

# 7 FOLLOW UP OF 2003 AUDIT RECOMMENDATIONS

## BACKGROUND

- 7.1 In 2002, the Report of the Auditor General included formal recommendations for the first time. At that time, the Auditor General made a commitment to follow up on implementation in three years. Our 2002 recommendations were followed up in 2005 (see Chapter 5 of December 2005 Report of the Auditor General). During the fall of 2006, we followed up on the implementation status of the 2003 recommendations. However, audit work reported in 2005 and thereafter will be followed up after two years because we believe that two years is sufficient time for auditees to address our recommendations.
- 7.2 Our review was structured to enable us to provide *moderate or review level assurance* on the implementation status. This level of assurance is less than for an audit because of the type of work we performed. An audit would have enabled us to provide high level assurance but would have required a significant increase in the resources devoted by the Office of the Auditor General to the follow-up work.
- 7.3 Our review was based on written representations by government management which we substantiated through interviews and review of documentation. *Moderate assurance*, in the context of this assignment, means performing sufficient verification work to satisfy the reviewer that *the implementation status as described by government is plausible in the circumstances*. Further information on the difference between high and moderate assurance is available in the *Canadian Institute of Chartered Accountants Handbook*, Section 5025 - Standards for Assurance Engagements.
- 7.4 For each 2003 recommendation, we requested government management responsible for the area to complete a written self-assessment of progress on implementation of the Office's recommendations. We also requested management provide supporting information. Progress on each recommendation was summarized by the following descriptions.
- Complete
  - Work in progress
  - Planning stage
  - No progress to date, but plan to take action
  - Action no longer required or appropriate
  - Do not intend to implement recommendation
  - Other
- 7.5 Our verification focused on whether self-assessments and information provided by management were *accurate, reliable and complete*.

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## RESULTS IN BRIEF

7.6 The following are the principal observations from this review.

- We requested government management self-assess progress in implementing the recommendations in the 2003 Report of the Auditor General and also the November 2003 Report of the Auditor General On the Consolidated Financial Statements of the Province of Nova Scotia For the Year Ended March 31, 2003 and Other Financial Reporting Practices. We performed a review of the self-assessments and supporting documentation and provide *moderate assurance* to readers of this chapter. Nothing has come to our attention to cause us to believe that the representations made by government management are not complete, accurate and reliable with one exception.
- In 2003, we made 129 (2002 - 90) recommendations to government which included a total of 137 (2002 - 104) sub-recommendations. Implementation status is summarized as follows. Comparative results from the 2002 recommendations are shown below in parentheses.
  - Complete - 48% (2002 - 35%)
  - Work in progress - 34% (2002 - 42%)
  - Planning stage - 2% (2002 - 7%)
  - No progress to date, but plan to take action - 5% (2002 - 7%)
  - Action no longer required or appropriate - 1% (2002 - 0%)
  - Do not intend to implement recommendation - 7% (2002 - 5%)
  - Other - 3% (2002 - 4%)
- Although government has completed implementation of 48% of our 2003 recommendations, a significant number (41%) are described as work in progress, planning stage or government plans to take action. Government does not intend to implement 7% of the recommendations. Three years have elapsed since these recommendations were made. Progress has been slow and we encourage government to proceed with addressing and implementing the remaining recommendations as quickly as practical.
- Government needs to take a direct role and responsibility for coordinating responses and actions on matters reported by the Auditor General. Government should regularly provide the House with its plans to deal with recommendations and other matters reported by the Auditor General. We recommend that government prepare and table its response to recommendations included in Reports of the Auditor General including plans for addressing them.

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## REVIEW SCOPE

7.7 The objective of this assignment was to provide *moderate assurance* on the implementation status of the recommendations in the 2003 Report of the Auditor

General and also the November 2003 Report of the Auditor General On the Consolidated Financial Statements of the Province of Nova Scotia For the Year Ended March 31, 2003 and Other Financial Reporting Practices. *Moderate assurance*, in this context, means performing sufficient verification work to satisfy the reviewer that the implementation status as described by government is plausible in the circumstances.

- 7.8 Our approach was based on written self-assessments by government management which we substantiated through interviews and review of documentation.
- 7.9 Our criteria were based on qualitative characteristics of information as described in the *CICA Handbook*. Management representations were assessed against the following criteria:
- Representations on implementation status should be accurate and neither overstate nor understate progress.
  - Representations on implementation status should be reliable and verifiable.
  - Representations on implementation status should be complete and adequately disclose progress to date.

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## PRINCIPAL FINDINGS

- 7.10 In 2003, we made 129 (2002 – 90) recommendations to government which included a total of 137 (2002 – 104) sub-recommendations. We requested government management responsible for the area to self-assess progress on implementation of the Office’s recommendations. Progress on each recommendation was summarized by the following descriptions.
- Complete
  - Work in progress
  - Planning stage
  - No progress to date, but plan to take action
  - Action no longer required or appropriate
  - Do not intend to implement recommendation
  - Other
- 7.11 We were pleased to note the response and results of two government entities. The Nova Scotia Innovation Corporation had resolved or completed 86% of our 2003 recommendations. The Nova Scotia Municipal Finance Corporation had completed implementation of all of our 2003 recommendations.
- 7.12 We would also like to acknowledge the progress of Nova Scotia Business Incorporated (NSBI) in addressing recommendations included in our December 2004 report. On its own initiative, NSBI provided us with an update on its progress in addressing the report recommendations 18 months after we issued our report.

