



# Office of the Auditor General

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## Acting Auditor General's Statement to the Media

Release of May 2014 Report to the Nova Scotia House of Assembly

5/21/2014

**Office of the Auditor General of Nova Scotia**  
**Acting Auditor General's Statement to the Media, May 21, 2014**  
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Good morning, ladies and gentlemen. Thank you for coming.

Late yesterday, I tabled my Spring 2014 Report with the Speaker of the House of Assembly, for distribution to the Members of the House this morning. The report provides the results of five performance audits and our annual follow-up of recommendations made in previous Reports.

As always, I want to thank the staff in my Office for their continued professionalism and their dedication to the work they do. They work hard to identify issues with important public programs, and recommend solutions, because they are committed to better government for Nova Scotia.

I also want to thank management and staff in the departments and agencies we audited. Their cooperation is essential to our work.

The report I am releasing today includes the results of our follow-up work on performance audit recommendations we made in 2010 and 2011. It also contains performance audits of Communications Nova Scotia; the public school student information system; public drinking water supplies; physician alternate funding arrangements; and mineral resource management. I will briefly outline the key findings of each audit and then take your questions.

I will start with our follow-up work. Only fifty percent of recommendations we made in performance audits in 2010 and 2011 have been implemented. Government is taking too long to correct identified weaknesses in its programs. Areas of concern we found in 2010 and 2011 included significant weaknesses such as no disaster recovery plan for the provincial data centre, and insufficient fire safety inspections in municipalities and public schools.

I am pleased to report that the Public Accounts Committee will start formally endorsing our recommendations. The Committee also plans to ask the Government Audit Committee to take over ongoing monitoring and oversight of implementation. We believe this will lead to positive changes.

Our audit of the public drinking water supply program found gaps in procedures which are supposed to help ensure the safety of public drinking water. We identified inconsistencies in how inspectors audit water supplies and inadequate follow up of deficiencies identified during visits to water supply facilities.

Environment has a central database it uses to record information on inspections, but management is not using that information to help them better understand risks in the public drinking water system. Additionally, there are problems with how the system schedules inspections. Some inspections were scheduled before they were due, while others were late and Department management did not know why this was happening.

Inspectors are not given enough guidance on how to carry out their audit work. We found differences in how public drinking water systems are examined. For example, some inspectors do not verify that water supply operators have appropriate certifications or examine lab results to ensure facilities are

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doing their own water testing as required. Furthermore, Environment has no policies to tell inspectors what they must do to test water at municipal and registered drinking water supplies.

Our audit of the iNSchool student information system identified critical system weaknesses. Our IT audit team was able to gain unauthorized access to confidential student information including student grades, health issues and home addresses. The iNSchool system is used by all school boards in the Province. Each board looks after its own account settings and some of those settings were too weak to protect the confidential information stored in the system. The Department of Education and Early Childhood Development and the school boards have fixed the weaknesses we used to break into the system.

Government systems which contain personal information are supposed to have a privacy impact assessment to consider risks to personal, confidential data and how to reduce those risks. The Department started, but did not finish an assessment. This should have been done before the system was put into use.

We are pleased to report that the Department of Education and Early Childhood Development considered user needs before moving forward with the iNSchool system. We also examined system procurement and did not have any concerns.

Our audit at Health and Wellness found the Department is doing a poor job of monitoring its contracts with certain physicians. Department management does not know whether physicians receiving payments under academic funding plans and alternative payment plans are meeting their contract requirements. In some instances, Health and Wellness has data on clinical services provided or other reports submitted by physicians. However, the Department does not use this information to verify that physicians have fulfilled their contracts.

Our audit included testing research, clinical and administrative requirements under Academic Funding Plans. We found physicians under these plans were meeting the requirements we examined.

Some physicians are operating without current contracts. This is a poor business practice and increases the risk that the physicians and the Department will not have a clear understanding of what is expected of both parties. Past audits at Health and Wellness have also found a failure to ensure contracts with service providers are current.

The Department contracts with a private company to complete audits of payments to physicians. Health and Wellness decides which audits should be completed, but we found it requests few audits of academic funding and alternative payment arrangements compared to other types of physician compensation. Department management do not have processes to select audits based on risk. And when issues are identified, the Department does not follow these up with physicians in a timely manner.

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Our audit of Communications Nova Scotia found that advertising campaigns and other communications from the Agency were generally nonpartisan. However, we identified many instances in which the Agency did not follow the Province's procurement rules.

The majority of the procurements we tested had problems, including starting work before contracts were signed. As well, invoices were often for lump sum amounts, making it difficult to determine whether the approved hourly rate was used.

Communications Nova Scotia often hires contractors for extended time periods to meet its work commitments. Some of these situations may be considered employee/employer relationships under Canada Revenue Agency rules. We have recommended that Communications Nova Scotia determine whether this is the case and seek legal advice on how to address the situation if concerns are identified.

The final chapter in the report examined mineral resource management at the Department of Natural Resources. Our audit found the Department is missing many basic control procedures.

Monitoring of mining activities is inadequate. Site visits are not carried out as often as intended and we saw no evidence that Department management review annual reports submitted by operators.

Natural Resources may not be collecting enough security to clean up mine sites if operators fail to do so. There is no complete list of all security held compared to estimated costs to clean up sites and those costs are not reviewed and updated regularly.

The Department does not enforce grant deadlines and we found it issued grants to applicants who did not meet its criteria. Additionally, support for grant claims was not always submitted before payments were made.

Our audit also found that Natural Resources does not review royalty payments to ensure operators are submitting the correct amounts. We identified examples of incorrect payments which had not been detected by the Department.

Those are some of the highlights of the report. Now I would be happy to take your questions.