions, the Foundation also supports the Canadian Health Services Research Foundation's (CHSRF) research initiatives through the matching grants program. The purpose of the matching grants program is to provide partnership support for established Nova Scotia researchers to secure national research grants. The Foundation provides matching funds for Nova Scotia researchers successful in the open grants competition held by the CHSRF. The Foundation provides up to 40% of the funds required. The Foundation's contributions to Federal matching initiatives totaled \$156,275 in 2000-01 and \$483,954 in 2001-02. The Foundation provides \$500,000 annually to support the Regional Partnership Program of CIHR. This program usually provides 25% of the funding, to match 25% secured by the researcher and 50% provided by CIHR. Other matching funds are provided as the budget allows.

**11.10** The Foundation also became responsible for administering Canadian Health Services grant funds of \$113,378. The funds were transferred from the Department of Health and are restricted to support the Canadian Health Services Research Foundation's (CHSRF) open grants competition.

**11.11** The Foundation is administered by a 12-member Board and employs three staff.

**11.12** Section 15(a) of the Auditor General Act gives the Auditor General the authority to perform broad scope audits of agencies of government. This was our first broad scope audit of the Foundation. Public accountants audit the annual financial statements of the Foundation and have issued unqualified audit opinions to the Directors of the Foundation for each of the two fiscal periods to date.

## RESULTS IN BRIEF

**11.13** The following are the principal observations from this audit.

- The Foundation's review and approval of applications is based on established criteria and a peer review process. The Peer Review Committee is comprised of individuals possessing the necessary skills and experience.
- The Foundation's strategic planning initiative should be completed, including establishment of performance targets and measures. These measures and targets should be used as the basis for performance reporting. In addition, the three-year plan should be completed and submitted to government as required by the Health Research Foundation Act.

- To improve accountability for granted funds, formal agreements setting out the conditions and responsibilities of each party should be required and signed by the Foundation, the sponsoring institution and the grantee.
- Our audit testing revealed that grant payments to sponsoring institutions in the first two competitions did not require ethical approval by a duly-constituted institutional research ethics committee prior to release of funds to the institution. The Foundation has modified the funding requirements to include ethical approval prior to release of funds to the administering institution.
- There is a need for the Foundation to improve its practices for monitoring the results of grant expenditures. We recommend that the Foundation require the sponsoring institutions to certify that the grant funds have been expended in a manner consistent with the requirements of the Objectives and Guidelines.
- The Health Research Foundation does not have a written investment policy. We recommend that the Board approve an investment policy to provide guidance for staff and professional investment advisors when investing Foundation funds.
- The Department of Health is currently forwarding its annual funding to the Foundation before the funds are required to be disbursed to grant recipients. Although the Foundation is investing these excess funds, we recommend that the Department of Health reconsider its timing of the payment of the annual grant to the Foundation to provide for a better matching with the cash flow needs of the Foundation.
- The Foundation requires two signatures on cheques in amounts greater than \$50,000, but only one signature for lesser amounts. We recommend that two signatures be required for all cheques.
- During the 2001-02 Estimates process, the Department of Health requested approval from central government of a \$5 million budget for the 2001-02 grant to the Foundation. This amount was based on the Foundation's submission to the Department. The government only approved \$2.5 million which was the same as the budget approval for the prior year. For two consecutive years (2000-01 and 2001-02), government included only \$2.5 million for the grant to NSHRF in the Estimates, but the actual grant was \$5 million each year. We recommend that the government appropriately budget the grant to NSHRF based on operational plans, legislative and other commitments and historical experience.

## AUDIT SCOPE

### 11.14 The objectives for this assignment were to:

- review and assess the Health Research Foundation's strategic planning procedures;
- review and assess the accountability framework of the program;
- review and assess whether grant applications were evaluated and processed in accordance with the established policies and procedures and whether practices followed were appropriate;

- assess the Health Research Foundation's monitoring procedures with regard to continuing eligibility;
- assess the Health Research Foundation's disbursement procedures; and
- review and assess the Health Research Foundation's financial management procedures with respect to investing activities.

**11.15** Our approach included interviews, review of documents, and detailed testing of a sample of grants from both the 2000-01 and 2001-02 competitions.