**7.13** We performed a review of the self-assessments and supporting documentation and provide moderate assurance to readers of this chapter. Nothing has come to our attention to cause us to believe that the representations made by government management are not complete, accurate and reliable except for the following item.

Chapter 3 - Central Financial Management System/SAP

Recommendation 3.4 - We recommend that government commission a full and independent audit of SAP security and control as soon as possible.

The Department of Finance self-assessed the status of their work as “Complete”. In our view the status should be assessed as “Work in Progress”. In 2003 we recommended that a full security audit be conducted. The Department has had four audits conducted that contained significant security examinations but the audits were not coordinated and were not primarily focused on security. We have no assurance that all appropriate aspects of security have been addressed. These audits also reported numerous and significant security issues.

**7.14** The 137 individual and sub-recommendations are shown in Exhibit 7.1 to this chapter along with management’s assessment of the implementation status.

**7.15** The following table summarizes progress by department and overall. It shows that some departments have made more progress in addressing our recommendations than others.

**Summary of Implementation Status - 2003 Recommendations**

Chapter (2003 Report of the Auditor General)	Total Recommendations	Other	Do Not Intend to Implement	Action No Longer Required	No Progress to Date, but Plan to take Action	Planning Stage	Work in Progress	Complete
<b>Government-Wide Issues</b>								
Chapter 2 - Accountability and Financial Reporting	4 (100%)					1 (25%)	1 (25%)	2 (50%)
Chapter 3 - Central Financial Management System/SAP	20 (100%)					1 (5%)	8 (40%)	11 (55%) Note 1
<b>Sub-total</b>	<b>24 (100%)</b>					<b>2 (8%)</b>	<b>9 (38%)</b>	<b>13 (54%)</b>

Note 1 - Department of Finance has self-assessed the status of one recommendation as “complete” whereas we evaluate the status as “Work in Progress”.

<b>Community Services</b>								
Chapter 4 - Housing Services	5 (100%)						3 (60%)	2 (40%)
<b>Education</b>								
Chapter 5 - Accountability of School Boards	7 (100%)		1 (14%)				1 (14%)	5 (72%)
Chapter 6 - Universities - Internal Control and Financial Management								
Department of Education	1 (100%)							1 (100%)
Dalhousie University	8 (100%)	1 (12%)	5 (64%)				1 (12%)	1 (12%)
Saint Mary's University	8 (100%)	1 (12%)	1 (12%)		1 (12%)		1 (12%)	4 (52%)
University College of Cape Breton	8 (100%)		2 (24%)				3 (38%)	3 (38%)
Université Sainte-Anne	8 (100%)		1 (12%)		3 (38%)		2 (25%)	2 (25%)
<b>Sub-total</b>	<b>40 (100%)</b>	<b>2 (5%)</b>	<b>10 (25%)</b>		<b>4 (10%)</b>		<b>8 (20%)</b>	<b>16 (40%)</b>
<b>Energy</b>								
Chapter 7 - Oil and Gas Exploration and Production	3 (100%)						2 (67%)	1 (33%)
<b>Health</b>								
Chapter 8 - IWK Health Centre	13 (100%)	1 (8%)					5 (38%)	7 (54%)
Chapter 9 - Long-term Care	16 (100%)				2 (13%)	1 (6%)	8 (50%)	5 (31%)
Chapter 10 - Payments to Physicians	8 (100%)	1 (12%)					5 (63%)	2 (25%)
<b>Sub-total</b>	<b>37 (100%)</b>	<b>2 (5%)</b>			<b>2 (5%)</b>	<b>1 (3%)</b>	<b>18 (49%)</b>	<b>14 (38%)</b>
<b>Justice</b>								
Chapter 11 - Court Services	4 (100%)						2 (50%)	2 (50%)
<b>Office of Health Promotion</b>								
Chapter 12 - Nova Scotia Gaming Foundation - Review of Operations	9 (100%)				1 (11%)		1 (11%)	7 (78%)
<b>Crown Agencies and Corporations</b>								
Chapter 13 - Municipal Finance Corporation	4 (100%)							4 (100%)
Chapter 14 - Nova Scotia Innovation Corporation	7 (100%)			1 (14%)			1 (14%)	5 (72%)

November 14, 2003 Report on the Consolidated Financial Statements of the Province of Nova Scotia For the Year Ended March 31, 2003 and Other Financial Reporting Practices								
Appendix 2 - Communications Required On Audit of Province's March 31, 2003 Consolidated Financial Statements	2 (100%)						1 (50%)	1 (50%)
Appendix 3 - Other Financial Reporting	2 (100%)						1 (50%)	1 (50%)
<b>Total Recommendations</b>	<b>137 (100%)</b>	<b>4 (3%)</b>	<b>10 (7%)</b>	<b>1 (1%)</b>	<b>7 (5%)</b>	<b>3 (2%)</b>	<b>46 (34%)</b>	<b>66 (48%)</b>

**7.16** Government needs to take a direct role and responsibility for coordinating responses and actions on matters reported by the Auditor General. Government should regularly provide the House with its plans to deal with recommendations and other matters reported by the Auditor General. We recommend that government prepare and table its response to recommendations included in Reports of the Auditor General including plans for addressing them.

