Office of the Auditor General

Our Vision

A relevant, valued, and independent audit office serving the public interest as the Legislature's primary source of assurance on government performance.

Our Mission

To serve the people of Nova Scotia and the House of Assembly by making a significant contribution to enhanced public sector accountability and performance.

1888 Brunswick Street
Suite 302
Halifax, NS B3J 3J8
Telephone: (902) 424-5907
Fax: (902) 424-4350
E-mail: oaginfo@gov.ns.ca
Website: http://www.gov.ns.ca/audg/

Honourable Alfie MacLeod
Speaker
House of Assembly
Province of Nova Scotia

Dear Sir:

I have the honour to submit herewith my Report to the House of Assembly under Section 9A(1) of the Auditor General Act, to be laid before the House in accordance with Section 9A(2) of the Auditor General Act.

Respectfully submitted

JACQUES R. LAPOINTE, BA, CA • CIA
Auditor General

Halifax, Nova Scotia
February 6, 2008

Table of Contents

Introduction

Performance Audits

Financial Reporting

Follow-up of Prior Year Audits

Appendix

Introduction

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

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.

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.

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

6

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.

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.

Performance Audits

2 Education: South Shore Regional School Board

Summary

The mission of the South Shore Regional School Board (SSRSB) *"is to provide quality educational programming for students, grades primary to twelve, within a healthy, safe, respectful environment"*. The Board is ultimately responsible to ensure that the mission is achieved. The Board needs appropriate information to adequately assess performance in achieving its mission. There are many potential risks to student health and safety inherent in attending and being transported to and from school. It is critical that these risks be identified and appropriately managed to help minimize the risks to students. We completed a performance audit at the South Shore Regional School Board with a primary focus of assessing processes, policies, and procedures affecting student health and safety and Board governance.

A significant number of the SSRSB student health and safety related processes, policies, and procedures audited are not adequate. We identified instances of policies not being followed, noncompliance with legislation and standards, and areas where existing processes need to be enhanced. For example, SSRSB does not periodically update employee child abuse and criminal record checks subsequent to hiring, bus emergency evacuation drills are not being completed as required by Board policy, the Nova Scotia Utility and Review Board identified numerous safety issues through their safety inspections, and SSRSB is not in compliance with all requirements of the Fire Safety Act including the completion and documentation of required inspections. Policies that are not being followed and procedures which do not meet legislative requirements may not be effective in minimizing the risks to students. We have made several recommendations for improvements which need to be addressed by the Board.

The Board is not completely fulfilling its governance roles and responsibilities. The Board needs to complete a formal risk assessment process to ensure all risks which could impact on the achievement of the Board's mission, goals, and priorities are identified and appropriately evaluated. Of particular concern should be the adequacy of the controls designed to help protect the health and safety of students as our audit has identified a number of weaknesses.

The Board is also not reporting complete performance information. Performance information demonstrates the Board's effectiveness in achieving its responsibilities and fulfills its accountability obligations to those whose interest it represents. The Board also needs to ensure management regularly report progress against all goals, priorities and performance measures detailed in its annual business plan.

2 Education: South Shore Regional School Board

Background

2.1   The legislative authority for the provision of publicly-funded education programs and services in the Province falls under the Education Act and regulations. According to the Act, a regional school board is accountable to the Minister of Education and is *"responsible for the control and management of public schools within its jurisdiction"*. The South Shore Regional School Board (SSRSB) was established by an amendment to the Education Act, effective August 1, 2004. The Board is comprised of 12 members, 11 elected and one Mi'kmaq representative appointed by the Minister of Education.

2.2   The Superintendent is accountable to the Board and has overall responsibility for the operation of the school board office and public schools, as well as the supervision of all SSRSB employees. The Superintendent is supported by four Directors who have operational responsibility in the following areas: Programs and Student Services, Finance, Operations, and Human Resources. The Directors of Finance and Human Resources are responsible for these services in both the SSRSB and the Tri-County Regional School Board. The Superintendent and the Directors form the senior management group at the SSRSB.

2.3   The regional administration office of SSRSB is located in Bridgewater, Lunenburg County. SSRSB responsibility includes the 31 public schools in Lunenburg and Queens Counties. In 2006-07 school enrolment was 8110 of which 7390 or 91% were bused.

2.4   In 2006-07, SSRSB employed a total of 992 FTE (full-time equivalent) staff including 507 FTE teaching staff. Actual expenses for the SSRSB in 2006-07 were $66.6 million; budgeted expenses for 2007-08 are $70.7 million.

2.5   SSRSB operates all aspects of its facilities management and student transportation systems. SSRSB operations must comply with a number of provincial legislations. Student health and safety is addressed in many of these Acts including the Education Act, Motor Carrier Act, Motor Vehicle Act, Fire Safety Act and Environment Act. One of the primary objectives of this audit was to assess SSRSB's compliance with certain legislated requirements related to student health and safety.

2.6   We have not conducted any other recent audits at the SSRSB.

Audit Objectives and Scope

2.7   We completed a performance audit of SSRSB in fall 2007. The audit was conducted in accordance with Section 8 of the Auditor General Act and auditing standards established by the Canadian Institute of Chartered Accountants.

2.8   The objectives of the audit were to:

- determine whether management processes, operational systems and practices over student transportation operations and facilities management help to ensure a safe environment for students when transported to and from school and when on SSRSB property;

- review and assess compliance with certain aspects of legislation and Board policies focusing on general responsibilities of the SSRSB and safety of the students;

- determine if the Board is fulfilling its governance roles and responsibilities;

- assess the adequacy of performance information reported by the Board; and

- determine whether the SSRSB's management processes, operational systems and practices over student transportation operations and facilities management help to ensure economy and effectiveness.

2.9   Our audit criteria were obtained from recognized sources and have been accepted by SSRSB as appropriate.

2.10   Our audit procedures included a review of relevant Board and Committee minutes, interviews with management and Board representatives, detailed testing of compliance with processes and procedures, and a review of other documentation deemed to be relevant.

Significant Audit Observations

Student Health and Safety Processes, Policies and Procedures

2.11   *Conclusions and summary of observations* – A significant number of SSRSB student health and safety related processes, policies, and procedures audited are not adequate. We identified instances of noncompliance with policies, legislation and standards, and areas where existing processes should be enhanced. Legislative requirements, standards, and Board policies exist to help minimize the risks to student health and safety while attending and

being transported to and from school. Policies that are not followed and procedures which do not meet legislative requirements may not be effective in minimizing the risks to students. We have made several recommendations for improvements which should be addressed by the Board.

2.12   *School bus routes* – 16 of 30 bus routes tested exceeded the number of stops allowed per Section 14.2 of the Governor in Council Public Passenger Motor Carrier Act Regulations. These routes had four stops within 1.6 kilometers; the regulations require a maximum of three. The Nova Scotia Utility and Review Board (NSURB) management indicated that additional stops could pose a potential safety risk.

Recommendation 2.1
SSRSB should ensure compliance with the Governor in Council Public Passenger Motor Carrier Act Regulations or obtain Board approval where routes do not comply.

2.13   *Child abuse registry and criminal record checks* – No child abuse and criminal record checks have been conducted on employees hired prior to the current SSRSB policy implemented in August 1998. We understand this practice is consistent with a decision made by the Department of Education and the regional school boards and is followed by all school boards. SSRSB needs to assess the risk of not completing criminal record and child abuse registry checks on all employees. For bus drivers hired after August 1998, there was no evidence in one of the 13 bus driver files examined that the required child abuse registry and criminal record check had been completed. As well, SSRSB does not periodically update employee child abuse and criminal record checks subsequent to hiring. The objective of the current screening process is to identify individuals who may not be suitable to work in a school environment as they may pose an unacceptable risk to student safety. We are concerned that there are SSRSB employees who have not been subject to a child abuse and criminal record check screening process and other employees whose checks are outdated. Checks could be cycled over a period of time to help reduce the administrative burden on staff of completing such checks for all employees at once.

Recommendation 2.2
SSRSB should assess the risk of not completing criminal record and child abuse registry checks on employees hired prior to implementation of the Board policy and take corrective action as required. SSRSB should assess the appropriate frequency of record checks subsequent to hiring and update employees' checks accordingly. The Board should also provide management with guidance on required actions when issues are identified.

2.14 *Bus driver licenses* – Three of 30 school bus driver files examined did not contain evidence of a valid driver's license as licenses had expired since the date of the last abstracts obtained. Subsequent to our audit, staff provided evidence that those drivers examined did have valid licenses.

2.15 Legislation requires that bus drivers have a valid license to operate a school bus. Driver abstracts are obtained once a year to ensure drivers have a valid license and to identify any accidents or tickets which may require follow-up action. When abstracts are only run once a year there is a risk that such concerns will not be detected in a timely manner. We encourage the Board to assess the risks of obtaining driver abstracts once a year and take corrective action as required.

2.16 *Bus driver first aid/CPR training* – SSRSB requires all bus drivers have a valid first aid/CPR certificate. During our audit, we identified four bus drivers who had driven for a period of months during 2006-07 and 2007-08 with expired first aid/CPR training certificates. It is important that bus drivers have up-to-date training in first aid and CPR in case of an accident or other emergency on a bus.

2.17 *Bus emergency evacuation drills* – We examined 25 driver files and found only three had completed the required two emergency evacuation drills during the 2006-07 school year. These drills are important in helping to prevent injury to students in emergency situations by educating them on how to exit a bus in a safe and orderly manner.

> Recommendation 2.3
> SSRSB should ensure bus drivers have valid first aid/CPR certificates and school bus evacuation drills are completed as required.

2.18 *Bus maintenance* – We reviewed a sample of 30 bus maintenance files and found that all files contained evidence buses were repaired and maintained; although we did note that preventive maintenance inspections were not being conducted in accordance with the schedule established by SSRSB. Preventive maintenance inspections are conducted to help ensure buses remain in safe working order, reduce the risk of unexpected breakdowns and optimize the time buses are available for service.

> Recommendation 2.4
> SSRSB should complete preventive maintenance inspections on schedule.

2.19 We examined a sample of 30 work orders and found the work appeared to be completed in a timely manner. Our audit did not include an assessment of whether the maintenance performed was appropriate and of good quality.

Issues in this regard could be identified through the safety inspections performed by the Nova Scotia Utility and Review Board.

2.20 *Nova Scotia Utility and Review Board (NSURB) safety inspections* – NSURB performs safety inspections on all school buses twice a year to ensure compliance with the Commercial Vehicle Maintenance Standards Regulations. Inspectors produce a report documenting any potential safety issues which should be addressed. If issues are identified, the bus may not be permitted on the road until the issue is fixed. NSURB issues warnings to highlight the importance of deficiencies. Tickets may be issued if a deficiency was included in a previous written warning. We contacted NSURB to determine what inspection reports, warnings and tickets had been issued from September 1, 2006 to June 30, 2007 and spoke with NSURB regarding any other issues they may have concerning the transportation system at SSRSB. We found the following.

- 87% of 174 inspection reports issued identified safety issues which needed to be fixed. 75% of the 174 reports required the issues be fixed before the bus was allowed back on the road.

- We examined a sample of 30 NSURB inspection reports and found SSRSB appeared to address the deficiencies noted in a timely manner.

- NSURB issued a warning to SSRSB in May 2007 after incorrect parts were used on bus brakes. In October 2007, NSURB issued a ticket to SSRSB for use of incorrect parts on brakes.

- NSURB had concerns with the adequacy of pre-trip inspections completed by bus drivers. NSURB identified issues in its inspections which should have been identified and fixed through the pre-trip inspections.

- NSURB was concerned with the lack of detail included in some work orders regarding actual work completed.

2.21 We are concerned with the significant number of safety issues identified by NSURB. SSRSB needs to assess the cause of these deficiencies and take corrective action where required.

Recommendation 2.5
SSRSB should comply with the Commercial Vehicle Maintenance Standards Regulations requirements.

2.22 *Fire safety policies and procedures* – The Fire Safety Act requires school boards *"establish and conduct a system of inspections to provide for fire safety, assess the adequacy of fire-prevention measures and ensure compliance with this Act, the regulations and the Fire Code"*, and *"a record is made of every inspection undertaken"*. The Department of Education, with the assistance of the

Office of the Fire Marshal, implemented a Fire Safety Program designed to help all schools in the province comply with the requirements of the Fire Safety Act. We audited SSRSB for compliance with the Fire Safety Act and found the following:

- The Department of Education visited nine schools in 2005-06 and six schools in 2006-07 and found none of the schools were complying with all requirements of the Fire Safety Program.

- The Fire Marshal issued no orders for schools visited in 2005-06 and issued three orders, noting many violations, for schools visited in 2006-07. During each school year, the Office of the Fire Marshal visits the same sample of schools as the Department of Education and notes violations of the Fire Safety Act through the issuance of an order. According to the Fire Marshal, these violations do not deal with the completion of required inspections and documentation of those inspections by the schools. Those are covered by the Department of Education inspections. The Fire Marshal orders focus on deficiencies found when inspecting the building and its contents.

- SSRSB took action to address the violations noted in the orders in a timely manner.

- We visited four schools to determine if periodic fire safety inspections required by the Act were completed and documented by SSRSB staff. In all schools, we found some inspections were not done or we could not conclude on whether they were done as there was no documented evidence to support their completion.

- The Act requires annual inspections of fire alarm systems. Eight of 27 fire alarm systems inspected in July and August 2007 were not fully functional when inspected. The inspection reports note *"the fire alarm systems functioned correctly under general alarm conditions"*. However, deficiencies in the system were identified which prevented the system from being fully functional. There is no evidence to determine when the SSRSB was notified of the deficiencies. Management indicated some of the deficiencies noted were fixed by November 5, 2007 but were not able to provide support for this comment. When deficiencies are identified, they should be addressed in a timely manner.

- The Act requires annual sprinkler system inspections. Such inspections are based on the building code at the time the sprinklers were installed. Five of 11 sprinkler systems inspected in July and August 2007 had a number of deficiencies. SSRSB was notified of the results between August 29, 2007 and November 15, 2007. In November 2007, SSRSB indicated the inspections were not based on the building code at the time the systems were installed. The inspections have to be repeated to determine if there are any deficiencies. By November 2007, appropriate annual inspections

of the sprinkler systems were not completed as required by the Fire Safety Act and any deficiencies which may exist are unknown. We also noted that 17 of SSRSB schools do not have sprinkler systems as these were not required by the building code at the time the schools were constructed.

- The Act requires six fire drills be conducted each school year. The Fire Safety Act provides further guidance on a schedule for the drills. One of five schools sampled could only provide evidence of five drills being conducted and none of the schools conducted fire drills in accordance with the required schedule.

Recommendation 2.6
SSRSB should comply with all requirements of the Fire Safety Act including conducting and documenting the required system of inspections, and addressing deficiencies identified in a timely manner.

2.23 The Director of Operations sent a memo highlighting common fire safety violations identified by the Department of Education and the Fire Marshal to all SSRSB principals so they would be aware and take action as necessary. As well, management informed us principals were provided training on their responsibilities under the Fire Safety Program.

2.24 *Compliance and Training Officer* – The SSRSB Compliance and Training Officer is responsible to help ensure schools are complying with the requirements of the Fire Safety Act. We could not determine if all aspects of the Act are being assessed as complete inspection procedures and results are not documented. This is an important control to ensure that fire safety issues are being identified and deficiencies corrected in a timely manner. If inspections are not properly documented with a process to follow up deficiencies, the effectiveness of the role may be limited. Management indicated that the Officer visits schools twice a year and we understand results of inspections may be communicated verbally to staff at the school.