**11.16** The criteria were taken from the Office of the Auditor General of Canada and Treasury Board of Canada Secretariat publications:

- *Modernizing Accountability Practices in the Public Sector*, a joint paper by the Office of the Auditor General of Canada and the Treasury Board Secretariat, 1998;
- *A Framework for Identifying Risk in Grant and Contribution Programs*, the Office of the Auditor General of Canada, in collaboration with Industry Canada, 2000; and
- *Policy on Transfer Payments*, Treasury Board of Canada Secretariat, 2000.

**11.17** Other sources of criteria included the Health Research Act and Trustee Act.

**11.18** The general criteria used in our review are summarized as follows.

- The organization should have a plan for the future, monitor progress in achieving the plan, and take corrective action as required.
- Accountabilities and responsibilities should be clearly defined.
- There should be controls over grant approval, disbursement and monitoring processes.
- Investment policies and procedures should be established.

## PRINCIPAL FINDINGS

### *Accountability*

**11.19** The objectives of the Foundation are set out in legislation. The legislation also sets out limits for expenditures as noted in paragraph 11.4, but does not specifically outline accomplishments expected.

**11.20** The Foundation has established a mission statement. In addition, the Foundation commissioned a survey to measure the awareness and importance of health research to Nova Scotians, which illustrates the Foundation's desire to clarify the role it should assume in Nova Scotia's health research community. The Foundation has a number of planning initiatives as set out in Exhibit 11.1 and considers these to be long-term in nature. Operational requirements arising from the first two competitions impacted the Foundation's ability to complete formal long-term plans.

**11.21** In an accountability relationship, it is important that each party's roles and responsibilities are well understood and agreed upon, and that there is reporting on the entity's performance in discharging its responsibilities. The Health Research Foundation Act defines the Foundation's reporting responsibilities and the Foundation has tabled an annual report as required. In addition, the Foundation has complied with Section 4 of the Act by submitting its annual budget. However, the Foundation has not yet complied with Section 13 of the Act which requires the submission of a "three year plan of [the Foundation's] proposed activities, including amounts estimated to be necessary for its financial-support programs and administrative support".

**11.22** The Foundation's financial statements do not include a comparison of actual and budgeted results for the year. This would increase accountability for performance in achieving the financial plan.

**11.23** The Foundation has gone through only two competitions for grants, and only one of those competitions was with a permanent Board and management. Most grants have a minimum two-year research time period. As a result, it is too soon in the process for reporting on program performance. However, in order to measure the success of the programs, the Foundation needs explicit, well-understood and agreed-upon criteria. Such measures do not currently exist. These should flow from the strategic planning initiative. The Foundation has done some strategic planning through development of Ends Policies and we encourage management to continue its efforts in this area.

**11.24** The Foundation requires all grantees to submit a progress report after the first year of research. The progress reports are used to measure performance on an individual project basis. Because the Foundation's goals are not yet developed at the program level, the overall performance of program goal achievement is not measured. We suggest the Foundation consider the need for better program performance reporting. This recommendation is consistent with the need to proceed with a strategic planning process.

#### ***Recommendation 11.1***

*We recommend that the Foundation continue its efforts to implement a strategic planning initiative, and submit a three-year plan as required by the Act. The Foundation should report its performance in achieving plans and targets including a comparison of actual to budgeted financial results and reporting of program performance.*

**11.25** One of the Foundation's objectives is to increase public knowledge and awareness of the Foundation and its benefits. The Regulations require 5% of administration funding to go to public awareness. In attempting to achieve this, the Foundation's grant applications and guidelines are posted on the Foundation's website and are more widely disseminated at the institutions which are likely to be the source of applications. As well, the Peer Review Committee members are selected from these same institutions and this creates awareness of opportunities in the community. The Foundation budgets 7% of administration for communication and public awareness which is slightly in excess of the Act requirement of 5%.