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#### **Recommendation 7.1**

**We recommend that government prepare and table in the House its response to and plans for addressing recommendations included in Auditor General's reports.**

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### **CONCLUDING REMARKS**

**7.17** We were generally pleased with the quality of government's response to our request and the effort that was put into the self-assessments. We were able to obtain sufficient support for the self-assessments to satisfy our review objectives with one exception.

**7.18** The mission of the Office of the Auditor General is:

*"To serve the House of Assembly and the people of Nova Scotia by providing independent assurance and advice to enhance government accountability and performance."*

**7.19** In order to achieve our mission, we provided advice to government in the form of recommendations. For our Office to be successful, government needs to address our recommendations in one of two ways:

- timely implementation; or
- thorough consideration with a sound rationale for why the recommendation should not be implemented.

**7.20**

We found that 48% of our recommendations have been addressed and implemented on a timely basis. After three years, 41% are in various stages of implementation, and government has taken no action on another 7%. Although we are pleased that government has begun to address many of our recommendations, we are concerned with the timeliness of efforts to implement the necessary control improvements. Government needs to take a direct role and responsibility for coordinating responses and actions on matters reported by the Auditor General. Government should provide the House with its plans to deal with the recommendations and other matters reported by the Auditor General. We urge government to proceed with addressing and implementing the remaining recommendations as quickly as practical.

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## 2003 Recommendations of the Auditor General and 2006 Implementation Status

2003 Recommendation	2006 Status
<b>Chapter 2 - Accountability Information and Reporting</b>	
2.1 We recommend that government take necessary steps to ensure all entities covered by the Provincial Finance Act meet the June 30 deadline for financial statements to be provided to Finance.	Complete <sup>1</sup>
2.2 We again recommend that policies and practices, used during the budgeting and accounting processes for recognition and measurement of Provincial taxes and other revenue transfers from the Federal government, be reviewed.	Complete
2.3 We recommend that the management/audit trail, supporting the accounting for Provincial taxes and other revenue transfers from the Federal government, be improved.	Work in Progress
2.4 We recommend government implement a requirement for annual compensation reporting by all Provincial public sector entities for executive and senior management positions.	Planning Stage
<b>Chapter 3 - Central Financial Management System/SAP</b>	
3.1 We recommend that senior management institute a formalized planning process for the Corporate Information Systems division so as to establish a clear vision and direction as well as a formalized process to set out the necessary operational requirements for the delivery of services to its various clients.	Complete
3.2 We recommend that priority be given to developing and implementing formal detailed policies, standards and practices for security as well as for correction and transport.	Complete
3.3 We recommend that management conduct a formal review of all Corporate Information Systems division operational responsibilities and determine the overall nature and extent of policies and standards that should be in place to promote a control conscious environment aligned with industry standard information technology control practices.	Complete
3.4 We recommend that government commission a full and independent audit of SAP security and control as soon as possible.	Complete <sup>2</sup>
3.5 Further, government should consider establishing a project to develop or otherwise acquire security and control 'best practices' in an SAP environment.	Complete
3.6 We recommend that the SAP_ALL profile should not be assigned to any staff or user ID in the production environment including BASIS staff. As a maximum there should only be one user ID established with this profile and it should be highly controlled and used only for emergency purposes.	Complete

Note 1 - Government has taken reasonable action to complete this recommendation. Some entities are still not meeting the deadline.

Note 2 - We have evaluated the status as "Work in Progress" - see our comments in paragraph 7.13 of this Chapter.