Recommendation 2.7
The Compliance and Training Officer should document school inspection procedures and results to help ensure compliance with the Fire Safety Act. Deficiencies noted should be followed up to ensure corrective action has been taken.

2.25 *Children's play spaces and equipment standard* – SSRSB does not currently comply with the standard for children's play spaces and equipment but has indicated that this is its intention and steps have been taken towards compliance. Play spaces and playground equipment can pose safety hazards for students if not properly maintained. The Canadian Standards Association (CSA) has developed a standard which is available to aid

organizations in this regard. Compliance with this standard is voluntary and requires a comprehensive maintenance program along with periodic inspections, documentation of inspection results, and actions taken or planned.

2.26   SSRSB's Compliance and Training Officer completed an inspection of all playground equipment between April 2005 and October 2005 and found a significant portion of the equipment did not comply with the CSA standard. SSRSB developed a plan to remove the noncompliant equipment with an expected completion date of fall 2008. Annual inspections are planned starting in April 2008. As well, we were informed weekly visual checks are completed but not documented.

> Recommendation 2.8
> SSRSB should ensure full compliance with the CSA standard for children's play spaces and equipment as planned.

2.27   *Drinking water inspections* – We found evidence that required water testing was completed, documented and when necessary, corrective action was taken as required under the Environment Act, except for daily testing of chlorine levels. One school could not provide support for the completion of this daily testing for two months.

2.28   *School safety plan* – In fall 2006 SSRSB reviewed their security protocols and procedures related to the safety of students in schools. They determined minimum security standards for schools such as the existence of fire alarms, security cameras and public announcement systems.   Staff surveyed all schools to determine where standards were not met and plan to address deficiencies by the end of 2007-08. The Department of Education is in the process of developing a province-wide emergency management plan. It is expected this plan will be released by the Minister of Education in February 2008.

2.29   *Deferred maintenance projects* – SSRSB had two engineering assessments completed to determine the condition of schools in Queens (February 2000) and Lunenburg (October 2003) Counties. The assessments provided a list of projects which were prioritized into three categories:

> "*1. Must Do – serious code violations or other situations threatening the health, safety or short-term preservation of assets,*
>
> *2. Should Do – less threatening code violations, fire safety and health issues and poor functional or construction conditions that will require correction in the short-term and conditions that do not meet the requirements or current expectations of authorities, and*

*3. Could Do – minor functional or construction improvements that are likely to
fall under the Should Do category within 3-5 years."*

2.30 Management does not have a process to track the status of these projects.
As a result, they were unable to provide a list of completed projects.
Subsequent to our audit, management completed an analysis of the *"Must
Do"* category and determined there are five projects identified in October
2003 and one project identified in February 2000 which had not been
completed. The estimated cost of these projects is $821,000.

2.31 No analysis was completed for the *"Should Do"* or the *"Could Do"* categories,
but given the date of these assessments, it is possible that items in each
category are currently more urgent. In addition, management indicated
that at least nine additional maintenance projects, which are considered
to impact the health and safety of students, were identified prior to the
2005-06 school year. These projects have not been completed and have an
estimated cost of $249,500.

2.32 We are concerned that maintenance projects, which could have a negative
impact on the health and safety of students, were identified several years
ago and have not been completed. SSRSB needs to finish assessing which
projects identified in the consulting reports have not been completed and
which should be considered a current priority.

> Recommendation 2.9
> SSRSB should establish a process to prioritize and track deferred
> maintenance projects. The prioritization process should include an
> assessment of risk to the health and safety of students.

Governance, Accountability and Performance Reporting

2.33 *Conclusions and summary of observations* – The Board is not completely
fulfilling its governance roles and responsibilities. The Board should
undertake a formal risk assessment process to ensure all risks to the
achievement of the Board's mission, goals, and priorities are identified
and appropriately evaluated. Our audit identified a number of weaknesses
in the controls designed to help protect the health and safety of students.
Additionally the Board is not reporting complete performance information
and progress against all goals, priorities and performance measures
detailed in the annual business plan is not regularly reported to the Board
by management.

2.34 Generally, SSRSB is in compliance with the requirements under the
Education Act and regulations, focusing on general responsibilities of
school boards. There was one area identified where it was not compliant.

Personal service contracts for senior staff of SSRSB were not approved by the Minister of Education. Those contracts define the responsibilities, salary and other benefits to which management is entitled.

Board Governance

2.35 *Risk management* – The Board does not have a formal risk management process. Risk management is an important governance function in any organization to help ensure risks are identified, assessed and appropriate controls put in place to mitigate risks. A risk management process helps to ensure the organization's overall exposure to risk is at an acceptable level. Of particular importance to SSRSB should be those risks which could have a negative impact on the Board's ability to deliver on its mission *"to provide quality educational programming for students, grades primary to twelve, within a healthy, safe, respectful environment"*. During our audit, we identified a number of weaknesses in the policies, procedures and practices in place to help ensure the health and safety of students and we believe that the Board should make this area a priority.

> Recommendation 2.10
> The Board should implement a formal risk management process.

2.36 We understand SSRSB currently has an enterprise risk management (ERM) initiative underway. It is working with other school boards with the intention to develop and implement an ERM process in all school boards by the end of 2007-08.

2.37 *Board information requirements* – The Board has defined and communicated some of its information needs such as the monthly financial reports required. We were informed by the Board that some of this communication often happens *"in camera"* with no documented support. However, as part of its governance role, it is important that the Board define and communicate the timing and format of all information it requires on a regular basis so it can effectively and efficiently fulfill its governance responsibilities. For example, what are the Board's information requirements related to student health and safety. The Board is provided with information on a regular basis by senior management relating to various aspects of operations, but there may be information received which is not required or relevant information which is available but not communicated.

> Recommendation 2.11
> The Board should define and communicate all of its regular information needs to senior management.

2.38   *Annual evaluation of Board* – The Board does not perform annual evaluations of its effectiveness. To help ensure the Board continues to be effective in fulfilling its governance roles and responsibilities, it is important that the performance of the Board is evaluated annually. This process could be in the form of a self-evaluation where accomplishments are compared against goals and targets established at the beginning of the year.

Recommendation 2.12
The Board should perform an annual self-evaluation of its effectiveness.

2.39   *Annual evaluation of the Superintendent* – To help ensure the Superintendent is effective in fulfilling her roles and responsibilities, it is important that her performance is evaluated annually. Performance expectations should be defined at the beginning of the year and include specific measurable targets. There was no evaluation of the Superintendent in 2006-07 as the employee left the position during the year and a new Superintendent was hired in January 2007. There were no documented measurable targets agreed upon with the new Superintendent to use in completing the first annual evaluation. It is expected the Superintendent will be evaluated against the roles and responsibilities defined in the Education Act and regulations and achievement of goals and priorities defined in the 2007-08 business plan of the Board. The Board plans to have an external consultant complete an annual evaluation of the current Superintendent in 2007-08.

Recommendation 2.13
The Board should define measurable performance targets for the annual performance of the Superintendent.

Business Planning and Performance Reporting

2.40   *Planning* – The Department of Education requires all school boards file an annual business plan using a template provided by the Department. The Board is involved in the development of the business plan and approves the final document. The Board does not have a strategic plan; however, the business plan is a long-range planning document which includes a mission statement, long-range goals and priorities, as well as outcome measures and targets, specific to each goal identified in the plan. Targets will be monitored and reported over a number of years. The plan also includes targets to be achieved in the coming year. The Board intends to update the business plan each year to ensure goals, priorities, measures and targets remain appropriate.

2.41 *Performance reporting* – Regular, formal reporting to the Board does not include monitoring of progress against all goals, priorities, and performance measures detailed in the business plan. Without regular reporting of performance against the approved annual business plan the Board does not clearly know whether the priorities, objectives and goals established are being met. The Board's 2007-08 business plan includes a list of some initiatives achieved in the prior year which can be linked to some of the priorities noted in the prior year's plan. However this list is not complete and does not include reporting on achievement of established outcome measure targets.

Recommendation 2.14
The Board should require management regularly report progress against all goals, priorities and performance measures detailed in the annual business plan. As well, the Board should report complete performance information.

Approval and Monitoring of Annual Budget

2.42 *Budget approval* – The Board plays an active role in the review, challenge and approval of the budget. The Board is informed of the budget assumptions and calculations and challenges the content of the draft documents. There is a clear link between what is funded in the budget and the priorities and goals included in the business plan.

2.43 *Financial monitoring* – Financial information reported by management to the Board is appropriate and there is an opportunity for Board members to review and challenge the information provided. The Board receives monthly comparisons of actual results to budget with variance explanations. In the past, management periodically reported forecast information verbally. Beginning in September 2007, management began formal monthly reporting of forecast information to the Board.

Compliance with the Education Act and Regulations

2.44 *Senior management pay scales* – We examined the pay scales of senior management at SSRSB and concluded they were in compliance with the Ministerial Education Act Regulations. The regulations establish the pay scales for Regional School Board senior management and define this group as including the Superintendent and Directors.

2.45 *Senior management service contracts* – There are two senior staff at the SSRSB who are working without final, approved personal service contracts. As of September 2007, one employee was in a director position for approximately two years and the other was in a director position for approximately three years. The Education Act requires that the Minister of Education

approve senior staff personal service contracts. These contracts define the responsibilities, salary and other benefits to which the employee is entitled.

> Recommendation 2.15
> The Board should ensure personal service contracts are submitted for approval to the Minister of Education in a timely manner.

2.46 *Audit Committee* – The Board's Audit Committee fulfills its responsibilities under the Education Act. The Committee's terms of reference are consistent with the Act and it interacts appropriately with financial statement auditors. The Committee meets as required and membership is appropriate.

Economy and Effectiveness

2.47 *Conclusions and summary of observations* – SSRSB's management processes, operational systems and practices regarding student transportation and facilities management help to ensure economy and effectiveness. However, we identified some areas for improvement. SSRSB should have a formal maintenance program to help ensure property is in safe working order and its useful life is maximized. SSRSB has a procurement policy which requires that individual procurement practices be open, fair, and provide for the best value. However the policy does not adequately address procurement in situations where following the required procedures is not feasible or practical. We identified purchases where SSRSB's procurement policy was not followed. We also noted controls over fuel inventory should be improved.

2.48 *Maintenance program* – SSRSB does not have a formal maintenance program to ensure SSRSB property is properly maintained and kept in safe working order. There are some components of a program in place but it is not complete. In 2004, the Department of Education issued draft guidelines to inspect and maintain school board property. This may be helpful in developing a program. Some issues identified related to the lack of a formal maintenance program are as follows.

- SSRSB does not have a preventive maintenance plan. A preventive maintenance plan protects property over the long term and assists with early identification and correction of maintenance problems. SSRSB does preventive maintenance work on some equipment but there is no system to ensure this work is completed as required. We examined the records of four schools to determine if custodial preventive maintenance work was completed and documented. At three of the four schools staff were unable to provide evidence to support that preventive maintenance work was done.

- Management does not track and report maintenance work which has been deferred, including costs to complete the work. A serious deferred maintenance problem can lead to the need to prematurely replace buildings. As well engineering assessments, as discussed in paragraph 2.29, identified a list of maintenance projects which could be done to improve the conditions at each school and extend the useful life of the buildings. At the time of our audit, management was unable to provide a list of completed projects for these assessments. Deferred maintenance issues should be monitored and reported to senior management and the Board to ensure they are aware and can assess the significance of the issues and impact on the effectiveness of operations.

Recommendation 2.16
SSRSB should develop a formal maintenance program for school property with regular status reporting.

2.49 *Procurement* – Procurement activities of SSRSB must comply with the *Province of Nova Scotia's Government Procurement Process – ASH Sector.* These guidelines require that individual procurement practices and policies be open and fair and provide for the best value. We reviewed the procurement policy of the Board to determine if it was consistent with the ASH sector guidelines. We found Board policy had no provision for procurement in situations where following the required procedures is not feasible or practical other than if there is an emergency. The policy does not define what constitutes an emergency. Without clear guidelines to address when alternative procurement methods may be used (e.g., purchasing without a competition), there is a risk these methods will be used inappropriately. The ASH sector guidelines outline circumstances where alternative procurement methods may be used and the required documentation and approval to support those decisions.

2.50 We tested 30 procurement transactions and found the following issues.

- There were eight procurement transactions where an alternative procurement method was used (sole-sourcing). The reasons for sole-sourcing were not documented. As well, in three of these cases the purchase was approved verbally and in one instance, no approval was obtained.

- In three of 17 sample items, SSRSB did not advertise in the electronic public bid notice system as required by Board policy.

- In two of six sample items, SSRSB did not advertise in the newspaper as required by Board policy.

- In three sample items, the purchase was recommended and approved by the purchasing officer.

Recommendation 2.17
Board should revise its procurement policy to provide clear guidance on the use of alternative procurement practices. SSRSB should also ensure all aspects of the procurement policy are followed.

2.51 *Bulk purchasing* – SSRSB procurement policy encourages the use of bulk purchasing to achieve cost savings. The purchasing officer considers bulk purchasing opportunities through the Nova Scotia School Board Association and the Province of Nova Scotia. We saw evidence of bulk purchasing in our procurement sample testing.

2.52 *Control over fuel inventory* – SSRSB does not monitor vehicle fuel usage over time which could provide valuable information to identify inefficient vehicles or possible misuse of fuel. Staff were unable to reconcile month-end fuel inventory levels with purchases and usage of fuel reported for the month. Management indicated this has been an issue for the past few years. Fuel is an expensive commodity and a significant expenditure by the Board that warrants an appropriate level of control to ensure it is used in the most economic and efficient manner possible.

Recommendation 2.18
SSRSB should strengthen controls over fuel inventory through monitoring fuel usage and reconciling month-end inventory levels with purchases and usage information.

Response: South Shore Regional School Board

The South Shore Regional School Board appreciates the opportunity to respond to the 2008 audit report. Board and senior staff acknowledge and agree that there are areas that require significant attention and enhancement. As demonstrated to the audit team, in many instances these areas of deficiency had already been identified and steps are being taken to respond in a timely manner. Many of the recommendations made by the audit team reinforce priorities of the Board and provide concrete support for the direction in which the region is moving.

However, the general negative orientation of the report is disconcerting. In our opinion, it is most unfortunate that the authors of the report did not present a balanced review of findings to include processes, policies, and procedures that are working effectively and efficiently to serve the needs of students and staff in a safe and secure manner.

Throughout the report and recommendations, there is a failure to clearly differentiate between instances of non-compliance with legislation or policy and what could be argued to be a less serious situation involving a lack of adequate written evidence of compliance. Several recommendations would require that the Board exceed existing requirements. There are other recommendations based on assumptions that there is a threat to student safety, even when this is not necessarily the case.

The seriousness of this report merits comments on each of the recommendations.

Recommendation 2.1
School bus routes: The SSRSB acknowledges that there are bus routes that technically exceed the maximum of three bus stops per 1.6 km, and that there is no formal procedure in place to ensure Board approval of these variances. Immediate action has been taken to deal with this. However, there is a false implication in the report that each of the situations in which there are four stops within 1.6 km results in a "potential safety risk". In many instances, the rationale for the decision to add a fourth stop was, in fact, **increased** student safety.