#### ***Application Assessment and Adjudication***

**11.26** Candidates submit applications to the Foundation office and the pertinent information is recorded in a database. Assessment is completed by a peer review committee. However, before grants are awarded, applications are reviewed by internal and external referees whose role is to thoroughly review and rate the application based on Foundation criteria. Before the peer review committee meets, reviewers receive all applications and are required to be familiar with the

objectives of the projects and the applicants' experience. The final assessment takes place at a peer review committee meeting where internal reviewers announce their ratings and present the specific assessment of the application. Comments of the external referees are also addressed. Finally, an overall rating is awarded by the committee; the grant amount is suggested; and the term of support for the grant determined. This information is then provided to the Executive Director who brings it forward as a formal funding recommendation to the Board of Directors for approval. Following such approval, successful applicants are informed by mail.

**11.27** It is important that more deserving projects are funded at an appropriate level. The peer review process scores applications and funds the applicants with the higher scores first. This process is consistent with national standards set by CIHR and CHSRF and provides assurance that quality research is being conducted and grant monies are achieving the best possible results for each dollar. The peer review committee members are selected for research excellence and the breadth of knowledge and maturity of judgment to ensure grants are effective in achieving the goals of the Foundation. The committee composition also represents all health research themes related to the Foundation's mandate: medical; health services; health outcomes; and health policy. The Foundation has adopted the peer review guidelines of the CIHR which management indicates are widely considered the scientific standard for Canada.

**11.28** To enhance applicant confidence in the process, the individual members of the peer review committee must meet a high minimum standard. Members are selected based on their ability to obtain continued extramural peer-reviewed grant support for a research program. This represents a standard of excellence in the scientific community. To assist in preserving a high standard of confidence in the application process, the Foundation adopted a Code of Conduct to govern the behavior of its members. Committee members must also avoid conflict of interest by excusing themselves from discussions about granting funds to members of the same institution or others with whom they have a relationship that could be perceived as bias.

**11.29** The committee must have a breadth of knowledge and expertise to be able to make decisions on the wide range of research topics eligible for grants. To achieve this members are selected from a range of research areas and relevant methodologies. While it would be effective to have an established service term, the Foundation has no such policy currently, but plans to move toward a term approach based on input and advice from current review committee members.

**11.30** Predetermined assessment criteria for applications are essential to the credibility of the program. To ensure criteria are known to all applicants, the criteria must be made public and, to ensure freedom from bias, the criteria must be applied consistently. The grant application and review process is clearly described in the information provided to applicants. Application information is on the Foundation's website and in the Foundation's Research Funding Program Guide.

**11.31** The Executive Director and Foundation staff provide significant administrative guidance to the Board and peer review committee. Staff understand the eligibility criteria and pre-screen applications for eligibility under the Foundation's non-scientific criteria before accepting applications or distributing grant funds. Our testing of a sample of files found no instances where ineligible applicants had received funding.

**11.32** Staff do not verify details to ensure applicants' information is reliable and complete. Instead, the Foundation relies on the institution to verify and sign that the submitted information is accurate. We were advised of one occurrence of an applicant being approved for funding where information included on the application was erroneous. The erroneous information was detected and the applicant was removed from the competition process. To ensure that applicant information is complete, accurate and reliable, we suggest that the Foundation consider requiring relevant documentation from the funded institutions. By comparing applicant information to documents such

as researcher résumés and employment confirmations, the Foundation could ensure that the application information is reliable.

**11.33** The Peer Review Guidelines require the Peer Review Report to contain “*a formal recommendation*” for the budget amount that is “*consistent with [the] scientific recommendations*”. In our testing of a sample of research grants, we found a lack of detail within grant files and notes of scientific officers to document how committee members arrived at the recommended funding amount. The Foundation has recognized the need for better documentation at the peer review level. All scientific officers are now required to fill out a peer review summary form to document all pertinent information discussed at the peer review meeting.

**11.34** When funds pass from one party to another, there should be an agreement between the two parties detailing the responsibilities of each. The Foundation presumes the application to be the formal agreement binding the applicant to the Foundation’s Research Funding Program Guide if the grant is awarded. No additional reminders or agreements are signed. It is assumed the applicant agrees with, and will abide by, the Foundation’s rules as a condition of making the application.

***Recommendation 11.2***

*We recommend that, for all grants awarded by the Foundation, there be a formal agreement signed by the Foundation, the sponsor and the grantee, and that a copy be maintained by the Foundation. The agreement should set out the payment terms and the sponsors (institutions) should sign that they will comply with established funding requirements. In addition, the Foundation should adopt procedures to verify compliance.*

**11.35** This would ensure that all parties are aware of the conditions and will fulfill the responsibilities associated with the award.