<p>3.7 We recommend that management review the deployment of all powerful security profiles and authorization objects. This review should focus on the appropriateness of such deployments and examine the associated risks as well as the adequacy of the controls established to mitigate these risks.</p>	Work in Progress
<p>3.8 We recommend that a formal security policy be established including a component that specifically requires the following:</p> <ul style="list-style-type: none"> <li>- Once an ID goes 180 days without use it should be locked and the user contacted to determine if the ID is still required.</li> <li>- There should be an annual renewal of all user IDs to pick up changes in user responsibilities, movement of users between departments and termination of users.</li> </ul>	Work in Progress
<p>3.9 We recommend that all users listed as having the capability of updating key global accounting settings be examined to determine why they need these capabilities, and to assess the associated risks.</p>	Work in Progress
<p>3.10 We recommend that management make a determination of the issues and challenges in converting to a role-based approach to implementation of access security and develop a detailed transition plan for the conversion.</p>	Work in Progress
<p>3.11 We recommend that senior management establish and test a disaster recovery plan as soon as possible.</p>	Complete
<p>3.12 We recommend that the SAP Projects Office should ensure that the standard project implementation methodology includes the evaluation of the disaster recovery plan against the business requirements. This evaluation will feed into the update of the business owners' existing Business Continuity Plan.</p>	Work in Progress
<p>3.13 We recommend the establishment of a policy requiring all departments to have an appropriate business continuity plan, and that this plan be kept up-to-date on an ongoing basis. Further, we recommend the establishment of an initiative to undertake the development and implementation of a corporate business continuity planning process.</p>	Work in Progress
<p>3.14 We recommend that in conjunction with the development of a corporate business continuity planning process, that the Business and Technology Advisory Committee (BTAC) should also examine the needs for a corporate disaster recovery planning process, as it relates to the provision of computer services.</p>	Planning Stage
<p>3.15 We recommend that the SAP Projects Office should ensure that the standard project implementation methodology should include updating the business continuity plan to reflect the new system.</p>	Work in Progress
<p>3.16 We recommend that the current service level agreements should be reviewed by legal counsel.</p>	Complete
<p>3.17 We recommend that the agreements contain clauses to specifically address each party's responsibility for disaster recovery and business continuity planning.</p>	Work in Progress
<p>3.18 We recommend that government address the need for an annual service auditor review and reporting on the controls surrounding the SAP infrastructure and related Corporate Information Systems services.</p>	Complete
<p>3.19 We recommend that appropriate policies and procedures for using the SAP correction and transport system be designed, documented and implemented.</p>	Complete
<p>3.20 We recommend that use of the 'Remedy' system, or an acceptable alternative determined by management, be considered to manage the work flow of the SAP correction and transport system.</p>	Complete

<b>Chapter 4 - Housing Services</b>	
4.1 We recommend the Department work with its Minister, government and the Legislature to update, and possibly consolidate, the Housing Act and Housing Development Corporation Act.	Work in Progress
4.2 We recommend Housing Services Division develop and monitor financial ratios and other performance measures for each of the various housing sponsors subsidized by the Department.	Complete
4.3 We recommend that the Department develop a formal, comprehensive system for conducting reviews and property inspections of housing sponsors. Policies concerning the selection, performance, quality control and follow-up of reviews and inspections should be documented.	Work in Progress
4.4 We recommend the Department improve its files for the monitoring of housing sponsors. The Department should also monitor rents charged by housing sponsors and assess them for reasonableness in comparison to market rents.	Work in Progress
4.5 We recommend the Division develop quality assurance procedures to ensure all Residential Rehabilitation Assistance Program requirements are being met.	Complete
<b>Chapter 5 - Accountability of School Boards</b>	
5.1 We recommend that the Education Act be changed to include June 30 as the date by which school boards are required to file financial statements with the Department of Education. This change would provide for consistency with the Provincial Finance Act.	Do not intend to implement recommendation
5.2 We recommend that the Department of Education update the plan for implementation of changes required by the Financial Measures (2002) Act to include timelines for each initiative. The Department should also formally monitor and periodically report achievement of the plan.	Complete
We recommend that the Department of Education update the plan for implementation of changes required by the Financial Measures (2002) Act related to commercial activities.	Work in Progress
5.3 We recommend that the Departments of Finance and Education continue with efforts to ensure that school board accounting policies comply with generally accepted accounting principles as defined by the Canadian Institute of Chartered Accountants and its Public Sector Accounting Board. The Regional School Board Financial Handbook should be issued in final form as soon as possible. The Department and school boards should also establish a mechanism to ensure that the Handbook is updated as generally accepted accounting principles evolve.	Complete
5.4 We recommend that the Department initiate discussions with the school boards, the external auditors and the Department of Finance with a view to obtaining a service organization audit opinion.	Complete
5.5 We recommend that the Department of Education finalize the Community Access to Schools policy.	Complete