Recommendation 2.2
Child abuse registry and criminal records check: Senior staff of the SSRSB was directly involved in the implementation of these provincial requirements aimed at enhancing the protection of students. Board and staff have developed procedures and are compliant. While the SSRSB acknowledges the opinion in the audit report that more frequent checks could potentially be beneficial, the feasibility of completing such checks on all staff on a regular basis is questionable. This is an area that could be referred to the provincial government for consideration

and funding. Nevertheless, the Human Resources Committee will engage in a discussion of the potential benefits of this recommendation.

Recommendation 2.3
Bus driver licenses, first aid/CPR training, and emergency evacuation drills: The SSRSB acknowledges that attention is required in this area and action has been taken. In terms of driver abstracts, the Motor Vehicle Regulations require abstracts to be filed once annually and the Board will continue to comply. Processes are being put in place to provide electronic monitoring that will ensure up to date documentation. The SSRSB also has increased the focus on professional development.

Recommendation 2.4
Bus maintenance: Completing preventative maintenance inspections on schedule is one aspect of bus maintenance, which is an area of high priority for the SSRSB. The entire bus maintenance program is being reviewed with assistance from an external consultant to ensure a clearly documented operational vision for the future, including a new preventative maintenance program. All processes are being reviewed and corrective action is being taken.

Recommendation 2.5
Bus safety inspections: Compliance with the Commercial Vehicle Maintenance Standards Regulations was identified by the SSRSB as a very high priority prior to the audit process. An expert has been contracted and is working in collaboration with the Nova Scotia Utility and Review Board Motor Carrier Division. Although all identified items are considered to be "safety issues", the personal safety of students travelling on buses was not compromised.

It is important to note that not all items that an inspector notes for repair can be accurately described as immediate safety issues. While buses may not be allowed on the road until an immediate safety issue is repaired, an inspector does not necessarily order every item to be repaired on or before returning to service.

Recommendation 2.6 and 2.7
Fire Safety: The SSRSB takes the safety of students very seriously, and will continue to address requirements in this area. While educators tend to be more concerned with student safety than with the documentation of proof of safety checks, the requirement to maintain up to date accurate documentation is acknowledged, and is being addressed.

Recommendation 2.8
Children's play spaces and equipment: Although the CSA standards for play spaces and equipment are voluntary, the SSRSB has already identified and removed all playground equipment deemed to be unsafe. We acknowledge that there are remaining structures that while in good condition, do not meet the voluntary

28

standards. Since there are no targeted funds available to Boards to support the implementation of these voluntary standards, the SSRSB will continue to balance this voluntary recommendation with other safety and educational priorities.

Recommendation 2.9
Deferred maintenance: A lack of documented processes for the tracking of deferred maintenance has been acknowledged by the SSRSB, and is an area of priority. It should be noted, however, that without additional funding provided annually in a timely manner, simply documenting and tracking needs will not result in increased completion of deferred maintenance.

Given the limited funding to the Board for major renovations and new school construction, it is an ongoing challenge to maintain aging buildings and grounds. The focus in the report on deficiencies and lack of acknowledgement of strengths is very discouraging given that in the past, the SSRSB has been commended for the condition of its facilities.

Recommendation 2.10
Risk Management: The SSRSB is currently engaged in a process to consider the development of a risk management program, in collaboration with other Boards.

Recommendation 2.11
Board Information Requirements: The SSRSB recognizes that the focus of an audit is documentation. While the Board is satisfied with the information that is received, it acknowledges that clear articulation of specific requirements, including timelines would increase the level of satisfaction of external parties reviewing practices and procedures.

Recommendation 2.12
Annual evaluation of Board: The Board acknowledges the potential benefits of a formal annual evaluation and will take this under consideration.

Recommendation 2.13
Annual evaluation of the Superintendent: The Superintendent has been with the Board for one year. The annual performance appraisal process is in progress, as required by the province, and measurable performance targets will result.

Recommendation 2.14
Business Planning and Performance Reporting: The Board is compliant in reporting annually on achievements as required by the Department of Education. In addition, monthly reports to standing committees provide an opportunity for updates. The suggestion that formal documented reporting be more frequent is acknowledged and will be considered as part of the 2008-2009 planning process. As in all instances, the Board must be cautious in regard to diverting staff time and resources away from student learning.

Recommendation 2.15
Senior Management Service Contracts: The SSRSB acknowledges the requirement for a personal service contract for senior staff.

Recommendation 2.16
Maintenance of Facilities: The SSRSB has already identified the need for a formal maintenance program. This is in development.

Recommendation 2.17
Procurement: During the period May 2004 through April 2006, at the School Board's recommendation, the position of Purchasing Officer was eliminated. In May 2006 the Purchasing Officer position was reinstated and the position was filled to enable the Board to put more emphasis on the purchasing function.

In response to this recommendation, the SSRSB will be reviewing the current purchasing policy to examine alternative purchasing practices, as well as ensuring the purchasing policy is followed.

Recommendation 2.18
Control over Fuel Inventory: The SSRSB has already identified control over fuel inventory as an area of priority, and steps are being taken to address this to the extent possible and feasible.

In closing, it is important to highlight that during the past few years the SSRSB has identified areas of underperformance, and has taken significant steps to deal with these and to move forward. It is the mission of the South Shore Regional School Board SSRSB to provide quality equitable programming for students within a healthy, safe, and respectful environment. The region continues to provide excellent educational programs for students and will continue to work to provide an increasingly safe and secure learning and working environment.

3 Environment and Labour: Environmental Monitoring and Compliance

Summary

The quality of our environment can have a significant impact on the lives of Nova Scotians. Pollutants and other contaminants can negatively affect human health and the competitiveness of our economy. The Environmental Monitoring and Compliance Division of the Department of Environment and Labour is responsible for environmental protection and the delivery of enforcement-based compliance programs which are vital to ensure a healthy environment. We completed a performance audit at the Division, examining their policies, procedures and processes to ensure compliance with the Environment Act.

An efficient and effective approval process is essential to ensure those engaging in environmentally sensitive activities do so in a safe and legal manner. Monitoring and inspecting are means to verify that individuals and businesses are meeting their regulatory requirements under the Environment Act. Enforcement is necessary when voluntary compliance with the Act cannot be achieved.

The Division's policies and procedures for issuing approvals, inspections and enforcement are not adequate as implemented. We found instances where required procedures were not performed – approvals were issued without all documentation in place, required inspections were not completed, enforcement actions were inadequate to ensure compliance, and complaints were not followed up. While a policies and procedures framework is in place, to be effective, the Division must ensure all required policies and procedures are followed.

An effective quality assurance process is an important control to identify and correct noncompliance with internal policies and procedures as noted above. The Division has begun to develop a quality assurance process which is still in the testing phase. We believe the Division needs to fully implement a quality assurance process as soon as possible.

Management information systems are not adequate for the Division to manage its responsibilities. Information is not complete, reliable and accurate. As a result, management are not aware of the extent and completeness of monitoring, inspection and enforcement activities carried out by staff. The Division must ensure current systems are fully utilized, meet user needs and have complete and accurate data.
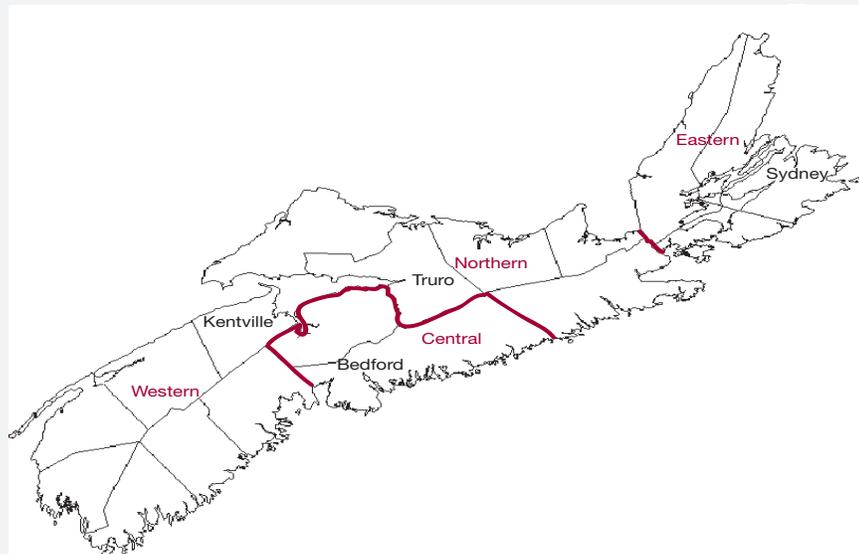
3 Environment and Labour: Environmental Monitoring and Compliance

Background

3.1 Under the Environment Act, the Department of Environment and Labour is responsible to protect and preserve the environment through delivery of regulatory and non-regulatory programs. Within the Department, the Environmental Monitoring and Compliance Division (EMC) is responsible for operations relating to environmental protection; including issuing approvals, monitoring, inspections, and enforcement. EMC's core programs are organized around hazardous substance management (dangerous goods, industrial facilities, pesticides), waste management (on-site sewage, wastewater, solid waste), and water resource management (treatment, allocation, watercourse alteration).

3.2 For operational purposes, the province is divided into four regions. A regional manager oversees each region, with one or more districts within each region under the direction of a district manager. This network of regional and district offices provides environmental compliance coverage to all areas of the province.

Exhibit 3.1

Environmental Monitoring and Compliance Division Regional Offices

Source: Department of Environment and Labour

3.3 In 2006-07, actual expenditures for the Environmental Monitoring and Compliance Division were $8.6 million. For 2007-08 the budget for the Division was $10.4 million from a total department budget of $34.7 million. The Division employs approximately 70 inspectors throughout the four regions. Inspectors are supported by Division resource staff such as engineers, compliance and inspection coordinators, and hydrogeologists.

Audit Objectives and Scope

3.4 In October 2007 we completed a performance audit at the Environmental Monitoring and Compliance Division of the Department of Environment and Labour. The audit was conducted in accordance with Section 8 of the Auditor General Act and auditing standards established by the Canadian Institute of Chartered Accountants and included such tests and procedures we considered necessary in the circumstances.

3.5 The objectives for this assignment were to determine whether:

- the processes for issuing approvals are adequate to ensure compliance with the Environment Act;

- monitoring, inspection and enforcement processes are adequate to ensure compliance with the Environment Act;

- systems and processes for handling complaints from the public concerning violations of the Environment Act are adequate; and

- information systems and processes to manage the Division's compliance responsibilities under the Environment Act are adequate.

3.6 Our audit focused on the Environmental Monitoring and Compliance Division's processes and procedures surrounding industrial and dangerous goods management activities. Generally accepted criteria consistent with the objectives of the audit do not exist. Audit criteria were developed specifically for the engagement using both internal and external sources. Criteria were discussed with and accepted as appropriate by senior management of the Division.

Exhibit 3.2
Activities Requiring Approval Under Division IV and V of the Activities
Designation Regulations

Dangerous Goods Management Activities	Industrial Activities	
Dangerous Goods Waste Dangerous Goods Salvage Yards	Chemical Food or Fish and Animal By-Products Minerals Oil and Gas Primary Manufacturing Wastewater Services	Construction Metals Wood Products Power Plants Miscellaneous, e.g. crematoriums, cemeteries

3.7   We conducted audit work at the four regional offices from August to October. We interviewed management and staff; examined policies, files and other documentation deemed to be relevant; reviewed systems; and tested certain processes and procedures.

Significant Audit Observations

Approvals

3.8   *Conclusions and summary of observations* – We assessed whether the processes for issuing approvals were adequate to ensure compliance with the Environment Act. We concluded that while the Division's framework for issuing approvals reflects the requirements in the Environment Act and regulations, this framework is not always followed. We noted the Division issued many approvals without all required documentation in place. An efficient and effective approval process is essential to ensure those engaging in environmentally sensitive activities do so in a safe and legal manner. Failure to follow the approval process can lead to applicants engaging illegally in those activities and, more importantly, causing preventable damage to the environment.

3.9   *Approval process* – Under the Activities Designation Regulations, the Department must issue an approval for any activity which has the potential to cause an adverse effect on the environment. We examined the process for obtaining approvals to engage in industrial and dangerous goods management activities. We found the application process was standardized across the province, clearly presented, and reflected requirements of the Act and regulations. We selected 60 active approvals from all areas of

the province issued prior to 2006 and tested compliance with policies and procedures. We observed the following.

- Applicants are required to provide proof they own the site on which the proposed activity will take place or have a lease or other agreement that allows them to conduct the activity on the site. We found three cases (5%) where there was no proof that the applicant owned or had the right to use the site. If such documentation is not obtained, applicants could receive an approval to conduct activity on land they do not have the right to use. This could result in legal or financial consequences for the Department.

- Regulations require the applicant provide security equal to estimated site rehabilitation costs when undertaking certain activities. If financial security is not obtained before issuing an approval and kept current, the Department could become responsible for potentially significant site clean-up costs. We noted three cases (5%) where required financial security was either not obtained or not kept up-to-date. We noted similar concerns with financial security during an audit of the Department in 1993.

- In addition to the standard terms and conditions set out in the Act and regulations, an applicant may be required to provide other documentation or meet certain requirements that are specific to the activity or the site on which the activity will be carried out. Approval documents include specific terms and conditions. We found two cases where approvals were issued before the specific terms and conditions were met. In three other cases, the Division required the applicant meet specific terms and conditions within a short time after the approval was issued. There was no evidence these terms and conditions were ever met. The risk an activity is not carried out in the safest possible manner and could have a negative impact on the environment is increased if an approval holder does not meet all required terms and conditions of an approval.

- In certain cases required documents were not provided such as contingency plans (18 cases – 30%) and abandonment or rehabilitation plans (3 cases – 5%). The Division cannot complete a full review of a proposed activity without obtaining all required documentation. Management indicated contingency plans are not always necessary. If certain documents are not necessary for a particular activity it should be noted in the file. There was no such documentation in the files we examined.

3.10   The Division must obtain all required documents to complete a full review of an activity. Failure to do so could result in significant consequences for the Department, such as responsibility for clean-up of an abandoned or contaminated site.

> Recommendation 3.1
> The Division should ensure that proof of ownership or right to use a site and all other documents are obtained, required financial security is in place, and all requirements are met before an approval is issued.

Monitoring and Inspections

3.11 *Conclusions and summary of observations* – We assessed whether monitoring and inspection processes are adequate to ensure compliance with the Environment Act. We concluded inspection processes are not adequate as the Division is not meeting its inspection requirements. We also noted monitoring processes could be improved. Monitoring and inspections are necessary to verify that individuals and businesses are meeting their regulatory requirements under the Environment Act.

3.12 *Monitoring and inspection processes* – We examined the monitoring and inspection processes intended to ensure approval holders are meeting the terms and conditions of their approvals. For certain types of approvals, approval holders are required to report regularly on aspects of their activities. Inspectors review these reports and follow up on noncompliant items. The Division accepts the information provided by approval holders in good faith. They do not perform periodic audit or other procedures to verify the accuracy and reliability of these reports. Submitted data could be inaccurate if equipment used to record the information is calibrated incorrectly or there were errors in gathering the data.

> Recommendation 3.2
> The Division should establish procedures to obtain objective evidence to validate the accuracy of monitoring reports received from approval holders.

3.13 Inspectors are required to carry out risk assessments for all operational industrial and dangerous goods management activities. The risk assessment is used to determine the frequency of subsequent inspections. We examined the files for 60 active approvals and tested whether monitoring and inspection activities were carried out as required. We observed the following.

- Risk assessments were not documented in the file in 16 cases (27%) although there were risk scores in the information management system in seven of those cases. If a risk assessment is not completed, it is possible inspections are not carried out at the appropriate frequency. This increases the risk of noncompliant activity going undetected (not inspecting enough) or inspection resources used unnecessarily (inspecting too often).

