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# Introduction

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# 1 Message from the Auditor General

## Introduction

- 1.1 I am pleased to present my May 2011 Report to the House of Assembly on work completed by my Office in the fall of 2010 and winter of 2011.
- 1.2 During 2010, I submitted the following reports.
  - My Report to the House of Assembly on work completed in the summer and fall of 2009, dated January 9, 2010, was tabled on February 3, 2010.
  - My Report on the Estimates of Revenue for the fiscal year ending March 31, 2011, dated April 3, 2010, was included with the budget address delivered by the Minister of Finance on April 6, 2010.
  - My Report to the Speaker on my forensic investigation with respect to the Members' expenses was issued on May 18, 2010.
  - My Report to the House of Assembly on work completed in the fall of 2009 and winter of 2010, dated May 18, 2010, was tabled on June 2, 2010.
  - My Business Plan for 2010-11 and my Report on Performance for 2009-10 were provided to the Public Accounts Committee on June 4, 2010 and July 13, 2010 respectively.
  - My Report on the Province's March 31, 2010 consolidated financial statements, dated June 30, 2010, was tabled with the Public Accounts by the Minister of Finance on July 29, 2010.
  - My Report to the House of Assembly on work completed in the spring and summer, dated October 29, 2010, was tabled on November 17, 2010.
- 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, nonpartisan 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 House and the public, as well as the realities facing management, in providing sound, practical recommendations to improve the management of public sector programs.
- 1.4 My priorities are: to conduct and report audits that provide information to the House of Assembly to assist it in holding government accountable;

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to focus audit efforts on areas of higher risk that impact on the lives of Nova Scotians; to contribute to a better performing public service for Nova Scotia; and to encourage continual improvement to financial reporting by government, all while promoting excellence and a professional and 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 board members and staff in agencies, during the course of our work.

### 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 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 In December 2010, a new Auditor General Act came into effect. This Act provides my Office with a modern performance audit mandate to examine various aspects of programs including efficiency and effectiveness; performance monitoring and reporting; and appropriate use of public funds. It also clarifies which entities are subject to audit by this Office.
- 1.8 The Act establishes the Auditor General's mandate, responsibilities and powers. The Act provides the Auditor General with the authority to require the provision of any documents needed in the performance of his or her duties. Additionally, public servants must provide free access to all information which the Auditor General requires.
- 1.9 The Auditor General Act stipulates that the Auditor General shall provide an opinion on government's annual consolidated financial statements; provide an opinion on the revenue estimates in the government's annual budget address; and report to the House at least annually on the results of performance audits.
- 1.10 The Act provides my Office a mandate 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 funding recipients external to the provincial public sector.



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- 1.11 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. We also seek guidance from other professional bodies and audit-related best practices in other jurisdictions.

## Chapter Highlights

- 1.12 This Report presents the results of audits and reviews completed in the fall of 2010 and winter of 2011 at a number of departments and agencies. 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.

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## Follow-up

### *Chapter 2 – Follow-up of 2005, 2006, 2007 and 2008 Recommendations*

- 1.13 Only 52% of our recommendations made between 2005 and 2008 have been implemented. This is not adequate and is not improving significantly. We are particularly concerned with the lack of progress by the Departments of Health and Wellness, and Education, in implementing our recommendations.
- 1.14 We have recommended that government's Audit Committee monitor the implementation status of our recommendations. We have further recommended that this Committee actively promote implementation of our recommendations.

## Performance Audits

### *Chapter 3 – Financial Assistance to Businesses through NSBI and IEF*

- 1.15 IEF has few processes, controls or documentation to support the review and evaluation of applications for loans or other assistance. A recently established advisory committee has no oversight role. Confidential Cabinet review and approval is the only significant control or oversight of this program. Additionally, few procedures exist to monitor compliance with loan conditions, repayments, or arrears. These inadequate policies, processes,



controls and documentation for IEF activities represent an inappropriate way to manage public funds.

- 1.16 NSBI's program management provides a sharp contrast to IEF. NSBI has adequate policies, processes, controls and documentation to support its assistance programs of loans, payroll rebates and venture capital investments.

#### ***Chapter 4 – Colchester Regional Hospital Replacement***

- 1.17 The initial budget of \$104 million to replace the Colchester Regional Hospital was not a realistic estimate and was not sufficient to complete construction. It was based on assumptions that were unreasonable or unsupported. It did not, for instance, consider inflation over the life of the project. The current budget of \$184.6 million is still not complete; it excludes several items that should be part of the overall project budget.
- 1.18 While ineffective budgeting practices were significant contributors to apparent cost increases, oversight and project management weaknesses by both CEHHA and Health have contributed to project difficulties and cost overruns. Some significant decisions were made without sufficient consideration of the related costs.

#### ***Chapter 5 – Long Term Care – New and Replacement Facilities***

- 1.19 The Department of Health and Wellness developed and followed a process to determine the number and location of new long term care facilities. However, the Department had no support to show it replaced facilities most in need of replacement. We do not know whether the facilities with the most serious deficiencies were replaced.
- 1.20 We also found the Department has not established agreements with existing long term care service providers, who represent the majority of long term care facilities. We recommended the Department address this issue in our June 2007 Report; however, none of our recommendations were implemented. We are concerned about the Department's willingness to implement the recommendations in Chapter 5 of this Report given its inaction in the past.

#### ***Chapter 6 – Office of the Fire Marshal***

- 1.21 The Office of the Fire Marshal is not doing an adequate job of protecting the public from fire safety risks in buildings. Management is not performing appropriate oversight of operations; we believe this has contributed to a number of the deficiencies identified during our audit. The Office lacks fundamental information needed to effectively manage its operations.



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Management does not know whether required fire safety inspections have been completed or whether significant deficiencies identified during inspections have been appropriately addressed.

- 1.22 We have previously completed audits in this area in 1987 and 2001. The results of the current audit make it apparent that the Department of Labour and Advanced Education has not made these important issues a priority. Over the years, the Office of the Fire Marshal has failed to exercise its responsibilities and has failed to take actions it has known to be necessary to protect the public.

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### ***Chapter 7 – Registry of Motor Vehicles***

- 1.23 The Department of Service Nova Scotia and Municipal Relations' processes for identifying and taking action on high-risk drivers as well as monitoring motor vehicle inspection stations and testers are inadequate. We found backlogs of collision and medical reports, and significant time delays between the Department's review of drivers' records and intervention action taken.
- 1.24 We also found poor controls over the issue and return of motor vehicle inspection stickers and renewal of inspection station and tester licences. Additionally, there were weaknesses in inspection station audit selection and coverage across the province.

### ***Chapter 8 – Registry of Motor Vehicles Information and Technology***

- 1.25 The Department of Service Nova Scotia and Municipal Relations does not have adequate controls to ensure the confidentiality and integrity of the information in its Registry of Motor Vehicles (RMV) systems. The Department cannot be assured it provides licences, permits and identification cards only to those who are eligible to receive them. Stronger controls are needed to prevent such offences as credit card fraud, identity theft, and drivers having fraudulently-obtained licenses.
- 1.26 Processes to provide access to RMV systems are not documented. Some users of RMV systems have access to confidential information they do not need to perform their job.
- 1.27 Additionally, the Department does not have policies or procedures for sharing registry information with other provincial, municipal and federal government entities, as well as some private-sector and non-government organizations. It is at risk of providing this information in a manner that violates the laws and regulations protecting the privacy of information.