<p>5.6 We recommend that the Department of Education and the Education Funding Committee proceed with their plans to review the funding formula with a view towards establishing and implementing a formula which is consistent with the Department's <i>Principles of Education Financing</i> and available funding.</p>	<p>Complete</p>
<p><b>Chapter 6 - Universities - Internal Control and Financial Management</b></p>	
<p><b>Department of Education</b></p>	
<p>6.5 We recommend that the Department of Education formally notify universities of its annual funding contribution prior to the beginning of the fiscal year and that the Department strive to establish a longer-term funding commitment.</p>	<p>Complete</p>
<p><b>Dalhousie University</b></p>	
<p>6.1 We recommend that the universities carefully monitor student accounts receivable balances, and take action where fees are not paid by the end of the semester.</p>	<p>Do not intend to implement recommendation</p>
<p>6.2 We recommend that all universities have inventory systems for capital assets, including computers and related equipment. These should be maintained and periodically verified through test counts. The universities should also have formal policies to govern the use and safekeeping of these assets.</p>	<p>Work in Progress</p>
<p>6.3 We recommend that universities document the rationale exempting specific purchases from compliance with policy and that all exceptions be formally approved by the person responsible for procurement.</p>	<p>Complete</p>
<p>6.4 We recommend that universities prepare annual business plans which are linked to strategic plans. Business plans should set out operational priorities for the year and related financial information. These plans should be approved by senior management and/or the Board (depending on the governance model in effect).</p>	<p>Do not intend to implement recommendation</p>
<p>6.6 We recommend that the approved budget for the year be included on the audited statement of revenue and expenditures. This information would be useful to increase accountability for achieving the financial plan for the year.</p>	<p>Do not intend to implement recommendation</p>
<p>6.7 We recommend that universities in Nova Scotia strive to implement common accounting policies. This would increase the comparability of financial information.</p>	<p>Do not intend to implement recommendation</p>
<p>6.8 We recommend that all universities establish a formal process to analyze and take appropriate action on all data inconsistencies identified by MPHEC.</p>	<p>Other<sup>3</sup></p>
<p>6.9 We recommend that universities enhance systems for the identification of foreign students and verify citizenship status of students claiming Canadian citizenship but living outside Canada or submitting transcripts from abroad.</p>	<p>Do not intend to implement recommendation</p>
<p><b>Saint Mary's University</b></p>	
<p>6.1 We recommend that the universities carefully monitor student accounts receivable balances, and take action where fees are not paid by the end of the semester.</p>	<p>Complete</p>
<p>6.2 We recommend that all universities have inventory systems for capital assets, including computers and related equipment. These should be maintained and periodically verified through test counts. The universities should also have formal policies to govern the use and safekeeping of these assets.</p>	<p>No progress to date but plan to take action<sup>4</sup></p>

Note 3 - Work was complete at time of audit.

Note 4 - Computer assets were complete at time of audit.

<p>6.3 We recommend that universities document the rationale exempting specific purchases from compliance with policy and that all exceptions be formally approved by the person responsible for procurement.</p> <p>6.4 We recommend that universities prepare annual business plans which are linked to strategic plans. Business plans should set out operational priorities for the year and related financial information. These plans should be approved by senior management and/or the Board (depending on the governance model in effect).</p> <p>6.6 We recommend that the approved budget for the year be included on the audited statement of revenue and expenditures. This information would be useful to increase accountability for achieving the financial plan for the year.</p> <p>6.7 We recommend that universities in Nova Scotia strive to implement common accounting policies. This would increase the comparability of financial information.</p> <p>6.8 We recommend that all universities establish a formal process to analyze and take appropriate action on all data inconsistencies identified by MPHEC.</p> <p>6.9 We recommend that universities enhance systems for the identification of foreign students and verify citizenship status of students claiming Canadian citizenship but living outside Canada or submitting transcripts from abroad.</p>	<p>Complete</p> <p>Work in progress</p> <p>Other <sup>5</sup></p> <p>Do not intend to implement recommendation</p> <p>Complete</p> <p>Complete</p>
<p><b>University College of Cape Breton</b></p>	
<p>6.1 We recommend that the universities carefully monitor student accounts receivable balances, and take action where fees are not paid by the end of the semester.</p> <p>6.2 We recommend that all universities have inventory systems for capital assets, including computers and related equipment. These should be maintained and periodically verified through test counts. The universities should also have formal policies to govern the use and safekeeping of these assets.</p> <p>6.3 We recommend that universities document the rationale exempting specific purchases from compliance with policy and that all exceptions be formally approved by the person responsible for procurement.</p> <p>6.4 We recommend that universities prepare annual business plans which are linked to strategic plans. Business plans should set out operational priorities for the year and related financial information. These plans should be approved by senior management and/or the Board (depending on the governance model in effect).</p> <p>6.6 We recommend that the approved budget for the year be included on the audited statement of revenue and expenditures. This information would be useful to increase accountability for achieving the financial plan for the year.</p> <p>6.7 We recommend that universities in Nova Scotia strive to implement common accounting policies. This would increase the comparability of financial information.</p> <p>6.8 We recommend that all universities establish a formal process to analyze and take appropriate action on all data inconsistencies identified by MPHEC.</p> <p>6.9 We recommend that universities enhance systems for the identification of foreign students and verify citizenship status of students claiming Canadian citizenship but living outside Canada or submitting transcripts from abroad.</p>	<p>Complete</p> <p>Work in Progress</p> <p>Complete</p> <p>Work in Progress</p> <p>Do not intend to implement recommendation</p> <p>Do not intend to implement recommendation</p> <p>Complete</p> <p>Work in Progress</p>

Note 5 - Budget was included at the time of audit.