- For 23 cases (38%) where risk assessments were completed, inspections were not carried out as frequently as the risk rating indicated. There was

no evidence in the files any inspections had been carried out for four (7%) of the cases we examined, although the information management system indicated some had been done. Staff in one region gathered information indicating 93 (42%) of their 222 industrial and dangerous goods management approvals had overdue inspections. The risk of damage to the environment through noncompliant activity is increased when inspections are not carried out.

- The files for a large operation did not contain current information. The most recent monitoring information was for the year 2000 and there were no inspection reports. The files were originally managed from one district office and later transferred to another office. Management indicated inspections were carried out regularly but the inspector responsible has since retired and the documentation could not be located.

- Inspectors complete a field inspection report that notes the details of the site and inspection results, including any noncompliant issues to be addressed. The inspector and the approval holder or representative sign the report. If the approval holder or representative does not sign, the inspector notes the reasons on the report. For 27 cases (45%) the approval holder had not signed the report and there was no explanation noted. Without some indication that the approval holder has been informed of the results of the inspection it is possible that noncompliant issues noted will not be addressed or will not be dealt with in a timely manner.

3.14 Inspections are a means to verify that activities are carried out in a manner that meets the requirements of the Environment Act. Risk assessments are a means to determine how often ongoing activities should be inspected. Inspection reports provide evidence of an inspection and the results. The signature of the approval holder or representative indicates they have been informed of the results of the inspection and any remedial action that must be taken. The risk that activity which could potentially damage the environment will go undetected or not be addressed in a timely manner is increased if the Division does not carry out inspections or does not complete them as frequently as required. Complete documentation of an inspection provides evidence the inspection has been carried out and the owner or representative informed of the results and any remedial actions required.

Recommendation 3.3
The Division should ensure risk assessments are completed and inspections carried out as frequently as required. Further, the Division should completely document inspections, including obtaining signatures or providing an explanation why they were not obtained.

3.15 A quality assurance process is a set of planned and systematic actions to provide confidence that a system is performing as required. Establishing

such a process would assist the Division in addressing the issues noted above. The Division has begun to develop a quality assurance process to determine the degree of internal compliance with operational and administrative responsibilities. It is designed to detect and make correction in areas where improvement is needed and to maintain compliance with required procedures. A pilot project was implemented in late 2006 to test the first stages of the process. Testing of the remaining stages was to be completed in 2007. The pilot project focused on one of the Division's compliance programs. Preliminary results from the pilot project indicated some required procedures were not done and there were issues with completeness of documentation. The Division expects to implement the quality assurance process across all its compliance programs in the coming years.

Recommendation 3.4
The Division should implement the quality assurance process across all its compliance programs as soon as possible.

3.16   Management indicated that, in 2006, one region undertook an initiative to improve the organization and structure of its files. Another region developed a pilot project for records creation, maintenance and management. Periodic management review of inspectors' files is part of the process.

Enforcement

3.17   *Conclusions and summary of observations* – We assessed whether enforcement processes are adequate to ensure compliance with the Environment Act. We found instances where the Division's enforcement actions were not adequate. Responsibility for enforcement is established in legislation and facilitated through Division policies and procedures. Enforcement may be used to achieve compliance with regulatory requirements and is necessary when voluntary compliance cannot be achieved.

3.18   *Enforcement processes* – We investigated the framework for enforcement of the Environment Act and regulations and determined that the authority, roles and responsibilities for enforcement are clearly presented in the Act, regulations and policies of the Department. Enforcing compliance can involve non-punitive measures, such as persuasion and education, as well as punitive measures such as summary offence tickets and prosecution. Inspectors determine which course of action to take. Inspectors are guided by the Department's compliance model (see Exhibit 3.3), investigation and enforcement tools, and consultation with compliance and investigation coordinators or the district manager.

3.19   Inspectors receive training in investigations and enforcement through a formal training program developed for the Department. As well,

compliance and investigation coordinators provide periodic education and training on proper documentation of investigations and enforcement activities. In one region the coordinator is also involved in carrying out file reviews for proper and complete documentation.

Exhibit 3.3
Regulatory Compliance Model – Environment Act
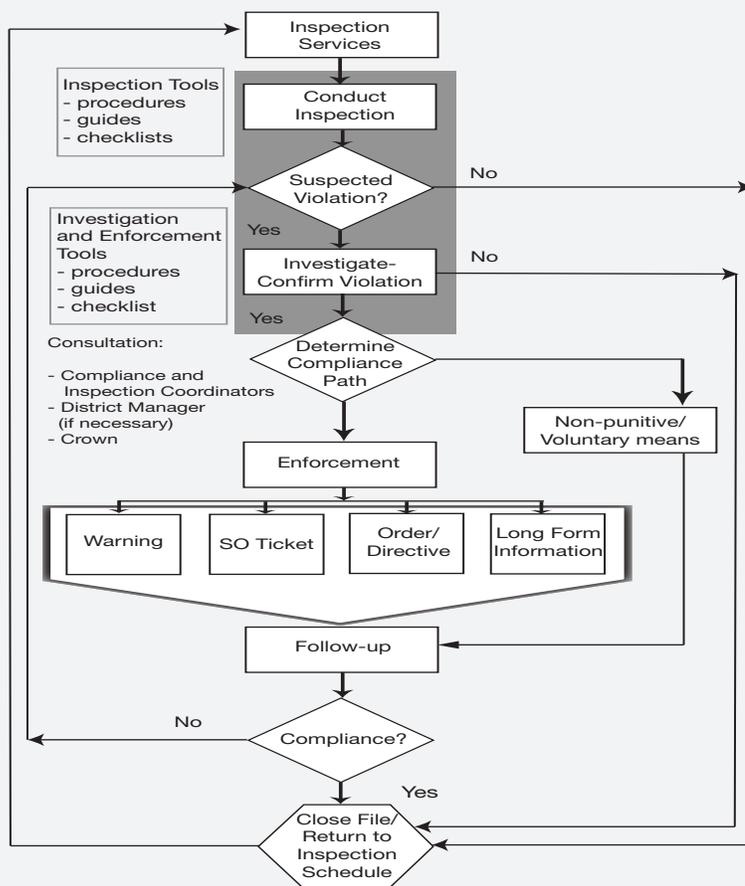
Source: Department of Environment and Labour

3.20 We examined 90 files and noted instances where inspectors documented various noncompliant matters. We assessed measures taken to ensure these matters were corrected and made the following observations.

- Required procedures were followed for 13 cases where punitive measures, such as warnings, summary offence tickets or ministerial orders were used.

- Where non-punitive measures were taken, there was no evidence of follow-up by the inspector to ensure corrections were made in 15 cases. For seven of those cases, the noncompliant matters were not noted in later inspections.

- Persuasive measures were used repeatedly in eight cases and did not result in compliance for two of these cases. Compliance was not timely for five of the remaining cases.

- In one instance the approval holder did not comply with the regulations and was not cooperative with inspectors. Persuasive measures were continually used with no effect. We were informed that other methods were deemed not viable because the approval holder was unlikely to heed a warning or pay a ticket due to limited financial means.

- In one case punitive measures were initiated but not continued due to lack of proper support for the action. The inspector's ability to act was impaired due to insufficient documentation from a previous inspector's contacts with the approval holder.

3.21 Timely and appropriate use of enforcement can improve compliance and serve as a deterrent. The Division cannot ensure compliance if enforcement procedures are ineffective – lack of follow up on noncompliance or repeated use of unsuccessful non-punitive measures.

Recommendation 3.5
District management should monitor the work of the inspectors to ensure they follow up on noncompliance in a timely manner and use appropriate enforcement measures.

Complaints

3.22 *Conclusions and summary of observations* – We assessed whether systems and processes for handling complaints from the public concerning violations of the Environment Act are adequate. We concluded the Division does not have adequate systems to track and monitor public complaints. While the Division has established policies and procedures for recording, investigating and concluding on complaints, we noted a number of instances where they did not follow required procedures. Public complaints are a significant source of information on activities that may impact the environment. It is important that the Division properly record and investigate complaints received to ensure an appropriate response is made to protect the environment.

3.23 *Tracking systems* – The Division does not have a single, province-wide complaints tracking system. Each region has its own system for recording, tracking and responding to complaints. In three regions, complaints are managed and monitored through computerized databases. Two databases have the ability to track the status of a complaint and generate reports. The third database has limited reporting capabilities and does not provide status information. The fourth region manages and monitors complaints using a spreadsheet which allows for tracking the status of a complaint but does not readily provide reports on the information gathered.

3.24 We tested 30 complaints files and noted the following.

- There were six instances where complaints were documented in the files and followed up but not listed in the complaints tracking system.

- In two cases, the tracking system showed open complaints although investigations were completed and documented as closed in the file.

- Complaints investigations were completed but the files were not closed in eight cases.

- There were four complaints listed in the tracking system where there was no evidence the complaints were investigated.

- Inspectors did not contact the complainant after investigation of the complaint, as required by policy, in seven cases.

- The inspector's contact with the complainant was not timely in one case.

Exhibit 3.4
Role of Inspector (%)

Briefing Notes (2.2%) Training (3.5%) Complaints (21%)
Planning (2.8%) Inspections (12%) Mentor (2.2%)
Investigations (8%) DMs (2%) Coaching/Advisor (2.6%)
Research (1.5%) Communications (2.4%) Risk Based Audits (5%)
Education (2.4%) Water Boils (5%) Approvals (28%)
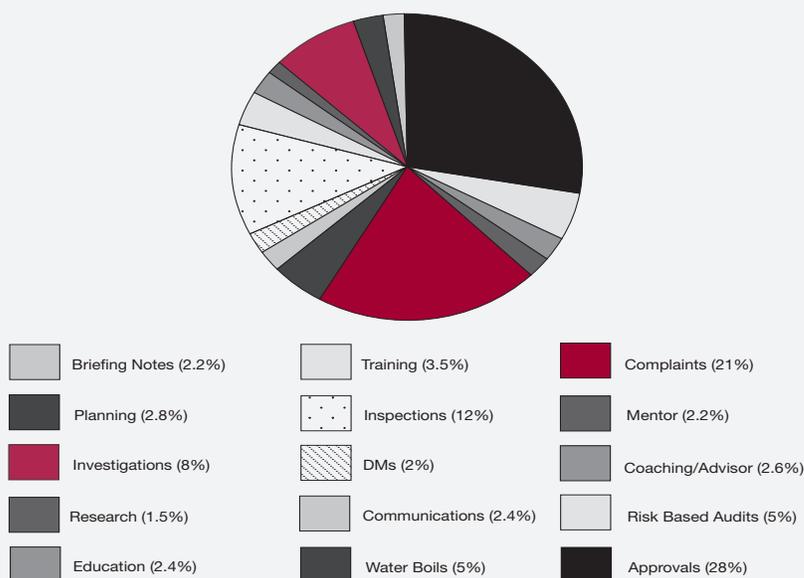
Source: Department of Environment and Labour – Northern Region

3.25 Inspectors spend a considerable amount of their time following up and investigating complaints. If tracking systems do not have accurate information on the number and status of complaints investigations, management may not be able to determine the full extent of the workload of inspectors and therefore be unable to fully manage their resources. If the Division does not follow all required procedures, complaints may not be investigated appropriately which could result in harm to the environment.

Recommendation 3.6
Management should ensure that information entered into the complaints tracking systems is complete and accurate and that policies and procedures for handling complaints are followed.

3.26 The Department is in the process of implementing a tracking system which will capture and track a variety of activities, including complaints. Management informed us this system will be available in all regions and across all divisions of the Department. It is currently being implemented in one division and is not expected to be in operation for the Environmental Monitoring and Compliance Division until at least 2009.

Management Information Systems and Processes

3.27 *Conclusions and summary of observations* – We assessed the adequacy of information systems and processes to manage the Division's compliance responsibilities under the Environment Act. We concluded that management information systems and data are not adequate. Information systems do not provide management with complete, reliable and accurate information regarding the extent of monitoring, inspection and enforcement activities carried out by staff. To make informed decisions, management needs information that is relevant, reliable, up-to-date and readily accessible.

3.28 *Management processes* – Regional managers communicate and meet regularly with district managers to obtain information on district issues, provide direction and outline priorities. District managers are responsible for daily management of inspection staff and have daily or regular discussion, communication and meetings with inspectors to keep up-to-date on activities. They also use reports and information from the Department's information management system, as well as other subsystems (spreadsheets and databases), to monitor work activity.

3.29 *Information management system* – The Division's information management system (EIMAS) was custom designed for the Department and implemented in 1999. The system was designed primarily for registration and approvals information. It does not include information on all the Division's responsibilities, such as contaminated sites and complaints. The Division uses spreadsheets and other databases to record these activities. EIMAS information is available to all staff. A number of standard reports on applications, approvals and inspections can be generated from the system.

3.30 When EIMAS was initially implemented data errors were made as staff learned to use the system. Corrections and improvements to the system addressed issues that arose, but data errors continue to be an issue. In 2005, staff carried out a review of industrial and municipal approvals to determine

the prevalence of discrepancies between the expiry date in EIMAS and the date on the approval provided to the approval holder. The review found that approximately 30% of the expiry dates did not match. Improvements were noted in a 2006 follow-up review. However, there were still errors in 20% of the files reviewed. From our testing, we noted differences in expiry dates in ten (17%) of the files. While some of the differences in the dates were small (one month or less), there were others where the difference was one year or more. We noted one instance where the actual expiry date was over eight years past the EIMAS date. Incorrect expiry dates in the system could result in not scheduling and carrying out required inspections or operators continuing to operate without a valid approval.

3.31   Management monitors work activity with the Application/Approval Activity Summary, an EIMAS report. This report shows the progress of applications from initial receipt through to final disposition. We extracted a report of industrial and dangerous goods applications that were listed as under review. Of the 101 applications, we noted 84 dated between 1999 and 2006. We were told possible reasons why these applications are still under review could be due to waiting for missing information, failure to close a completed file or an approval was issued but not recorded in EIMAS. We examined 29 files and were informed that in at least seven cases the application had been approved and issued but not recorded in EIMAS. In at least four other cases the file should have been closed.

3.32   During our audit, management expressed concern that data in EIMAS was not accurate and did not necessarily reflect the inspection files. One region developed a spreadsheet that outlined approval and inspection information for industrial and other files and noted differences with the information in EIMAS. Staff used this information to follow up and correct discrepancies. At the time we reviewed the spreadsheet, there were 24 files (11%) where information in EIMAS was incorrect or missing. We were informed that another region carried out a project to review their files and correct any errors in EIMAS. We did not audit the results of this review. A third region uses a separate database to track certain inspector activities.

3.33   Inspectors can use EIMAS to schedule inspections based on the risk rating of the approved activity. We found staff is not consistently and fully using these capabilities. Through our testing of inspection files, we noted inspections were carried out but not recorded in EIMAS. In other cases, inspections were recorded in EIMAS but there was no evidence in the file that inspections were completed. Since EIMAS is not consistently used to document monitoring and inspection activities, system reports on these activities are unreliable and have limited usefulness as a management tool.

3.34   Staff can use information gathered from monitoring, inspection and enforcement activities in building compliance histories of the regulated

parties and determining the most appropriate response to incidents of noncompliance. Data can be combined and analyzed to provide information about compliance rates for a sector or geographic area. This information is also useful for program planning and management which are critical to ensuring the Division's compliance resources are employed in the most efficient and effective manner.

