
1 Message from the Auditor General

Introduction

- 1.1 I am pleased to present my February 2008 Report to the House of Assembly on work completed by my Office in the second half of 2007 and January 2008.
- 1.2 In addition to this Report, I have also submitted the following in the past year.
- My 2007 Strategic Plan was distributed to the House of Assembly on April 13, 2007.
 - My Report on the Estimates of Revenue for the fiscal year ending March 31, 2008, dated March 22, 2007, was included with the Budget Address tabled by the Minister of Finance on March 23, 2007.
 - My Report to the House of Assembly on work completed by my Office during the first half of 2007, dated May 11, 2007, was tabled on June 6, 2007.
 - My Report on the Province's March 31, 2007 consolidated financial statements, dated June 30, 2007, was tabled with the Public Accounts by the Minister of Finance on August 9, 2007.
 - My 2006-07 Performance Report and 2007-08 Business Plan, dated October 1, 2007, was provided to the Public Accounts Committee on October 1, 2007.
- 1.3 As the Province's Auditor General, my goal is to work towards better government for the people of Nova Scotia. As an independent, non-partisan officer of the House, I and my Office help to hold the government to account for its management of public funds and contribute to a well-performing public sector. I consider the needs of the public and the House, as well as practical realities facing management, in providing sound, practical recommendations to improve the management of public sector programs.
- 1.4 My priorities, during my term of office, are: to focus audit efforts on areas of high risk that impact on the lives of Nova Scotians; to contribute to a more efficient, effective, and better performing public service for Nova Scotia; and to foster better financial and performance reporting to the Legislature and the people; all while promoting excellence and a professional and

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supportive workplace at the Office of the Auditor General. This Report reflects this service approach.

- 1.5 I wish to acknowledge the valuable efforts of my staff who deserve the credit for the work reported here. As well, I wish to acknowledge the cooperation and courtesy we received from staff in departments and agencies during the course of our work.

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Who We Are and What We Do

- 1.6 The Auditor General is an officer of the Legislature, appointed by the House of Assembly for a ten-year term. He or she is responsible to the House and to the people of Nova Scotia for providing independent and objective assessments of the operations of government, the use of public funds and the integrity of financial and performance reports.
- 1.7 The Auditor General's mandate, responsibilities and powers are established by the Auditor General Act. The Act provides the Auditor General with the authority to require the provision of any documents required by the Auditor General in the performance of his or her duties. The Auditor General Act requires all public servants to provide the Auditor General free access to any and all information and explanations which he or she requires.
- 1.8 The Auditor General Act stipulates that the Auditor General shall provide an annual report and opinion on the government's financial statements; provide an opinion on the revenue estimates in the government's annual budget address; examine the management, use and control of public funds; and report to the House at least once, and up to three times annually, on the work of the Office.
- 1.9 The Office has a mandate under the Act to audit all parts of the Provincial public sector including government departments and all agencies, boards, commissions or other bodies responsible to the crown, such as Regional School Boards and District Health Authorities, as well as transfer payment recipients external to the provincial public sector.
- 1.10 In its work, the Office of the Auditor General is guided by, and complies with, the professional standards established by the Canadian Institute of Chartered Accountants, otherwise known as Generally Accepted Auditing Standards (GAAS). We also seek guidance from other professional bodies and audit-related best practices in other jurisdictions.
- 1.11 This Report presents the results of audits and reviews completed in the second half of 2007 or in January 2008 at a number of departments and agencies, follow-ups on audits completed in 2004 and 2005, and comments

on government financial reporting. Where appropriate, we make recommendations for improvements to government operations, processes and controls. Department or agency responses have been included in the appropriate chapter. We will follow up on the implementation of our recommendations in two years, with the expectation that significant progress will be made.

Significant Issues and Common Themes

- 1.12 In conducting our audits, we sometimes identify issues that may have broader applicability beyond the particular entities in which the issues emerged.
- 1.13 We identified deficiencies in governance in three of our audits. Effective governance is essential for an organization to achieve its objectives. Without a framework to establish roles and responsibilities, to manage risks and establish strong controls, and without clear lines of authority and accountability, individuals may work contrary to the entity's goals and the chance of success is reduced.
- 1.14 We also found inadequate information or information technology systems in two of our audits and in a number of government entity management letters. Management requires complete, reliable and accurate information available on a timely basis in order to make informed decisions. It needs strong information technology systems to manage its operations. In the absence of good information and information technology, management may not pursue the best course of action, scarce resources could be wasted and program failures are more likely.