<b>Université Sainte-Anne</b>	
6.1 We recommend that the universities carefully monitor student accounts receivable balances, and take action where fees are not paid by the end of the semester.	Complete
6.2 We recommend that all universities have inventory systems for capital assets, including computers and related equipment. These should be maintained and periodically verified through test counts. The universities should also have formal policies to govern the use and safekeeping of these assets.	No progress to date but plan to take action
6.3 We recommend that universities document the rationale exempting specific purchases from compliance with policy and that all exceptions be formally approved by the person responsible for procurement.	No progress to date but plan to take action
6.4 We recommend that universities prepare annual business plans which are linked to strategic plans. Business plans should set out operational priorities for the year and related financial information. These plans should be approved by senior management and/or the Board (depending on the governance model in effect).	No progress to date but plan to take action
6.6 We recommend that the approved budget for the year be included on the audited statement of revenue and expenditures. This information would be useful to increase accountability for achieving the financial plan for the year.	Complete
6.7 We recommend that universities in Nova Scotia strive to implement common accounting policies. This would increase the comparability of financial information.	Do not intend to implement recommendation
6.8 We recommend that all universities establish a formal process to analyze and take appropriate action on all data inconsistencies identified by MPHEC.	Work in Progress
6.9 We recommend that universities enhance systems for the identification of foreign students and verify citizenship status of students claiming Canadian citizenship but living outside Canada or submitting transcripts from abroad.	Work in Progress
<b>Chapter 7 - Oil and Gas Exploration and Production</b>	
7.1 We recommend that performance reports prepared by the Department state more clearly the objectives being sought and relate the results of the Department's activities to those objectives, along with explanations if targets are not achieved.	Complete
7.2 We recommend the Department review its plans for royalty audits to determine if sufficient resources are allocated to ensure audits are completed on a timely basis and address all necessary areas.	Work in Progress
7.3 We recommend that the Departments of Energy and Natural Resources develop monitoring procedures to ensure all documentation required has been received and is in the appropriate files.	Work in Progress
<b>Chapter 8 - IWK Health Centre</b>	
8.1 We recommend that the Health Centre institute a quality assurance process for the budget, including an independent review by someone other than the preparer, such as the internal auditor.	Complete
8.2 We recommend that the Health Centre strive to document all initiatives approved during the review and challenge of the business plan and budget.	Complete
8.3 We recommend that operational plans be formal and written. This would ensure that staff have plans in place to fully address any budget shortfall and provide better accountability for funds.	Work in Progress

<p>8.4 We recommend that the Health Centre comply with the provisions of the Health Authorities Act and the Affiliation Agreement relating to joint planning and shared services. Such services should be formally reported upon and evaluated as required.</p>	<p>Work in Progress</p>
<p>8.5 We recommend that management monitor and report during the year on specific savings initiatives approved during the Business Planning process.</p>	<p>Complete</p>
<p>8.6 We recommend that the Health Centre, in conjunction with the facility's supplier of abstraction software, make necessary changes to assure that all mandatory fields must be completed before data can be submitted to CIHI. Also, all error reports received from CIHI should be retained and a process implemented to ensure all corrections are made.</p>	<p>Work in Progress</p>
<p>8.7 We recommend that the Health Centre ensure the Meditech system, which is used to support radiologists' submissions to the Department of Health, accurately reflects the numbers of diagnostic procedures performed.</p>	<p>Complete</p>
<p>8.8 We recommend that the IWK disclose its related party relationship with the Foundation, including transactions between the two entities during the year, in the notes to the Health Centre's financial statements.</p>	<p>Complete</p>
<p>8.9 We recommend that the Health Centre analyze the risks, costs and benefits associated with drug distribution systems and consider whether it would be appropriate to move to a unit dose system on a more timely basis.</p>	<p>Work in Progress</p>
<p>8.10 We recommend that the Health Centre update its internal procurement policies to comply with the Government's requirements for the ASH sector and clarify internal instructions to ensure compliance with policies.</p>	<p>Complete</p>
<p>8.11 We recommend  - formal approval of all purchase requisitions by the purchasing manager;  and  - production and review of price change exception reports to ensure that all price changes have been approved.</p>	<p>Complete</p>
<p>8.12 We recommend the Health Centre  - review the segregation of duties among staff with pharmacy inventory responsibilities with a view towards improving internal controls;  - ensure that there is appropriate segregation of incompatible duties such as receipt of goods and maintenance of accounting records; and  - ensure that senior financial management reviews adjustments to perpetual inventory.</p>	<p>Other - Partially implemented</p>
<p>8.13 We recommend that the Health Centre continue to work with other facilities across Canada and organizations such as the Department of Health and the Canadian Institute for Health Information to further develop targets, monitor performance and make comparisons between facilities.</p>	<p>Work in Progress</p>
<p><b>Chapter 9 - Long Term Care</b></p>	
<p>9.1 We recommend that the Department prepare:  • strategic plans; and  • operational/business plans for the Long-term Care program.</p>	<p>Complete  Work in Progress</p>
<p>9.2 We recommend that DOH continue with its efforts to develop an overall funding formula for the Long-term Care program.</p>	<p>Work in Progress</p>
<p>9.3 We recommend that the Province ensure reasonable estimates of the costs of policy changes are calculated and included in the Estimates. These estimates should be available before policy changes are approved.</p>	<p>Work in Progress</p>