Recommendation 3.7
The Division should ensure compliance activities and other data are consistently and accurately captured in the information management system.

3.35 Managers in the regions rely on a variety of sources for information on enforcement activity. Some regions use spreadsheets to track certain types of enforcement activity. Compliance and investigation coordinators in some regions prepare monthly status reports on investigation and enforcement actions by inspectors. Managers may also meet regularly with the coordinators and individually with inspectors to discuss ongoing investigations and enforcement activities.

3.36 EIMAS is also used to capture enforcement actions although limited reports can be generated from this data. The system does not have the ability to create a complete, comprehensive status report on enforcement activity in a particular region or across the province. We reported a similar situation in our 2002 audit report on water safety. In our 2005 follow-up review, the Department noted a report writing program was now available that addressed the problem. In our discussions with management, they indicated there have been difficulties with the report writing program and reports are still not readily available.

Response: Department of Environment and Labour

This report supports measures already underway at the Environmental Monitoring and Compliance Division at the time of the audit and will be a useful tool as we bring those programs to completion.

The Division appreciates the recommendations in this report. We understand that the report is not critical of our policies and procedures, but does state that our implementation of them needs improvement. We accept that advice.

However, it must be noted that although errors and omissions in implementing policies and procedures have occurred, there is no indication from either the audit or from the department's experience that these errors and omissions have resulted in negative impacts to public health or the environment.

Many of the audits findings relate to information systems or quality assurance. The Department was already implementing a new information management system known as the Activity Tracking System at the time of the audit. The Division is scheduled to adopt ATS in 2009 and we anticipate significant improvements as a result.

This same point must be made about quality assurance. The Division successfully tested a quality assurance program on our public drinking water supplies in 2007, and in 2008 we will add municipal drinking water and one industrial sector to the program.

The role of the Risk Based Audit process should also be noted. The RBA recognizes that it is neither possible nor necessary for government to audit the performance of each of the 3,300 approved facilities currently in operation. Instead, the majority of our effort is focused on those activities where noncompliance poses the greatest risk. However, all operators are aware that inspections can and do occur at any facility, at any time.

The Division would like to thank the staff of the Office of the Auditor General for their professionalism and advice. On the seven specific recommendations, the Department offers the following comments:

APPROVALS

Recommendation 3.1
The Division should ensure that proof of ownership or right to use a site and all other documents are obtained, required financial security is in place, and all terms and conditions are met before an approval is issued.

The Division puts a great deal of work into ensuring that all appropriate documents, including proof of ownership and financial security, are provided before an approval is issued. There have been instances in which not all documents are present in project files.

Not every document listed in the approval regulations is required for every activity. At the time of application, proponents are advised by staff as to what conditions their project must meet. For example, a cemetery application does not require a contingency plan, but the application form does not reflect this practice.

This approach can cause confusion, and the Division will therefore prepare checklists clearly showing which submission documents are required for specific types of activities.

Monitoring and Inspections

Recommendation 3.2
The Division should establish procedures to obtain objective evidence to validate the accuracy of monitoring reports received from approval holders.

The Division validates the accuracy of monitoring reports according to the risks inherent in the activity. For example, the Division currently has a program to regularly validate water quality data for drinking water supplies.

It is not feasible for the Division to validate every monitoring report for the 3,300 approved activities with operational components. In some cases monitoring data is supplied by the operators, who are aware that their data is subject to verification and that filing false data is an offence under the Environment Act. In other cases, monitoring is conducted by reputable third-parties who are also aware of the consequences of false reporting.

Further, some activities, such as the surface coal mining, receive frequent unannounced visits from Division inspectors.

In response to this recommendation, the Division will review its system for validating monitoring reports.

Recommendation 3.3
The Division should ensure risk assessments are completed and inspections carried out as frequently as required. Further, the Division should completely document inspections, including obtaining signatures or providing an explanation why they were not obtained.

The Division routinely conducts unannounced inspections, which means the approval holder is not always on site to sign the inspection report. The Division

will change its inspection form to include space to indicate why the report is not signed.

The Division will review its Risk Based Audit program and make changes to ensure appropriate risk criteria are used.

The Division will develop and implement, by 2009, procedures within the current quality assurance program to ensure that risk assessments are conducted and inspections are carried out in a timely manner.

Recommendation 3.4
The Division should implement the quality assurance process across all its compliance programs as soon as possible.

The Department will continue to implement the quality assurance process developed in 2006 and successfully tested in 2007 on our public drinking water supplies.

In 2008 the Division will expand its quality assurance program to municipal drinking water facilities and one sector of the industrial approval program. The phased expansion will continue until all appropriate activities are included.

Enforcement

Recommendation 3.5
District management should monitor the work of the inspectors to ensure they follow up on noncompliance in a timely manner and use appropriate enforcement measures.

Supporting the work of inspectors continues to be an important priority for management. Managers meet regularly with staff to discuss the status of their files and review noncompliance issues.

To build on this, the Department is currently implementing a new Activity Tracking System (ATS) across all operational divisions of the department. One component of ATS includes the capture and tracking of the status of noncompliance matters. Rollout of ATS to the EMC Division is scheduled for 2009.

Complaints

Recommendation 3.6
Management should ensure that information entered into the complaints tracking systems is complete and accurate and that policies and procedures for handling complaints are followed.

The new Activity Tracking System that is currently being implemented in the department includes a component for the capture and tracking of complaints. EMC division is scheduled to commence with ATS in 2009.

The EMC Division has developed a file building and maintenance procedure that includes an internal file audit process for handling complaints. The procedure is currently being piloted in one area of the province and will be extended in all regions in 2008.

Management Information Systems and Processes

Recommendation 3.7
The Division should ensure compliance activities and other data are consistently and accurately captured in the information management system.

The division will develop and implement procedures within the current quality assurance program to ensure the consistency and accuracy of data entry into our information management system.

4 Health Promotion and Protection: Communicable Disease Prevention and Control

Summary

Our audit at the Department of Health Promotion and Protection (HPP) uncovered significant deficiencies. Management of HPP indicated many of these concerns were identified in the *Renewal of Public Health in Nova Scotia*. We evaluated the governance and leadership structure within HPP; adequacy of information systems related to vaccines and immunizations; adequacy of performance information; and compliance with policies and procedures as well as timeliness of information during the recent mumps outbreak.

We found that neither the mandate of Health Promotion and Protection, nor the structure of public health in Nova Scotia is clearly defined in legislation or regulations. Legislation should be updated to ensure an adequate leadership and accountability structure in Nova Scotia's public health system.

We found overall planning inadequate. The Department does not have a strategic plan. 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. Additionally, the provincial mumps outbreak team had not considered recommendations from previous outbreaks.

HPP's information systems are inadequate. Key systems such as an immunization registry do not exist or are paper-based. Information which is recorded is often incomplete. HPP does not provide adequate guidance to the districts regarding information to include in immunization records.

HPP has an adequate system to track vaccine distribution but protocols for vaccine storage and handling are inadequate. HPP does not monitor to ensure vaccines are maintained at an appropriate temperature during transport. Appropriate vaccine protocols in line with the Public Health Agency of Canada's national guidelines should be established to ensure consistency across the province.

4 Health Promotion and Protection: Communicable Disease Prevention and Control

Background

4.1   The Department of Health Promotion and Protection (HPP) is responsible for oversight of the public health system in Nova Scotia. Front-line public health staff are located in District Health Authorities across the province. There are also public health inspectors working in the Departments of Environment and Labour, and Agriculture. Together, the Department and front-line staff are responsible for various areas of public health, including communicable disease prevention and control.

4.2   In 2007-08, the Department of Health Promotion and Protection's budget was $49.7 million (2006-07 – $36.3 million), with $24.4 million allocated to public health (2006-07 – $23.1 million). Of the public health portion, $863,000 (2006-07 – $307,000) was allocated to communicable disease prevention and control and $6.9 million (2006-07 – $3.7 million) for vaccine purchases. Additional public health funding is provided to District Health Authorities (DHAs) through the Department of Health.

4.3   In January 2006 government accepted the *Renewal of Public Health in Nova Scotia* – an external review of the public health system commissioned by the Department of Health and then Office of Health Promotion. The report contained 21 recommendations to improve public health in the province, including the formation of one central department responsible for public health in Nova Scotia. In February 2006, government created the Department of Health Promotion and Protection.

4.4   HPP brought together many existing groups under one department including addictions, physical activity, sport and recreation, and public health. Communicable disease prevention and control is one of many responsibility centres within public health.

4.5   Management indicated they are working on a 10-year plan to implement the remaining 20 recommendations in the *Renewal of Public Health in Nova Scotia*. Although we reviewed this report during our audit, we did not audit HPP's progress towards implementing recommendations.

Audit Objectives and Scope

4.6   In fall 2007, we completed a performance audit of communicable disease

prevention and control within the Department of Health Promotion and Protection. The audit was conducted in accordance with Section 8 of the Auditor General Act and auditing standards established by the Canadian Institute of Chartered Accountants.

4.7   The objectives of our audit were to assess:

- whether the governance and leadership structure within Health Promotion and Protection is appropriate to fulfill its mandate;

- the adequacy of information systems used to record and track immunizations administered in Nova Scotia;

- whether outbreak management policies and procedures were complied with during recent mumps outbreaks;

- whether information was communicated on a timely basis during recent mumps outbreaks;

- the adequacy of Health Promotion and Protection's system to monitor and control the distribution, storage and usage of vaccines; and

- the adequacy of performance information prepared and reported on communicable diseases by Health Promotion and Protection.

4.8   Audit criteria were obtained from recognized sources, such as the Public Health Agency of Canada and the CCAF-FCVI Inc. Additional criteria were prepared by this Office. Criteria were accepted as appropriate by management of the Department prior to our audit.

4.9   Our audit approach included review of documents and interviews with key management and staff within the Department of Health Promotion and Protection. We also met with senior management members in regional public health offices and Vice-Presidents from three District Health Authorities.

4.10   The scope of our audit focused on communicable disease prevention and control, although many of our findings and recommendations relate to the public health system and the Department of Health Promotion and Protection on a broader level.

Significant Audit Observations

Governance and Leadership

4.11   *Conclusions and summary of observations* – We assessed whether the governance and leadership structure within Health Promotion and

Protection is appropriate to fulfill its mandate. We concluded that neither the mandate of Health Promotion and Protection, nor the structure of public health in Nova Scotia is clearly defined in legislation or regulations. The role of Health Promotion and Protection in public health is not clearly defined. Additionally, HPP does not have a strategic plan.

4.12 Legislation should be updated to clearly identify Health Promotion and Protection's mandate and ensure an adequate leadership and accountability structure in Nova Scotia's public health system. Without an adequate accountability structure, HPP cannot require its partners in the health system to follow its direction for public health. Although management indicated that all parties currently work together, there is no guarantee this will continue. The lack of a strategic plan to clearly establish goals and objectives could lead to unclear or conflicting priorities. There is a risk that staff could unknowingly focus their efforts in lower priority areas.

4.13 *Legislative authority* – The Department of Health Promotion and Protection's legislative authority is provided under the Health Protection Act and related regulations. The Act was proclaimed in 2005, prior to the creation of HPP. Order-in-Council 2006-116 updated references from the Department and Minister of Health to Health Promotion and Protection.

4.14 The Health Protection Act does not identify the mandate or program responsibilities of the Department of Health Promotion and Protection. HPP management informed us it is currently developing its mission, vision and goals through consultation with stakeholders within the Department and throughout public health; however this process will not legislatively define the mandate of Health Promotion and Protection.

4.15 Updated legislation that clearly defines HPP's role in the public health system and clarifies its organizational structure is required. Management at Health Promotion and Protection indicated they intend to update legislation in 2011 as part of the 10-year plan to renew the public health system. Operating without an adequate legislative framework poses a number of risks. HPP may not be able to fulfill its role leading public health in Nova Scotia. Although HPP may develop initiatives to improve communicable disease prevention and control or other public health initiatives, the department has no means of enforcing these requirements. HPP may not be able to compel others in Nova Scotia's health system to assist the Department in carrying out their work.

Recommendation 4.1
The Department of Health Promotion and Protection should draft new legislation to clearly identify the mandate, authorities and accountabilities for the public health system.

4.16 *Organizational structure* – The public health system in Nova Scotia is comprised of the Department of Health Promotion and Protection, led by the Chief Public Health Officer working at the provincial level, and the District Health Authorities working at the local level. The nine DHAs across the province have been grouped into four shared service areas (SSA) in an attempt to create sufficiently large population bases to support public health activities. Each SSA has a Director of Public Health reporting to the Vice-Presidents of the DHAs in that Shared Service Area. Public health staff, supervisors and program managers are accountable to the Directors of each SSA.

Exhibit 4.1

Responsibilities of Health Promotion and Protection and District Health Authorities
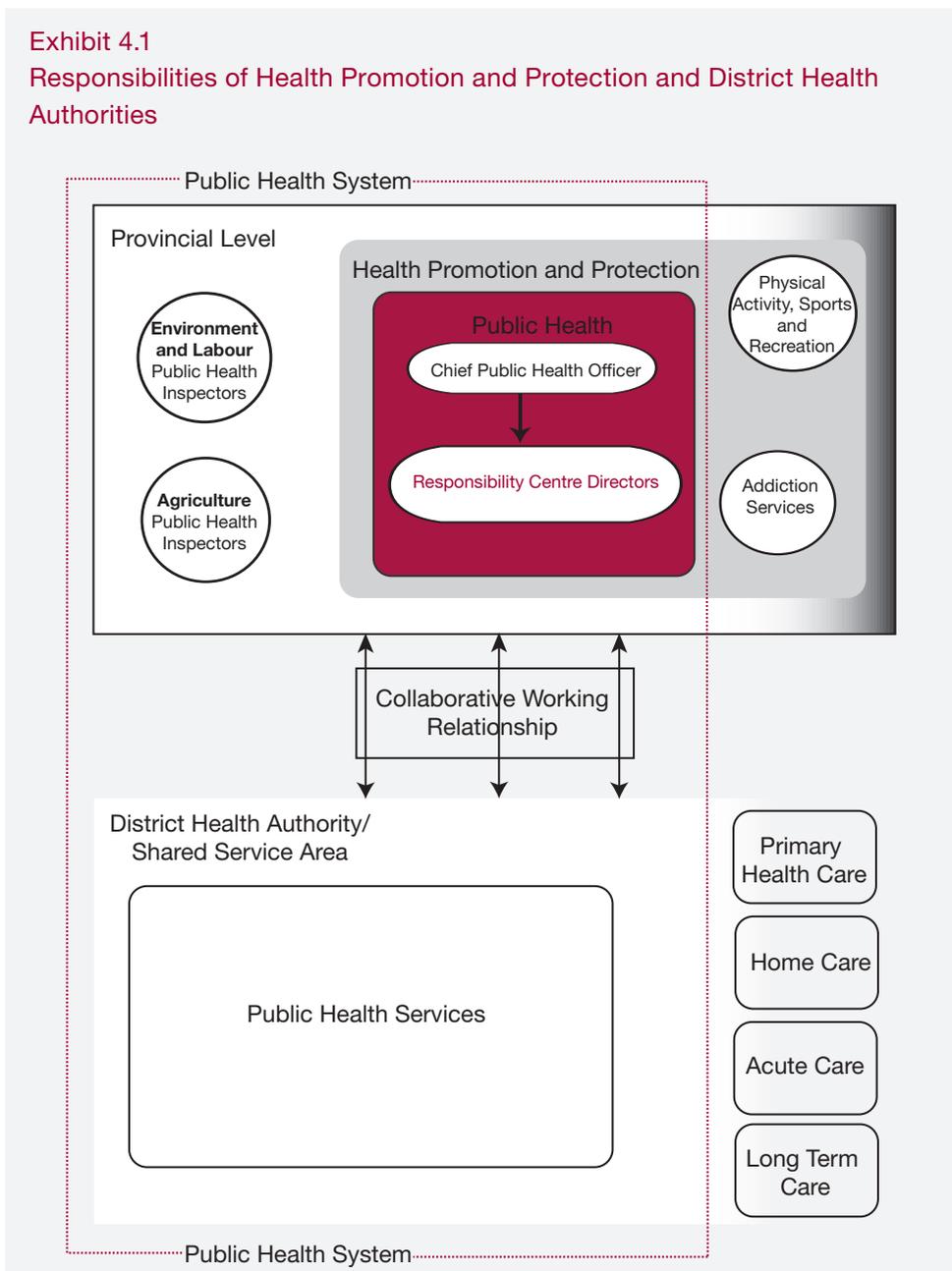
4.17 DHA public health staff are not directly accountable to the Department of Health Promotion and Protection as they are not employees of HPP. DHA program managers work collaboratively with Health Promotion and Protection Directors but there are no direct reporting relationships from the districts to Health Promotion and Protection.