***Disbursements***

**11.36** An important component of financial management is a sound disbursements process. Such a process would include adequate internal controls and procedures to ensure grant funds are distributed to recipients efficiently, as approved, and as funds are required.

**11.37** The Foundation’s disbursement process is initiated upon Board approval of the grantee’s application. All sponsoring institutions sign the application and thereby accept responsibility to administer funds in accordance with the Foundation’s guidelines and objectives. Research grants are disbursed in annual installments. All funds are then sent to the sponsoring institution’s finance department for disbursement to researchers.

**11.38** When issuing grant payments, the Foundation’s administrative assistant ensures that the amount is correct by vouching cheques to the Board-approved amounts. This verification procedure is an important control. However, insufficient detail is accompanying cheques for signing. We suggest that every grant cheque be supported by the formal budget recommendation and the approved motion for funding from the Board of Directors.

**11.39** There are national ethics guidelines relative to use of humans, animals and laboratory biosafety. The grant applications include wording “*that any research carried out with funds from the Foundation will have the approval of a duly-constituted institutional research ethics committee*”. Our audit testing of a sample of research grants indicated the Foundation disbursed initial grant payments to sponsoring institutions without ensuring ethical approval was granted.

**11.40** For the first two competitions, the Foundation placed the responsibility of ethical compliance with the researcher and the funded institution. By signing the application, applicants and administrators agreed that the research would be carried out with respect to ethical guidelines listed in the guide. Requirements have been modified. Future grant disbursements are to be released at the institutional level only after grantees fulfill the condition of ethical approval.

**11.41** The Foundation relies on the sponsoring institutions' finance departments to disburse the grants to all recipients. To improve disbursement and cash management procedures, as noted in recommendation 11.2 above, we suggest that the Foundation set out the payment terms and have the institutions sign that they will comply. The Foundation should also adopt procedures to verify compliance.

**11.42** Cheques greater than \$50,000 require two signatures, but only one signature is required for lesser amounts. The requirement for two signatures on all cheques is a standard internal control.

***Recommendation 11.3***

*We recommend that two signatures be required for all cheques.*

***Monitoring***

**11.43** An effective monitoring program would ensure grants are in compliance with Regulations and are used for the intended purpose. The Foundation's Objectives and Guidelines require annual and final performance reports on each project to be provided by the grantee. The Foundation provides reports annually on the amounts and types of research funded.

**11.44** The Foundation relies entirely on the monitoring controls in place at the finance departments of the sponsoring institutions. There are no processes or controls in place at the Foundation level to provide assurance funded institutions are complying with the Objectives and Guidelines signed by the institution at the time of application. As noted in recommendation 11.2 above, we recommend improvements in controls over expenditures.

**11.45** The Foundation requires annual and final project performance reports from grantees. Both reports are to contain a summary of research and financial activity during the funded term. The more detailed information is reviewed by the Executive Director from the perspective of achievement of the stated timelines and progress as outlined in the original application. Lack of achievement of the timelines or progress is addressed by direct contact with the research team. Further, the sponsoring institution is also notified and subsequent funds release is not to occur until the situation is rectified.

**11.46** The progress reports submitted by the grantees are the only information received by the Foundation for review and assessment of the financial activities at the institutions. Annual financial reports from the institutions' finance departments would provide evidence as to whether funds are being distributed appropriately by the institutions.

**11.47** The Foundation currently monitors both operating and personnel grants in basically the same way. The personnel progress reports are accompanied with a report from the supervisors indicating whether progress is acceptable.

***Recommendation 11.4***

*We recommend that the Foundation improve its monitoring of grant recipients by requiring the sponsoring institutions' finance departments to submit annual financial reports of grant expenditures.*

***Investment Activities/Financial Management***

**11.48** The Health Research Foundation does not have a written investment policy. We believe that such a policy would assist the Board in fulfilling its stewardship responsibilities.

**11.49** The Foundation currently uses the services of an investment advisor to reduce risk and maximize the rate of return. The Foundation's investing initiatives have generated a return similar to the Provincial borrowing rate.