<p>9.4 We recommend that DOH continue with its efforts to accumulate total outstanding facility loans and mortgages for long-term care facilities. This outstanding amount should be monitored for financial planning purposes.</p>	<p>Work in Progress</p>
<p>9.5 We recommend that DOH issue formal, written responses to the recommendations of Task Forces and other groups engaged to review long-term care.</p>	<p>Complete</p>
<p>9.6 We recommend that DOH work with its regional offices to develop standard procedures for invoice approval that include verifying new residents, ensuring deceased residents are removed from billings, ensuring mathematical accuracy, and regional and central office approval of invoices before payment. We also recommend that the Department develop a system to monitor compliance with these procedures.</p>	<p>Work in Progress</p>
<p>9.7 We recommend that the Eligibility Review Unit of DOH:</p> <ul style="list-style-type: none"> <li>• ensure all procedures completed during the financial assessment process are documented;</li> <li>• obtain official Notices of Assessment or electronic data from Canada Customs and Revenue Agency in addition to copies of income tax returns to ensure income information on file is accurate; and</li> <li>• develop policies to address non-compliance with the financial assessment process.</li> </ul>	<p>Work in Progress</p> <p>Complete</p> <p>Complete</p>
<p>9.8 We recommend that DOH increase its financial monitoring of facilities and consider requesting forecast information on a quarterly basis. DOH should also consider whether processes are required to monitor areas such as financial management, internal controls, compliance with policies, and due regard for economy and efficiency in LTC facilities.</p>	<p>Work in Progress</p>
<p>9.9 We recommend that DOH develop performance indicators for the Long-term Care program. These indicators should include measures at the Department level as well as measures related to the services long-term care facilities provide. Requiring facilities to periodically report standard performance measures would enhance their accountability to the Department.</p>	<p>Planning Stage</p>
<p>9.10 We recommend that DOH review the remaining recommendations from our 1997 and 1998 audits, including:</p> <ul style="list-style-type: none"> <li>• new long-term care legislation and regulations;</li> <li>• requirements for periodic reassessments of residents' care needs;</li> <li>• periodic reassessments of residents' financial status; and</li> <li>• care standards.</li> </ul>	<p>No progress to date but plan to take action</p> <p>No progress to date but plan to take action</p> <p>Complete</p> <p>Work in Progress</p>
<p><b>Chapter 10 - Payments to Physicians</b></p>	
<p>10.1 We recommend that DOH conduct a detailed analysis of the risks and benefits associated with the payment of claims for patients with expired health cards and that appropriate controls and procedures be implemented.</p>	<p>Work in Progress</p>
<p>10.2 We recommend that DOH establish an audit appeals process.</p>	<p>Work in Progress</p>
<p>10.3 We recommend that DOH perform a risk analysis on bulk-billed radiology and pathology claims and establish appropriate audit procedures in conjunction with ABCC.</p>	<p>Work in Progress</p>

10.4 We recommend that DOH ensure external auditors or the Department of Finance's Corporate Internal Audit Group are engaged annually to audit medical payments to physicians paid by ABCC.	Work in Progress
10.5 We recommend that DOH amend the contract with Quikcard Solutions Inc. to require the external auditors of Quikcard to prepare a management letter detailing any internal control weaknesses as well as a short-form audit opinion.	Complete
10.6 We recommend that DOH ensure quarterly internal audits of claims processed are performed by an individual who does not have claims processing responsibilities.	Complete
10.7 We recommend that DOH ensure appropriate follow up is completed to determine whether expected cost savings have been achieved by new projects.	Work in Progress
10.8 We recommend that DOH fully address all findings from our 1998 and 2000 Reports. In particular, we recommend that the Department obtain a legal opinion regarding ownership rights to the MSI software.	Other <sup>6</sup>
<b>Chapter 11 - Court Services</b>	
11.1 We recommend that the Division continue to develop and implement standards for court services and include a process for reporting on achievements.	Work in Progress
11.2 We recommend that cost and other financial analysis be included as part of program assessments.	Complete
11.3 We recommend the Division monitor the number of waiver applications received and the amount of fees waived in order to better assess the impact of waivers on government revenues, as well as on access to justice.	Work in Progress
11.4 We recommend that the Division ensure all ticket booklets disbursed are properly recorded in the logbook. We also recommend the Division establish and implement a policy for the periodic review of confirmation receipts to ensure all forms are signed and returned as required.	Complete
<b>Chapter 12 - Nova Scotia Gaming Foundation</b>	
12.1 We recommend that the Foundation and Office of Health Promotion clarify the roles, responsibilities and accountabilities of both parties and incorporate this in any Memorandum of Understanding.	Complete
12.2 We recommend that the Board consider implementing a formal process to monitor targets set out in the strategic plan.	No progress to date but plan to take action
12.3 We recommend that the Board further explore its composition and, if appropriate, request that the Minister appoint additional directors.	Complete
12.4 We recommend that the Foundation Board expand its conflict of interest policy to formally include action to be taken when conflicts are disclosed.	Complete
12.5 We recommend that the following potential conflict of interest areas be addressed in a Memorandum of Understanding between the Foundation and the Office of Health Promotion:  - the Board Chair's role as a Director Addiction Services with the District Health Authorities and related role in applying for Foundation grants on behalf of DHAs;	Complete

Note 6 - Recommendations already followed up and previously reported.