4.18 Through discussions during our audit, district staff identified the need for an updated accountability structure to formalize the relationship between the districts and Health Promotion and Protection. The current structure lacks clear lines of accountability, although the DHAs and HPP appear to work collaboratively to ensure the Nova Scotia public health system continues to function. However, without a formal accountability structure, HPP cannot require the DHAs to follow the Department's vision for public health. This lack of accountability structure could jeopardize the department's ability to implement changes in Nova Scotia's public health system. Valuable resources could be wasted trying to get all parties to agree on a common approach.

4.19 The Chief Public Health Officer agreed that a new accountability structure is necessary. He also identified a need to clarify the public health structure in Nova Scotia and noted that although front-line staff would be aware of their individual roles and responsibilities, they may not know how they fit in the overall public health system.

> Recommendation 4.2
> The Department of Health Promotion and Protection should identify and define the accountability relationships necessary to deliver public health in Nova Scotia. These relationships should be formalized, including direct reporting from the District Health Authorities to the Department of Health Promotion and Protection.

4.20 *Lack of strategic plan* – HPP does not have a strategic plan. Although the previous Office of Health Promotion had a strategic plan, the Department of Health Promotion and Protection is responsible for a wider variety of areas. A strategic plan is necessary to establish priorities, set the direction of the Department and clearly define HPP's goals and objectives. The lack of a plan could lead to unclear or conflicting priorities. There is a risk that provincial resources could be expended on low priority projects while significant initiatives lack adequate funding. Without a strategic plan for guidance, staff may not be aware of high-level Departmental priorities and could focus their efforts in the wrong areas, wasting valuable human and financial resources.

Recommendation 4.3
The Department of Health Promotion and Protection should develop a strategic plan, including key targets and goals for the Department.

4.21 *Human resources* – We reviewed the organization chart for HPP and noted several key positions were vacant at the time of our audit; including Deputy Chief Medical Officer of Health and three Medical Officers of Health. Vacancies in higher-level positions often mean remaining senior staff must fill several roles. Significant gaps at senior levels could compromise the ability of HPP to lead public health in Nova Scotia. Failure to fill these positions will have a significant impact on day-to-day oversight of the public health system. There is a risk that certain aspects of public health will not be monitored regularly as they would with a full-time staff person.

Recommendation 4.4
The Department of Health Promotion and Protection should prepare a plan to address vacancies.

Immunization Registry

4.22 *Conclusions and summary of observations* – We assessed the adequacy of information systems used to record and track immunizations administered in Nova Scotia. We concluded the systems are inadequate and information is incomplete. We noted Health Promotion and Protection does not provide guidance to districts regarding what information to include in immunization records. District staff informed us they have difficulty obtaining complete immunization records from physicians, who provide most childhood vaccines. In the event of an outbreak or compromised vaccine, it may not be possible to identify individuals who have not been immunized or those who received compromised vaccines.

4.23 *Immunization registry* – The province's immunization registry is paper-based. Immunization information is entered manually by district employees. The resulting system is ineffective. Paper records are time-consuming to prepare, require significant amounts of space for storage and are not easily searched when required. The *2006 Canadian Immunization Guide* issued by the Public Health Agency of Canada states that all provinces and territories should have an electronic immunization registry. There is evidence the province considered developing an electronic registry as far back as 1999.

4.24 Nova Scotia's current immunization registry makes accessing records difficult and poses a significant risk that public health has incomplete immunization histories for Nova Scotians. Department management indicated they did not attempt to retrieve immunization records during the 2007 mumps outbreak due to lack of time and resources. Instead, HPP

relied on individuals' recollections of their previous vaccinations. There is a risk people will not accurately recall their immunization history and this could lead to incorrect decisions regarding who should receive booster shots. Although an individual may be able to obtain their vaccination history from their physician, this adds an extra step to the process and could slow HPP's ability to respond to an outbreak.

4.25 *Lack of guidance to districts* – Health Promotion and Protection has provided limited guidance to district public health offices to ensure consistent immunization records are maintained. The *Nova Scotia Immunization Manual* requires public health nurses submit immunization information, including vaccine and lot number, recipient, immunization provider and position. For vaccines administered by physicians, HPP requests completion of a form with similar information; however the Department has no authority to require physicians to comply.

4.26 HPP management informed us physicians administer 80% of vaccines in Nova Scotia. Although we did not audit the accuracy of this statistic; complete and accurate information from physicians is key to the province's immunization registry. District management informed us they have varying levels of success collecting immunization information from physicians.

4.27 The Province of Nova Scotia, through a federal initiative called Panorama, plans to have an electronic immunization registry once it is developed and integrated into the current nation-wide electronic health record project. Health Promotion and Protection has estimated this registry will be functional by 2009. HPP management informed us data will be entered on a go-forward basis only, meaning no existing records will be recorded in the new system. Additionally, there are no immediate plans to have physicians enter information directly into this system. Given the Department's comments that the majority of vaccines are administered by physicians; there is a risk that complete information will not be available to enter in the new electronic registry. In addition to making records easier to access and search with an electronic system, HPP needs to ensure completeness of information recorded. National guidelines from the Public Health Agency of Canada require provinces have the ability to determine who requires vaccinations. This is only possible with complete records.

Recommendation 4.5
The Department of Health Promotion and Protection should implement an electronic immunization registry for Nova Scotia.

Recommendation 4.6
The Department of Health Promotion and Protection should develop a solution to ensure all immunization information is reported to public health on a timely basis.

4.28 *Record retention policy* – Health Promotion and Protection's retention policy for immunization records requires maintaining records until an individual is 25, at which time the records can be destroyed. District Health Authority staff informed us they have records dating back more than 25 years, although the paper-based system in Nova Scotia makes retrieval difficult. If the retention policy were followed, the province may no longer have relevant information in the event of an outbreak or indication a batch of vaccines were ineffective. Nova Scotians may not have the information they need to make decisions regarding whether they should be vaccinated during an outbreak. As Nova Scotia moves toward implementing an electronic registry the retention policy should be updated to ensure records are maintained for an adequate time period.

> Recommendation 4.7
> The Department of Health Promotion and Protection should develop and implement a consistent, province-wide immunization record retention policy.

Outbreak Management – Mumps

4.29 *Conclusions and summary of observations* – Our objectives were to assess whether outbreak management guidelines were complied with and information was communicated on a timely basis during the 2007 mumps outbreak. We concluded the Department of Health Promotion and Protection's response to the outbreak was in compliance with its outbreak management guidelines, although we found the guidelines insufficient. As a result, the response was less than timely as the outbreak team was addressing areas which should have been covered in the outbreak plan.

4.30 *Outbreak management planning* – The *Nova Scotia Communicable Disease Control Manual* provides guidelines for outbreak management, or the outbreak plan. The initial outbreak response takes place within the district health authority where the outbreak occurs. When the district is no longer able to handle the outbreak at a local level, a provincial outbreak is declared. The Department does not have formal written criteria for when to declare a provincial outbreak. We did not assess the response of the district health authorities; rather, we assessed the Department of Health Promotion and Protection's response to the provincial outbreak.

4.31 A mumps outbreak was declared on March 7, 2007 by Capital Health. The outbreak spread to two additional district health authorities and was managed jointly until it further spread to three additional districts, at which time a provincial outbreak was declared on April 10. During the time the districts were managing the outbreak, the Department of Health Promotion and Protection was in regular communication with the districts, providing advice and guidance on day-to-day issues.

4.32 Two weeks after the provincial outbreak was declared, a skills analysis was conducted to determine if the provincial outbreak team included the necessary expertise. Job descriptions and the *Nova Scotia Communicable Disease Control Manual* identify which positions to consider including on the outbreak team. The necessary skill sets should have already been determined as part of outbreak planning. This would have avoided the need for further analysis which diverted staff attention from dealing with the outbreak.

4.33 We noted additional deficiencies with the plan for managing an outbreak as follows.

- There was no plan in place to address immunizing health care workers. The team discussed this possibility after 120 confirmed cases, but immunization was not approved until 203 confirmed cases; 58 days after the local outbreak was declared. During any significant public health event, such as an outbreak, availability of adequate numbers of health care workers is essential. Failure to consider whether workers should be immunized could result in fewer staff available to respond to an outbreak.

- No formal plan existed to address storage of additional vaccines required to deal with the outbreak. This poses a risk that the province will not have adequate numbers of vaccines available to meet demand and ensure timely response to vaccination requests.

- No plan existed for implementing a 1-800 number to provide information to the public. Capital Health had an existing 1-800 number in place for communicable diseases. HPP discussed a province-wide number 17 days into the provincial outbreak, established the number 36 days into the outbreak and released it to the general public 69 days into the outbreak; at which time there were 383 confirmed cases of mumps in the Province.

Information regarding the number of mumps cases was provided by HPP management. We did not audit the accuracy of this statistic.

Recommendation 4.8
The Department of Health Promotion and Protection should update its outbreak planning to provide an adequate framework to respond to outbreaks.

4.34 As of January 18, 2008, HPP statistics indicate there were 777 mumps cases in Nova Scotia. At the time this report was written, the outbreak was ongoing. Two previous mumps outbreaks in the province in 2005 had a total of 32 confirmed cases.

4.35 *Outbreak evaluation and reporting* – The *Nova Scotia Communicable Disease Control Manual* outbreak management guidelines require an evaluation of the response to all declared outbreaks. Although there were two mumps outbreaks in Capital Health in 2005, a report evaluating the response was not prepared for one outbreak. An overall clinical report was prepared, however this did not address the District's response to the outbreaks. Although these outbreaks were limited to one DHA we believe HPP has a role to ensure all required reports are prepared and reviewed to improve outbreak response across the province. Failure to review response to outbreaks means the province will not know what worked well versus what did not, and can result in the same problems in future outbreaks.

Recommendation 4.9
The Department of Health Promotion and Protection should take a leadership role to ensure all required reports are prepared following outbreaks.

4.36 Outbreak management guidelines also require consideration of recommendations stemming from outbreak evaluation reports when responding to future outbreaks. The provincial mumps outbreak team did not have a copy of the 2005 outbreak report and had not considered any of its recommendations. Capital Health's Medical Officer of Health informed us CDHA considered the recommendations from the 2005 report in their response to the 2007 outbreak; however we did not verify whether recommendations were addressed.

Recommendation 4.10
The Department of Health Promotion and Protection should review recommendations from all outbreak reports and update related outbreak management policies as necessary.

4.37 There were no minutes for the first provincial mumps team meeting and minutes were discontinued as of the August 17, 2007 meeting. Department management indicated these minutes were the only formal record of what it was doing to manage the outbreak. Accordingly we were unable to assess what actions had been taken in recent months to deal with the outbreak. Without adequate records, the Department will not be able to accurately assess its outbreak response. There is a risk that any problems in addressing the current outbreak will be repeated.

Recommendation 4.11
The Department of Health Promotion and Protection should ensure adequate information is maintained to allow the Department to formally evaluate its response to an outbreak.

Vaccine Storage and Distribution

4.38   *Conclusions and summary of observations* – Our objective was to assess the adequacy of Health Promotion and Protection's system to monitor and control the distribution, storage and usage of vaccines. We concluded HPP has an adequate system to track vaccine distribution but protocols for vaccine storage and handling are inadequate. HPP does not monitor to ensure vaccines are maintained at an appropriate temperature during transport. This poses a risk vaccines could be compromised due to improper storage and handling and could result in Nova Scotians receiving vaccines which provide little or no immunity. Additionally, HPP does not have a system to monitor and control vaccine storage or usage in physician offices.

4.39   *Immunization protocols* – In 2000 the Department of Health released the *Nova Scotia Immunization Manual* to provide guidance and standards for individuals administering vaccines. Although the manual stated *"it is paramount to keep this manual up-to-date and relevant on an ongoing basis"*, there have been no formal revisions since it was released. We compared the manual to the *2006 Canadian Immunization Guide* published by the Public Health Agency of Canada and noted that 9 of the 26 national guidelines were not adequately addressed in the provincial manual. HPP's Director of Communicable Disease Prevention and Control informed us the Department no longer distributes the manual to districts as it is outdated.

> Recommendation 4.12
> The Department of Health Promotion and Protection should prepare appropriate vaccine protocols that are consistent with national guidelines established by the Public Health Agency of Canada.

4.40   Based on the lack of a current provincial immunization manual, as well as interviews with Health Promotion and Protection staff and the Directors of Public Health in the districts, we concluded the Department does not provide sufficient information or guidance to districts regarding vaccine storage, handling and distribution. In the absence of adequate direction, some districts have created their own manuals and procedures. Due to the lack of standard vaccine handling, storage and distribution procedures throughout the province, the Department is unable to ensure vaccines are handled in a consistent and appropriate manner. There is a risk that failure to properly control vaccines could lead to vaccines losing their effectiveness. This could result in individuals having reduced or no immunity to an illness they assume they have been properly vaccinated against.

4.41   Health Promotion and Protection provides additional information regarding vaccine storage and administration to the districts on an ad hoc basis. Management indicated they developed a one page information sheet regarding vaccine storage in 2006. An updated vaccination schedule was

released in 2007. HPP does not track the distribution of this information or maintain a comprehensive central listing for future reference. As a result, the Department is unable to determine whether all necessary information was provided to DHAs or whether DHAs are following the guidelines.

Recommendation 4.13
The Department of Health Promotion and Protection should develop standard requirements for storage, handling and distribution of vaccines. These requirements should be communicated to district health authorities and physician offices.

4.42   *Vaccine distribution* – Health Promotion and Protection is responsible for distributing all publicly-funded vaccines to public health district offices. The districts are responsible for distributing vaccines to physicians as well as public health nurses administering vaccines for the school-based vaccination program.

4.43   We interviewed the departmental staff member responsible for packing and distributing vaccines to the districts. Most vaccines must be stored between 2°C and 8°C and management informed us manufacturers use temperature monitors during transport. Additionally, HPP has a training manual that states vaccines are to be shipped with a temperature monitor. HPP does not use temperature monitors during vaccine transport and are not in compliance with their own policy. To determine if a vaccine has been compromised, we were informed staff relies on the look and feel of the vaccine, ice packs and coolers. Although we are not aware of any instances where vaccines were compromised due to a lack of temperature monitoring, the Department's practices increase the risk that vaccines may be compromised during transport. This could result in ineffective vaccines which do not provide adequate immunity.

