



Office of the Auditor General

Auditor General's Statement to the Media

Release of November 2010 Report to the Nova Scotia House of Assembly

11/17/2010

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Good afternoon, ladies and gentlemen.

I have a few comments I'd like to make, before taking any questions you may have.

Today, my fall report was tabled in the House of Assembly. This report includes three performance audits completed this summer and three chapters on government financial issues that I report on annually.

This is my third regular report to the legislature during 2010. We also issued a special report on a forensic audit we conducted in the spring. So it has been an active year for us.

I want to thank my staff once again for the diligent, dedicated and professional manner in which they do their work for the legislature and the people of Nova Scotia. I also want to extend my thanks and that of my Office to public servants in all the departments and agencies of government whose cooperation and professionalism we depend upon in order to do our job.

I want to touch on the three chapters related to financial reporting, before commenting on the results of the performance audits.

Every year I report to the House on some aspects of government financial reporting because it is fundamental to the accountability framework of government. Once again this year, I qualified my opinion on the revenue estimates the government used in preparing its budget. The estimates are incomplete because they do not include estimates of all revenues from certain third parties such as school boards and district health authorities. As a result, both the revenues and the expenses in the budget are understated. This practice is inconsistent with the presentation of the province's consolidated financial statements, and therefore is not compliant with generally accepted accounting principles.

Last year the government hired Deloitte LLP and asked them, among other things, to resolve the issue of our qualification of the revenue estimates. Deloitte recommended that the budget include a schedule showing all revenue estimates including the third party revenues in question. We have recommended that the government accept and implement the advice of its consultant, and resolve this matter.

The last chapter of the report is our review of the audit opinions and management letters provided to public agencies, boards and corporations which are audited by private sector auditors. I will draw your attention to one matter in this chapter.

A third of the control deficiencies cited by auditors in the last fiscal year were repeated from the year before. And half of those had been noted the year before that. So, many of these weaknesses in financial controls have persisted for at least three years, despite the fact that management and boards of these organizations are aware of them. This is simply poor management, and poor governance.

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This report also contains our second yearly presentation of certain financial indicators for the province. We have added comparative information from five provinces, and will continue to develop this presentation in an effort to make it more meaningful. Our goal is to provide an indication of the government's sustainability, flexibility and vulnerability within the economic climate in which it operates.

Now, as to the performance audits in the report: Two are on programs at the Department of Community Services; the other examined various registries under the management of Service Nova Scotia and Municipal Relations.

At Service Nova Scotia, we wanted to see whether the controls in place in four important government registries were adequate to ensure the confidentiality and integrity of the personal and business information they hold. We also examined whether there are recovery plans in place in case systems fail or are compromised.

We found security weaknesses related to the information systems in three of the four registries we examined. The Registry of Vital Statistics received high marks from our audit team in virtually all regards. The Land Registry, the Business Registry and the Registry of Joint Stock Companies did not do as well.

There are a range of potential security issues, including weak controls protecting access to data, failure to apply software patches, and inadequate communication of security and privacy policies to staff. The department also needs to complete and test its disaster planning. We offered 24 recommendations we believe can be implemented without placing an unreasonable burden on resources, and the department has accepted almost all of them.

We conducted an audit of a low income housing program administered by the Department of Community Services, and made nine recommendations to correct weaknesses. While this program is actually implemented by the seven regional housing authorities across Nova Scotia, the department sets the standards and writes the policies. Many of those policies are 15 years old and out of date.

The rent supplement program includes arrangements among the authorities, landlords and tenants whereby the tenant's share of the rent is based on his or her income. The province provides a supplement to the landlord to bring the rent up to market value. These arrangements require more monitoring than is now the case. We also found inadequate inspection and assessment of rental units themselves to ensure people are getting decent housing.

Another element of the program provides subsidies to developers of affordable housing. The department offers up to \$75,000 per rental unit for new or renovated affordable housing. During the period covered by our audit, the department received a number of unsolicited proposals to provide affordable housing, but did not document the process it followed to evaluate these proposals.

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The department says all proposals were evaluated the same way, according to guidelines they developed and published in an RFP, and that all proposals met the guidelines. Our testing showed that was not the case.

In addition, there is insufficient follow-up after the housing units are completed, to ensure developers comply with the conditions of the subsidies – in particular, that rents remain affordable.

We also report on our audit of services for persons with disabilities. We focused here exclusively on the community-based options stream of the program, that includes family support, independent living and small options homes, where three or fewer people with disabilities receive care.

We made 29 recommendations for the Department of Community Services to strengthen the provision of services for these clients.

The department must improve the way client needs are initially assessed and care plans formulated. It needs to improve the ongoing reassessments and re-evaluation of its clients' needs and care. And it should have signed agreements with all providers in small options homes, to establish the level and type of services expected.

We were also concerned about inadequate policies and procedures to follow up on complaints about services and care in the homes. Even those policies that are in place are not always followed, resulting in a lack of follow up to ensure complaints are appropriately resolved.

The department's services for persons with disabilities have been under review since 2002. A number of reports have been prepared and many improvements made. Yet, there is still no comprehensive strategic plan, or operational plans, to guide the development of the program. We recommend the department get these in place and use them to guide and monitor progress.

Thank you for your attention. Are there any questions?