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Chapter Highlights

- 1.15 This Report presents our findings, conclusions and recommendations resulting from audits and reviews in the following areas. Responses received from auditees have been included in the appropriate chapter.

Education

Chapter 2 - South Shore Regional School Board

- 1.16 Our audit at South Shore Regional School Board focused on student health and safety and Board governance. We found a significant number of policies related to student health and safety not followed, processes that were not adequate and legislation and standards not complied with. These deficiencies may increase risks to students. We also found the Board

needs to improve its governance practices particularly with respect to risk management.

Environment and Labour

Chapter 3 – Environmental Monitoring and Compliance

- 1.17 We examined the Environmental Monitoring and Compliance Division's policies, procedures and processes to ensure compliance with the Environment Act. We found policies and procedures for issuing environmental approvals, inspections and enforcement are inadequate to ensure those engaging in environmentally sensitive activities do so in a safe and legal manner. Complaints are not followed up effectively. Additionally, management information systems are not adequate for the Division to manage its responsibilities, as information is not complete, reliable and accurate.

Health Promotion and Protection

Chapter 4 – Communicable Disease Prevention and Control

- 1.18 Our audit at the Department of Health Promotion and Protection found significant deficiencies. The Department's mandate and its role in public health are not clearly defined. Key systems such as an immunization registry do not exist or are paper-based. Outbreak planning is inadequate. Although the Department has outbreak plans in place, many significant areas are not addressed and had to be dealt with during the recent mumps outbreak. Protocols for vaccine storage and handling are inadequate and increase the risk that vaccines may be compromised during transport. Significant improvements are required to ensure an adequate leadership and accountability structure, and an adequate outbreak management capability, in Nova Scotia's public health system.

Government-wide

Chapter 5 – Governance of Information Technology Operations

- 1.19 We evaluated the adequacy of government's IT governance framework. We concluded that IT oversight structures do not provide good IT governance measured against best practices described in the IT Governance Institute's COBIT framework. We also found government's IT planning processes are not adequate. There is no corporate IT strategic plan, nor any departmental strategic plans; and no formal planning processes in place to guide the development of strategic plans. The overall impact of these deficiencies is that it is not clear who is in charge and who is accountable for corporate IT

operations and what practices should be followed. As a result the risks of system failure or excessive costs are inappropriately high.

Chapter 6 – Government Financial Reporting

- 1.20 The Minister of Finance tabled the Province’s 2007 audited consolidated financial statements on August 9, 2007. My opinion on those statements was again unqualified. This release date is significantly earlier than in prior years. We commended the Department of Finance staff for releasing more timely financial results. We noted that two additional appropriations were approved totaling \$222.4 million to cover 2006-07 budget overruns. We reiterated our concern with the process to approve additional appropriations which we believe reduces accountability to and control by the House of Assembly. We also made recommendations to improve controls and noted our continuing concern with weaknesses in IT security related to access.

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Chapter 7 – Review of Financial Statements and Management Letters

- 1.21 We conduct an annual review of the audit opinions and related management letters of all provincial government entities audited by both private-sector auditors, and audited by this Office. In our report, we highlight matters of interest. We noted that financial statements for two of the Province’s loan fund boards were insufficiently supported by their financial records; this led, in one case, to a qualified audit opinion. Our review of management letters found that issues related to information technology infrastructure weaknesses are pervasive throughout entities in the government reporting entity.

Chapter 8 – Follow-up of 2004 and 2005 Audits

- 1.22 Management’s progress in implementing our audit recommendations has, so far, been inadequate. Although two or more years have elapsed, government departments and entities have implemented only 39% of our 2004 and 2005 recommendations. We noted one exception – Nova Scotia Business Inc. – as the only entity to implement all our audit recommendations. This is not in the Province’s best interest. We believe government needs to take a more direct role in, and responsibility for, ensuring appropriate action is taken on matters reported by the Auditor General. We understand Treasury and Policy Board has begun developing a process that may address our concerns. We believe this should be a priority for completion in 2008.