4.44   We did note that one of the 2005 mumps outbreak reports listed ineffective vaccines as a possible cause. However the report's authors were not able to conclusively determine the cause of the outbreak.

Recommendation 4.14
The Department of Health Promotion and Protection should use temperature-monitoring devices when shipping vaccines requiring refrigeration.

4.45   Health Promotion and Protection does not audit or monitor vaccine storage, distribution or usage by physicians and public health nurses. Monitoring would allow the Department to ensure guidelines are followed and provide assurance that vaccines' effectiveness is maintained.

Recommendation 4.15
The Department of Health Promotion and Protection should monitor vaccine distribution, storage and usage processes throughout the public health system.

4.46 *Other observations* – Health Promotion and Protection has not established formal processes to be followed in the event of a vaccine shortage. Management informed us HPP would arrange a transfer if one district was experiencing a vaccine shortage while another district had excess inventory. In the event of an outbreak, the province will have to allocate vaccines should a shortage arise. The lack of a formal process to allocate and distribute vaccines could jeopardize HPP's ability to respond quickly.

Recommendation 4.16
The Department of Health Promotion and Protection should formalize the process to allocate vaccines in a shortage or crisis situation.

Performance Information

4.47 *Conclusions and summary of observations* – We assessed the adequacy of communicable disease performance information prepared and reported by the Department of Health Promotion and Protection. We concluded the Department does not prepare or report any performance information relating to communicable diseases. The only information reported on communicable diseases comes from the surveillance system, which monitors and reports occurrences of notifiable diseases as required by provincial regulations. Failure to establish targets and monitor achievement of those targets limits the Department's ability to assess whether its programs are effective.

4.48 *Performance information and reporting* – Performance measurement involves measuring and monitoring against established targets and indicators to assess progress made in achieving predetermined goals and objectives. The Department does not have adequate systems and processes in place to report accurate and complete data necessary to prepare and report performance information. Assessing performance is critical to allow the Department to evaluate the effectiveness of its programs. For example, HPP does not have established targets for immunization rates in all sectors of the population. In addition, the department does not have accurate immunization statistics in all areas. The lack of targets and adequate statistics prevents HPP from assessing whether its immunization programs are working as intended.

4.49 Department staff identified the need for more real-time surveillance data as well as a vaccine registry. Through the surveillance system, HPP monitors, investigates, and reports on occurrences of communicable diseases.

However, goals and targets are not set for areas such as immunization rates or incidents of communicable diseases. Although surveillance figures provide a good starting point for certain performance information, such as determining the effectiveness of immunization programs; additional information such as immunization rates, is required for actual performance reporting. We were informed the Department is working in conjunction with other provinces and a private sector partner to design and implement a new computerized public health system. The new system will be capable of providing data that can be used to report performance information on communicable diseases and will include components such as the electronic immunization registry discussed earlier in this Report.

4.50   We reviewed a number of job descriptions and noted that roles and responsibilities for preparing and reporting performance information are not addressed.

Recommendation 4.17
The Department of Health Promotion and Protection should clearly define, assign, and communicate roles and responsibilities for performance information and reporting.

Recommendation 4.18
The Department of Health Promotion and Protection should develop and report performance measures and targets for key aspects of its operations.

Legislative Requirements

4.51   Under the Health Protection Act, the Department of Health Promotion and Protection is required to provide an annual report to the House of Assembly outlining the Department's progress with respect to the surveillance of, and response to, health hazards, notifiable diseases or conditions, and communicable diseases. The Department has not tabled such a report in the House of Assembly since its inception.

Recommendation 4.19
The Department of Health Promotion and Protection should provide an annual report to the House of Assembly in accordance with Health Protection Act requirements.

Response: Department of Health Promotion and Protection

The Department of Health Promotion and Protection appreciates the Auditor General's thorough review of the public health system's communicable disease prevention and control functions. The department is in overall agreement with the recommendations as they are consistent with the external review of the public health system. The review resulted in the report The Renewal of Public Health in Nova Scotia: Building a Public Health System to Meet the Needs of Nova Scotians (aka: Public Health Review) released in 2006 and accepted by government. The full report can be found at http://www.gov.ns.ca/hpp/publichealth

Public health is described as the art and science of promoting health, preventing disease, prolonging life and improving the quality of life through the organized efforts of society. The five functions of public health are: health promotion, health protection which includes emergency preparedness, disease and injury prevention, health surveillance and population health assessment.

It is important to note that unlike most other provinces and territories, in Nova Scotia the public health mandate is spread across three government departments – the Department of Health Promotion and Protection and the public health inspection functions at the Department of Agriculture and the Department of Environment and Labour. The delivery of public health is shared between these three government departments and local public health services at the district health authority level.

Governance and Leadership

The audit identifies the need to develop a strategic plan. This was also identified in the Public Health Review Action #1 for System Renewal. The Department of Health Promotion and Protection is in the midst of a strategic planning process as is the public health system as a whole.

The audit identifies the requirement for legislation, accountability relationships with District Health Authorities and an accountability framework. The department is in agreement. Initiatives are already underway as part of the department's response to the Public Health Review which addresses these recommendations in Actions #5, #12 and #14 for System Renewal.

Based on advice from the expert review panel consisting of senior public health leaders from three provinces and territories, it was recommended that comprehensive legislation be developed in the latter years of implementation to ensure the standards, accountability requirements were incorporated into the legislated mandate. Currently, the Health Protection Act provides the legislative mandate and authority for the Chief Medical Officer of Health to protect the public's health against communicable diseases and environmental health hazards.

The development of standards and an accountability framework will start in the coming fiscal year but it is understood this is an iterative process and will take a significant amount of time, consultation and building of a systems approach.

The department agrees with the importance of an accountability relationship with the District Health Authorities, however, does not agree with the recommendation that public health services should report directly to the department. It is critical to have public health integrated with the remainder of the health care system at the local level which is the current configuration under Act 34, the District Health Authorities Act.

The audit identifies the need to develop a plan to address vacancies in key positions within the public health system. Compensation and job classification levels are significant barriers to recruiting for positions such as medical officers of health and epidemiologists that are both specialized skill sets and in short supply nationally. The department is working with the Public Service Commission to address these issues as quickly as possible. The Public Heath Review also identifies the need for a competent and sufficient workforce. Initiatives are already underway in response to Action #7 for System Renewal which identifies the need for a workforce development strategy. The department has hired a project executive to lead this initiative. In fact, Nova Scotia has demonstrated leadership in this area as we are the first province to dedicate resources for public health human resource planning to address recruitment, development and retention strategies.

Immunization Registry/Vaccine Storage

The department is in agreement with these recommendations. Initiatives are already underway as part of the department's response to the Public Health Review which addresses these recommendations in Action #10 for System Renewal.

The Department has full confidence in the vaccine storage and distribution system currently in place in Nova Scotia. The public's safety is not compromised with the current system. At the same time, we appreciate and agree with the recommendations related to vaccine storage and distribution. We acknowledge there is always room for improvement and believe the recommendations from this audit will enhance an already safe and effective system. The department has already started to plan for improvements as part of its response to the 2006 Public Health Review.

Currently, a major initiative is underway with Canada Health Infoway in implementing PANORAMA. Panorama is an integrated public health electronic information system which includes applications for immunization registry, communicable disease surveillance and communicable disease case management and outbreak management.

Nova Scotia is adopting the Panorama application province wide. The planning phase was completed in March 2007. The department is now preparing for implementation to begin in fiscal 08-09. It is anticipated this phase will take approximately two to three years to complete. It is also anticipated, given the current national project time lines, that front line public health staff in Nova Scotia will be using the Panorama application by late 2008 or early 2009.

Outbreak Management – Mumps

The Department of Health Promotion and Protection is in agreement with the recommendations related to outbreak management recognizing that each outbreak is unique dependent on the specific disease and population affected. Initiatives are already underway in response to the Public Health Review which addresses these recommendations in Action #15 for System Renewal. Ensuring frameworks, manuals, protocols, policies, guidelines and post outbreak analysis/evaluations are fundamental to a comprehensive approach to outbreak management. Having the infrastructure, ie, human resources and information systems as previously identified, will contribute to well managed and comprehensive responses to threats to the public's health.

Performance Information

The Department agrees with the importance of performance measures and targets. This will be included in the development of standards, an accountability framework and a strategic plan.

Legislative Requirements

The Department acknowledges its legislative requirement to table an annual report on notifiable diseases however, the shortage of epidemiologists and Medical Officers of Health has significantly altered our ability to table the report on a timely basis.

The Department of Health Promotion and Protection welcomes the audit recommendations as they are consistent with the renewal efforts underway.

5 Government-wide: Governance of Information Technology Operations

Summary

Information Technology (IT) is now at a point in its continuing evolution where it has gained significant prominence as a strategic and critical business enabler; one having a major impact on almost all aspects of business. There are now virtually no significant business processes in any large organization that are not dependant on IT. Today, it is IT that enables organizations to function efficiently and effectively in a globally-connected economy. This level of influence of IT on business brings with it several risks; many of which evolve as rapidly as IT does.

It is absolutely critical that Boards of Directors and senior executives of organizations give close attention to IT, including the establishing of strategic direction, setting of policy and the monitoring of the results and performance of IT. It is equally critical that risks associated with IT be understood and managed at the highest levels in the organization. The failure of IT to do the right things, in the right ways, with the right and optimal resources, can significantly influence the ongoing viability of organizations and their ultimate success or failure in meeting their strategic objectives.

We have completed a government-wide audit of the governance of information technology operations. We concluded that IT oversight structures in place do not provide good IT governance based on our assessment against best practices derived from the IT Governance Institute's COBIT framework.

The audit also assessed whether or not an appropriate strategic planning process is in place to direct the IT activities of government. We concluded that the government's planning processes for IT are not adequate.

The observations from this audit can be summarized by saying that it is not clear who is in charge and who is accountable for corporate IT operations, and what practices should be followed. The risks arising from this lack of structure are that resources may be wasted in duplicated efforts, lower priority systems receive undue attention, or increased maintenance costs. There is also increased chance of system failures and significant cost overruns on new projects. All of our recommendations centered on the adoption of an IT governance framework such as the IT Governance Institute's COBIT 4.1, which is a widely-accepted international source of best practices for the governance, control, management and audit of IT operations.

5 Government-wide: Governance of Information Technology Operations

Background

5.1 Information technology (IT) has come a long way in its evolution over the past 20 years. Before the proliferation of desk-top computers, IT was generally perceived as a separate and distinct functional unit in larger organizations. IT had its own focused goals and processes which were technically challenging for business managers and senior executives to understand. Often they did not make a concerted effort to understand IT because it was of fairly low visibility, as long as everything ran smoothly. Accordingly, IT received significant attention from Boards of Directors and senior executives only when the infrastructure or significant applications suffered failures, or when some new and attractive business application came to their attention.

5.2 IT is now at a point in its continuing evolution where it has gained significant prominence as a strategic and critical business enabler; one having a major impact on almost all aspects of business. There are now virtually no significant business processes in any large organization that are not dependant on IT. Today, it is IT that enables organizations to function efficiently and effectively in a globally-connected economy. This level of influence of IT on business brings with it several risks; many of which evolve as rapidly as IT does.

5.3 It is absolutely critical that Boards of Directors and senior executives of organizations give close attention to IT, including the establishment of strategic direction and monitoring of the results and performance of IT. It is equally critical that risks associated with IT be understood and managed at the highest levels in the organization. The failure of IT to do the right things, in the right ways, with the right and optimal resources, can significantly influence the ongoing viability of organizations and their ultimate success or failure in meeting their strategic objectives.

5.4 There is now a heightened awareness of IT among Boards and senior executives of large organizations around the world, and a developing realization that an effective framework for IT governance is very important to the successful delivery and control of IT operations.

5.5   The IT Governance Institute, an internationally recognized authority in this area, defines IT governance as,

> "… the responsibility of the board of directors and executive management. It is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the organization's strategies and objectives."

5.6   The overall objective of IT governance, according to the Institute, is

> "... to understand the issues and the strategic importance of IT, so that the enterprise can sustain its operations and implement the strategies required to extend its activities into the future. IT Governance aims at ensuring that expectations for IT are met and IT risks are mitigated."

5.7   The Government of Nova Scotia currently employs approximately 480 full time equivalent staff in the management and delivery of IT services. They are dispersed throughout seven Corporate Service Units serving government departments, and four other divisions (see paragraph 5.20)having a distinct corporate role related to IT. For 2007-08, the combined operating budget for IT across core government (i.e., not including crown corporations and other government agencies) is in excess of $88.5 million. The combined IT capital budget for the same period is $11.2 million. Clearly, the Province's investment in IT is significant.

5.8   The Government of Nova Scotia has two groups of note with roles in the planning, directing and monitoring of IT operations. Treasury and Policy Board's Business Technology Advisory Committee (BTAC) has a stated mission of "*On a government-wide basis, to coordinate and facilitate strategic planning, information technology, business process improvement, and management of change initiatives.*" Nova Scotia Economic Development has a Corporate Information Strategies Division. The Department's 2007-08 business plan notes that it,

> "… leads the implementation of the Government of Nova Scotia's corporate technology and information strategies. This involves the development and maintenance of strategies, policies and standards for the corporate (enterprise) architecture – including the applications, information and technical architectures."

Audit Objectives and Scope

5.9   In December 2007, we completed a government-wide audit of IT governance. The audit was conducted in accordance with Section 8 of the

Auditor General Act and auditing standards established by the Canadian Institute of Chartered Accountants.

5.10　The objectives of our audit were to assess:

- the adequacy of government's IT governance framework; and

- whether or not an appropriate strategic planning process is in place to direct the IT activities of government.

5.11　Our approach to this audit included using the IT Governance Institute's framework COBIT 4.1, which is a widely-accepted international source of best practices for the governance, control, management and audit of IT operations. This framework was used to formulate objectives and evaluation criteria for the audit. These objectives and criteria were discussed with, and accepted as appropriate by, senior management of Treasury and Policy Board and Nova Scotia Economic Development.

5.12　The scope of our audit focused on the governance framework and strategic planning for IT. Although we interviewed the Directors of IT at each of the Corporate Service Units across government, we did not audit any of the operational aspects of IT within those units.

Significant Audit Observations

5.13　*Conclusions and summary of observations* – Our audit sought to evaluate the adequacy of government's IT governance framework. We concluded that the government's IT governance framework is not adequate. IT oversight structures in place do not provide good IT governance based on our assessment against best practices derived from the IT Governance Institute's COBIT framework.

5.14　The audit also assessed whether an appropriate strategic planning process is in place to direct the IT activities of government. We concluded that government's planning processes for IT are not adequate. There is no corporate IT strategic plan, nor any departmental IT strategic plans. As well, there is no formal planning process to guide the development of IT strategic plans.

Governance Framework

5.15　An important aspect of IT governance is establishing an appropriate and authoritative governance framework. People involved in IT operations need to know who is in charge, what the rules are, and the nature of their respective responsibilities and accountabilities.

5.16   The risks of having an inadequate governance framework for IT include the following.

- IT goals and decisions may not align with corporate objectives. For example, certain IT projects may be initiated when other projects might better serve corporate objectives.

- There may be a lack of an authoritative body to create and enforce corporate policies and standards. As a result, a department or division might decide to use software that corporate infrastructure and human resources cannot support; or a failure to comply with security standards might expose the whole corporate network to hacking.

- There may be a lack of an authoritative oversight body to monitor IT performance. Poor performance in a department might not be noticed, resulting in wasted resources.