<ul style="list-style-type: none"> <li>- the Foundation's sole employee's reporting relationship to the Director Addiction Services at the Office of Health Promotion when the Director has involvement in grant applications submitted by Addiction Services.</li> </ul> <p>12.6 We recommend the Foundation complete its website to enhance communications and address related concerns reported in the <i>Brand and Marketing Strategy Report</i>.</p> <p>12.7 We recommend the Foundation require progress reports from grant applicants prior to payment of subsequent grant instalments.</p> <p>12.8 We recommend that the Foundation:</p> <ul style="list-style-type: none"> <li>- formally approve its draft investment policy; and</li> <li>- develop a long-term financial plan to address projected grant funding and capital to be maintained.</li> </ul>	<p>Complete</p> <p>Complete</p> <p>Work in Progress Complete</p>
<p><b>Chapter 13 - Municipal Finance Corporation</b></p>	
<p>13.1 We recommend that the Corporation's Annual Reports be tabled in the House of Assembly on a timely basis.</p> <p>13.2 We recommend that the Corporation report on its achievements related to the goal and priority of providing funds at the lowest possible cost.</p> <p>13.3 We recommend that all policies related to the Corporation be documented and accumulated in a comprehensive reference source.</p> <p>13.4 We recommend the business plan be updated to reflect the current practices of the Corporation.</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p> <p>Complete</p>
<p><b>Chapter 14 - Nova Scotia Innovation Corporation</b></p>	
<p>14.1 We recommend that terms of reference for the Investment Review Committee should be documented and approved by the Board of Directors. The terms of reference should include authorization limits, meeting protocols and roles and responsibilities, as well as formalize the reporting process between the Committee and the Board.</p> <p>14.2 We recommend that the Board identify roles and responsibilities for officers of the Corporation. Authorization limits should also be established.</p> <p>14.3 We recommend that a system to monitor, measure and report on performance be developed. Focus should be given to those areas which are critical to the success of, or represent a significant risk to, InNOVAcorp.</p> <p>14.4 We recommend that criteria upon which bonuses are to be based should be clearly defined and communicated to the eligible employees. Evaluation against these criteria should be documented.</p> <p>14.5 We recommend that any costs associated with the investment or services provided to InNOVAcorp's subsidiary, The Decision Point, be separately disclosed in InNOVAcorp's operating results.</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p> <p>Complete</p> <p>Action no longer required</p>

<p>14.6 We recommend that senior management review the program administration guidelines for the Nova Scotia First Fund. These guidelines should include investment eligibility criteria, and should clearly differentiate the policies related to uncommitted funds. The guidelines should be approved by the Board as it has overall responsibility for administration of the Fund.</p> <p>14.7 We recommend that InNOVAcorp update the documentation for its procurement policies and procedures. These policies and procedures should be compatible with Provincial requirements, detail when a competitive process is required, and address the use of purchasing cards.</p>	<p>Complete</p> <p>Work in Progress</p>
<p><b>Report of the Auditor General On the Consolidated Financial Statements of the Province of Nova Scotia For the Year Ended March 31, 2003 and Other Financial Reporting Practices</b></p>	
<p>Appendix 2 - Page 7 - I recommend the government, with leadership from the Minister of Finance, monitor PSAB initiatives, as well as relevant accounting recommendations from CICA and internationally, in order to ensure adjustments necessary to government's financial planning and reporting be implemented on a timely basis.</p> <p>Appendix 2 - Page 9 - I recommend government ensure all provincial entities comply with Section 16(2) of the Provincial Finance Act that requires financial statements be available to Finance by the end of June.</p> <p>Appendix 3 - Page 11 - I recommend that government financial information and reporting to the House of Assembly be prepared and presented in a manner consistent with generally accepted accounting principles.</p> <p>Appendix 3 - Page 11 - I recommend that where comparative financial information or reporting by government is not or cannot be prepared on the same basis of accounting, supplementary information be provided on the differences and their dollar impact so that readers can appropriately consider the effects of the changes. Even if changes are applied retroactively (i.e., restatement of previously released information) appropriate information needs to be provided by way of footnote so that readers can assess the effect of the changes.</p>	<p>Work in Progress</p> <p>Complete<sup>7</sup></p> <p>Work in Progress</p> <p>Complete</p>

Note 7 - Government has taken reasonable action to complete this recommendation. Some entities are still not meeting the deadline.