***Recommendation 11.5***

*We recommend that the Board approve an investment policy to provide guidance for staff and professional investment advisors when investing Foundation funds.*

**11.50** The Department of Health's 2001-02 budget request submitted to central government for the Foundation amounted to \$5 million, based on the Foundation's submission to the Department. The government approved \$2.5 million, equal to the prior year's approved budget. There were no directions to the Department or the Foundation on how to achieve this objective. The 2001-02 actual grant was \$5 million, which was equal to the prior year. For two consecutive years (2000-01 and 2001-02), government included only \$2.5 million for the grant to NSHRF in the Estimates but the actual grant was \$5 million each year. We suggest a more realistic approach be taken with regard to the budgeting of this expenditure line item. The Foundation needs to be aware of its funding level well in advance of the competitions.

**11.51** The Department of Health currently distributes annual funding to the Foundation in two equal installments; the second installment is very near fiscal year end. Funding is received before the Foundation is required to disburse the grant payments. The Foundation invests the funds received until required. The Department of Health should reconsider its timing of the payment of the annual grant to the Foundation to provide for better matching with the cash flow needs of the Foundation.

***Recommendation 11.6***

*We recommend that the government appropriately budget the grant to the Nova Scotia Health Research Foundation based on operational plans, legislative and other commitments and historical experience, and that the grant be disbursed on a basis which matches the cash flow needs of the Foundation.*

***Financial Statements***

**11.52** We reviewed the Foundation's accounting policies for compliance with generally accepted accounting principles. Although the financial statements comply with generally accepted accounting principles for non-profit entities which use restricted fund accounting, we believe that disclosure could be enhanced through provision of more detail surrounding transactions in the restricted fund.

Currently the source of support for grants (the Province of Nova Scotia) is not shown and the grants issued are disclosed as single line item with no further detail. Provision of a Statement of Revenues and Expenditures for the Restricted Fund, as described in the CICA Handbook, would result in better financial statement disclosure.

***Recommendation 11.7***

*We recommend that the Nova Scotia Health Research Foundation provide a Statement of Revenues and Expenditures for the Restricted Fund in its financial statements.*

**CONCLUDING REMARKS**

**11.53** The Foundation has progressed in all areas since it became operational in January 2000. We have made a number of recommendations to assist the Foundation to improve control over its operations. The Foundation should also continue to develop its strategic plan and submit a three-year plan to government as required by the Act. In addition, the Foundation should work towards better performance measurement and reporting both for individual projects and the Foundation itself.

---

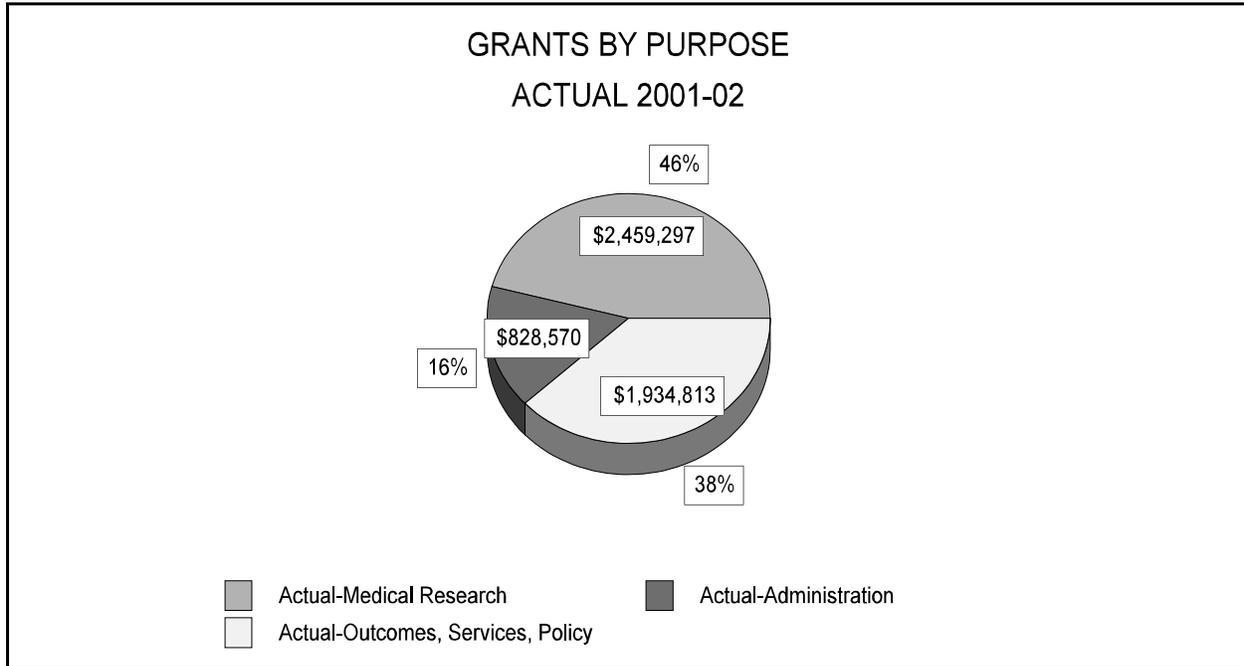
*Exhibit 11.1***A LOOK AHEAD**

**(Extracted from the 2000-01 Nova Scotia Health Research Foundation Annual Report)**

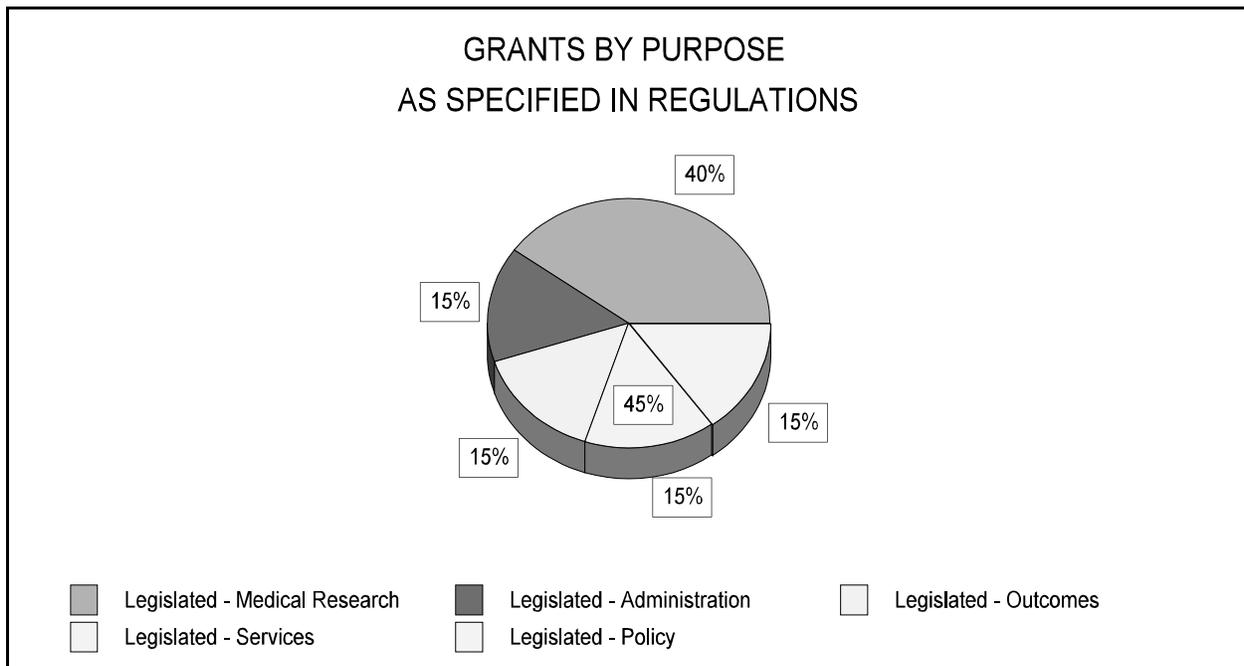
Fiscal 2000 was a milestone year for the Nova Scotia Health Research Foundation. We laid the groundwork for the ongoing, effective operation of the organization, began building important, sustained relationships with our partners in the health research community, and fostered health research in the broadest sense. Now, we are ready to build on that foundation. Here's what we plan to do in fiscal 2001:

- Hold our second annual awards competition, in which more than \$4 million will be awarded to health researchers in Nova Scotia. We will also have additional funds this year to support health research in the province. In fiscal 2000, we recorded a surplus from the annual provincial government grant that supports the Foundation. It was created - as projected - because we were not fully staffed, nor in full operation, until late in the fiscal year. In the upcoming year, it will be designated for health research applications.
- Conduct a week of workshops in the fall of 2001, including a workshop on grant-writing skills for prospective applicants. The key to getting grant money is being able to show funders that a project is worthy of financial support. At the NSHRF, we firmly believe our role goes beyond handing out awards to helping researchers compete successfully on a national and international scale.
- Launch a Capacity Building Program to work toward the creation of a vibrant and productive research environment in Nova Scotia through initiatives that support and encourage research, competency, interest and enhanced activity.
- Sponsor a targeted research workshop to further assist researchers and partners. This will be an annual event that will serve as a cornerstone of our Capacity Building Program.
- Continue to actively participate in and support a pan-Atlantic panel on health research, thereby, facilitating dialogue, cooperation and partnerships among health research bodies promoting and supporting research on a provincial basis in the four Atlantic Provinces.
- Prepare a response document to the report "A Critical Look at Health Research in Nova Scotia" and distribute it to our stakeholders and partners.
- Complete and issue the final copy of our report "Health - Related Research: Provincial Support," a cross-Canada profile outlining the nature and degree of provincial support available to health researchers across the country.
- Continue to develop the strengths we have built during our first full year of operation. We will keep on striking a balance between an increasing sense of focus and broad-based vision as we move into the years ahead.

*Exhibit 11.2*



*Exhibit 11.3*



### ***NOVA SCOTIA HEALTH RESEARCH FOUNDATION'S RESPONSE***

*The Nova Scotia Health Research Foundation Act was proclaimed in January 2000. The Nova Scotia Health Research Foundation (NSHRF) held its first grant competition in May 2000 under the direction of a temporary Board of Directors and staff. Permanent staff joined the NSHRF in August of 2000, with a permanent Board of Directors being appointed in October 2000. The first meeting with a permanent Board of Directors and staff was held in February 2001. Therefore the first full fiscal year of operation 2000-01 involved the transition from a temporary operational and governance structure to a permanent structure. At the time of your audit the NSHRF was only in its second full year of operation, and the first with a full staff complement and under the policy direction of a permanent Board. We highlight that the NSHRF is a very new organization and are pleased that this was recognized in your audit.*

*Overall, we concur with the results of your report as they pertain to issues within our jurisdiction. We view the recommendations as an opportunity to further develop and improve the systems and processes of the NSHRF as we continue to evolve and mature. We are very pleased with our progress to date, and have actually implemented most of the recommendations, within our jurisdiction, contained in this report.*

*We make the following specific comments with respect to the Principal findings:*

- *We are pleased that our efforts towards strategic planning have been recognized. The NSHRF has just completed an extensive consultation process that will further inform our strategic planning efforts.*
  - *The NSHRF has made significant progress in further improving our monitoring and reporting processes. We are pleased to have had the opportunity for this audit to inform our efforts in this regard.*
  - *We are pleased that no concerns have been expressed regarding our investment practice. We would like to inform you that this practice has been formalized into policy.*
-

**DEPARTMENT OF HEALTH'S RESPONSE**

*I would like to comment on two aspects of the Nova Scotia Health Research Foundation chapter of the 2002 Report of the Auditor General. My understanding is that the Chair of the Health Research Foundation will also be forwarding some comments.*

***Section 11.50 and the last bullet in Section 11.13** speak to the way the Department budgets for our annual contribution to the Research Foundation. Our base budget includes an annual contribution of \$2.5 Million and through the business planning process the Department annually requests an increase to \$5.0 Million. Due to other budget pressures, the Department has a limited capability to commit to this level. However, due to the significant contribution the Foundation makes, the Department endeavors to allocate additional funds at our year-end while maintaining our approved forecasted position.*

*As well, **Section 11.51 and the seventh bullet of Section 11.13** comments on the timing of our contribution to the Foundation and the Foundation's distribution of grants. In keeping with the intent of an arm's length relationship the Department feels the timing of our contributions are appropriate and this methodology will be maintained.*

*Thank you for the opportunity to comment on this chapter.*

---