- Responses to critical corporate IT issues may be untimely and inadequate. Departments might respond to a similar issue in different ways. This could be inefficient, slow a response at a corporate level and may even make the situation worse.

- Economies of scale may not be achieved. Without a coordinated approach, the opportunity to achieve bulk discounts on purchases may be missed.

5.17   We concluded there is no formal, comprehensive framework for IT governance in the Government of Nova Scotia. This has resulted in inadequate planning and direction-setting for corporate IT. Nova Scotia Economic Development, through its Corporate Information Strategies Division, in conjunction with the Business Technology Advisory Committee (BTAC), has made concerted efforts, both in the past and with current initiatives, to set a corporate direction for IT. A *Business Technology Strategy* was drafted by Economic Development and approved in principle by BTAC in July 2000. Several of the strategy's recommendations focused on establishing a government-wide enabling structure for IT. However, only a few of the recommendations were approved by Executive Council. This left the government's IT organization with an unclear structure and lacking formal strategic corporate leadership and direction. Since that time, Economic Development has been working to provide focus on specific corporate IT projects that form a basic foundation for IT operations. They have been doing this without the guidance of a formal IT governance structure.

5.18   Additionally, there is no formally established and appropriately empowered oversight body responsible for monitoring corporate IT performance and control. Although BTAC – a subcommittee of Treasury and Policy Board comprised of Deputy Ministers – seems to be the logical body in the current

government structure to fulfill the oversight role, it does not currently have this mandate. BTAC's terms of reference address IT strategic matters in both its mission and mandate statements. However, the section dealing with specific responsibilities does not mention matters of strategy, or the monitoring and control of existing IT operations. It focuses primarily on operational matters such as the approval of IT projects. We have been informed that BTAC has plans to review its terms of reference in the near future.

Exhibit 5.1

Province of Nova Scotia Information Technology Organization Overview

Note 1
- Some Directors of IT may report directly to Deputy Ministers, to Executive Directors of Information Management within departments, or to other Executive Directors within Departments
- Some Directors of IT serve single departments while others serve multiple departments and agencies

Note 2
- These organizations provide corporate-wide IT services but report within their home departments only

5.19 The existing organizational structure for IT across government is somewhat confusing, combining elements of centralized and decentralized management. The decentralized elements, represented by Corporate Service Units individually focused on fulfilling the requirements of their respective client departments, are not always doing things in a consistent manner using standard tools and practices. There is open and active sharing of information and ideas through a series of committees, such as the IT Directors Forum. On occasion, these groups make recommendations to BTAC for cooperative solutions. However, each Corporate Service Unit is autonomous in terms of setting priorities and delivering service to its client

departments. In addition, none of the Corporate Service Units reports its performance results to BTAC, except when specifically requested to do so for individual projects. We were informed that some report on their performance within their home departments, while others are not required to report anywhere.

5.20 As described above, there are groups in government with a corporate focus relating to IT. These centralized IT management elements include:

- Economic Development's Corporate Information Strategies Division;

- Transportation's Corporate IT Operations;

- Transportation's Network Security function; and

- Finance's SAP Competency Centre.

Some of these groups develop and recommend government-wide standards to BTAC and Executive Council. However, except for those relating to network security, there is no authority for enforcing such standards.

5.21 There is currently a significant reorganization proposal before Executive Council, submitted by the Corporate Information Strategies Division and Service Nova Scotia and Municipal Relations through BTAC. It focuses on extracting IT infrastructure service delivery (i.e., groups supporting IT hardware and software) from the Corporate Service Units and combining the groups with Corporate IT Operations to provide a single, centralized organization for service delivery. This initiative has been under development for several years and, if approved, should go far in standardizing aspects of the IT service delivery role in government.

5.22 We believe there is a need for formal IT governance in the Nova Scotia Government. We are not advising either a fully-centralized or a fully-decentralized model of governance. A combination may be appropriate. However, this is one of a number of governance issues that need to be considered.

Recommendation 5.1
Treasury and Policy Board should create an IT governance framework, based on a generally recognized framework such as COBIT, to plan, direct and control IT in government.

Elements of a Governance Framework

5.23 The IT Governance Institute organizes IT governance issues into five key focus areas: strategic alignment, value delivery, risk management, resource management, and performance management. We examined practices in

each of these areas to determine whether government – despite not having a formal IT governance framework – may have certain elements of governance to support the formation of such a framework.

5.24 *Strategic alignment* – It is vital that the strategic objectives of IT be clearly defined and aligned with enterprise objectives. The IT Governance Institute recognizes strategic alignment as being "… *synonymous with IT strategy, i.e., does the IT strategy support the enterprise strategy?*" This alignment is critical to ensure that IT is doing things that support the organization in the achievement of its goals.

5.25 The risks of having inadequate strategic alignment include the following.

- IT strategic planning may not be adequately aligned with corporate strategy. Without such alignment, an IT group might initiate a project that utilizes corporate infrastructure and human resources that could be better used on another project.

- IT may fail to support corporate objectives. For example, in preparing a disaster recovery plan, IT might plan for restoring systems in a sequence that does not support government's need to maintain services which it believes are of the highest priority.

- Ineffective and uneconomical allocation and management of IT resources could occur. Resources might be expended on making a less critical system function at a high level, while a more significant system functions at a less than acceptable level or an important new system gets delayed.

- Undefined or confusing accountabilities and responsibilities can result. System users and IT staff might each assume that the other is responsible for a function, and this function does not occur. Conversely, they might each assume that they are responsible for a function, and duplication of effort results.

- There may be unclear and conflicting priorities. If corporate IT priorities are unclear, less important projects may be undertaken, while critical new systems get delayed.

- Opportunities for the enhancement of business operations through IT solutions may be missed. If strategic business needs are unclear, IT may not be able to provide creative technology solutions that enable government to meet the needs of important social and other programs.

5.26 We determined that there is no corporate strategic plan for IT. Certain basic elements of a government IT strategic plan were approved in 2001; namely a corporate vision and guiding principles. Economic Development uses these to help guide the projects they undertake. However, these are the only strategic elements in place. By themselves, they do not represent an IT strategic plan.

5.27 As well, there are no departmental strategic plans for IT. In our interviews of Corporate Service Unit staff, some IT Directors indicated it would be very difficult for them to develop an IT strategic plan for their Corporate Service Unit when there is no corporate IT strategic plan to provide direction.

5.28 Further, there is no requirement or process in place to guide the development of an IT strategic plan. There are certain corporate initiatives underway that are of a strategic nature, but their development does not constitute a strategic planning process. As noted earlier, the Corporate Information Strategies Division in partnership with Service Nova Scotia and Municipal Relations have taken the lead on centralization of IT infrastructure service delivery, currently awaiting Executive Council approval. As well, this Division is leading a corporate project aimed at developing an appropriate enterprise architecture for the Province. These two initiatives represent important foundation pieces which would likely support the future development of a corporate IT strategic plan.

5.29 Given the lack of a corporate or departmental IT strategic plans, we sought to determine how government IT operations ensure they have strategies and priorities that fully support government's corporate priorities. Large IT projects having a cost of more than $250,000 are subject to detailed analysis and evaluation by the Tangible Capital Assets Committee. This includes an assessment of how these projects support government's corporate priorities.

5.30 In addition, we found that strategic alignment is sometimes attempted by making annual departmental business plans consistent with the government's annual corporate business plan. We reviewed the 2007-08 business plan of each department. We found that some departments did a reasonable job of addressing their IT priorities, while others provided little mention of them. However, business plans only provide a one-year focus and, therefore, do not provide a long-term, strategic alignment of IT and departmental priorities with corporate priorities. Also, for the most part, mention of IT in departmental business plans focuses primarily on specific new projects planned for the coming year and gives no attention to the longer-term direction and priorities of IT, or to the actual performance of IT operations.

5.31 Although there is no government-wide IT strategic plan, we found that Economic Development has already developed a corporate *Information Management Strategy and Framework* and there is currently a corporate *Information Management Policy* awaiting approval by BTAC and Executive Council. The *Information Management Strategy and Framework* states:

> "*Improved information management benefits government as it seeks to increase transparency, meet increasingly stringent demands for accountability,*

ensure quality information for business decisions, deliver more services electronically, control and track the proliferation of information sources, and retain corporate knowledge."

5.32 The *Information Management Strategy and Framework* puts in place important strategies and structures, along with key accountabilities and responsibilities related to information management. It also recognizes the importance of IT as a key enabler for information management. However, it does not provide, and is not intended to provide, the required strategic direction for IT. We were informed that, given the strategic plan for information management is now in place, it might be an appropriate time to consider an IT strategic plan. We concurred with this statement and advised that an IT strategic planning process be undertaken.

Recommendation 5.2
In preparing an IT governance framework, Treasury and Policy Board should establish a strategic planning process to guide the development of a corporate IT strategic plan. Additionally, Corporate Service Units should be required to prepare their own IT strategic plans with direct linkage to the corporate IT strategic plan. This should be based on the principles expressed in COBIT or a similar authoritative framework.

5.33 *Value delivery* – It is very important that the benefits promised by IT projects are achieved, at the expected operating and capital costs. The IT Governance Institute describes value delivery as *"concentrating on optimizing expenses and proving the value of IT"*. In this context, the measurement of value goes well beyond the initial results of IT projects. It extends to the ongoing operational success of IT and its ability to add value to the business applications and processes it serves.

5.34 The risks of inadequate value delivery for IT include the following.

- Expected benefits may not be realized from IT systems and processes. This could mean that a critically important system might not perform key functions, which could impact government's ability to deliver important programs as intended.

- There could be a failure to deliver cost-effective solutions and services, resulting in public funds being wasted.

- There could be a failure to accurately forecast costs and benefits of IT systems. Major IT projects may have to be scaled back due to cost overruns. There may be no funds available to remediate the situation.

- Satisfaction of clients served by IT may be eroded. Dissatisfied clients are less likely to cooperate with IT in the future, so opportunities to use technology to improve government operations may be missed.

- Maintenance and remediation costs may be higher than expected. If a system does not deliver what was promised, there will be constant requests to "*fix*" it.

5.35 We determined there are no corporate standards for assessing value delivery in IT in the Government of Nova Scotia.

5.36 We noted that plans for specific IT projects generally provide a description of expected benefits and a budget for resources required to complete the project. Management indicated that a comparison of actual expenditures to the budget is often performed at the conclusion of a project. This comparison only addresses issues relating to the management of the project. The benefits and costs of the implemented system can only be determined over a period of time and an evaluation of the achievement of these benefits is rarely undertaken. There seems to be a general consensus in the IT industry that such an assessment is the responsibility of the owners of the new system, and not the IT service providers involved in its implementation. We agree, and believe that policies and practices need to be developed to address the assessment of value delivery in IT.

Recommendation 5.3
In preparing an IT governance framework, Treasury and Policy Board should develop and implement a policy and process ensuring value delivery for major IT projects. This should be based on the principles expressed in COBIT or a similar authoritative framework and should include determining value measurement standards, developing systems and procedures for obtaining value measures, assigning responsibility for assessing value delivery and taking remedial measures to resolve value deficiencies.

5.37 *Risk management* – It is hard to overstate the importance of the timely identification, understanding and management of risks an enterprise is exposed to by virtue of its use of and dependence on IT. The IT Governance Institute notes that *"effective risk management begins with a clear understanding of the enterprise's appetite for risk"*. It is vital that significant IT-related risks receive the full attention of an organization's Board of Directors and executive management.

5.38 Possible consequences of inadequate risk management for IT include the following.

- IT risks may not be identified and mitigated before a significant malfunction, disruption or security breach occurs.

- Responsibilities and accountabilities for managing IT risks may not be adequately identified and communicated. If it is not clear who is

responsible for managing a risk, there is an increased chance that no one will act to mitigate the risk.

- Critical IT applications and services, and the business operations they support, could fail. Further, if risks are not appropriately prioritized, critical systems might not get the attention they deserve. Resources may be devoted to protecting a low priority system because it is easy to do, while a higher priority system receives fewer resources because associated risks are harder to manage.

- The organization may experience increased costs to manage unanticipated difficulties and fix preventable problems. An unanticipated problem is sometimes hard to address quickly and economically because there is no plan to indicate what should be done.

5.39   We determined that there are no government policies or standards for identifying, assessing and managing IT risks. We are aware of two related projects in progress: government-wide business continuity planning under the leadership of the Emergency Management Office, and government-wide disaster recovery planning under the leadership of the Corporate Information Strategies Division. The government-wide business continuity planning initiative requires all departments to prepare comprehensive plans of how they will attempt to remain operational in the event of a major disruption, such as a natural disaster. This initiative includes disruptions to IT services, but also involves all other major operations of a department. The government-wide disaster recovery planning initiative requires all departments prepare comprehensive plans on how they will reestablish critical IT infrastructure and services on a timely basis in the event of a significant disruption. Both initiatives will result in a consideration of certain IT risks affecting departments. However, risk assessment and management for IT needs to be much more comprehensive, and include such other topics as:

- security threats;

- obsolescence of systems and infrastructure;

- dependence on key staff to understand and operate systems;

- protection of privacy of personal information; and

- accuracy and completeness of information collected and reported by systems.

5.40   We were informed some Corporate Service Units undertake a level of risk management for their own IT operations. In addition, there is a government requirement for an assessment of risks related to the disclosure of personal information for all new IT projects. There are also indications that IT

project proposals submitted to BTAC address risks of conducting or not conducting those projects. However, except for risks related to personal information, there are no standards to ensure that risk analysis is performed on a thorough and consistent basis. In addition, such risk analysis only addresses new projects; not existing operations.

Recommendation 5.4
In preparing an IT governance framework, Treasury and Policy Board should develop and implement risk management policies and processes specific to IT. This should include a standard planning template for new projects, as well as an overall methodology for managing risks for all aspects of IT, such as provided in COBIT or a similar authoritative framework.

5.41 *Resource management* – According to the IT Governance Institute *"A key to successful IT performance is the optimal investment, use and allocation of IT resources (people, applications, technology, facilities, data) in servicing the needs of the enterprise."*

5.42 The risks of inadequate resource management for IT include the following.

- An organization may have fragmented, inefficient IT infrastructures. Several IT groups might address a similar need differently, resulting in a duplication of effort. Inconsistencies in systems and equipment could hinder government-wide solutions to critical program needs.

- Infrastructure capacity may not be sufficient. If an IT system does not have all of the equipment and software it requires, unpredictable things can happen. It might not function as intended, slow down, or stop functioning entirely.

- A shortage of needed skills and capabilities could occur. If an IT group has insufficient staff with a needed skill set, it may not be able to provide an adequate level of attention to the systems or new projects that require that skill set. Important systems could be disrupted and projects could fail.

- Important organizational objectives may not be achieved. Inadequate management of IT resources could lead to slow-downs or failures of key systems, which could severely hinder important government programs.

- IT costs may not be optimized. Hardware or software might be procured that is difficult to harmonize with existing systems, resulting in wasted time resolving compatibility issues.

5.43 There are no formal government policies or standards for IT resource management. We noted some government-wide IT resource management

concerns relating to IT equipment, staffing, consistency of IT tools and standards, and project management approaches.

5.44 We observed evidence of deficiencies in the management of IT infrastructure in the case of an inadequate response to increased data storage requirements at the provincial data centre. This has created a significant risk of system malfunctions and inability to recover from a disastrous loss of data. Reasons given for this problem include the decommissioning of the IBM mainframe, new applications with high storage demands and the addition of new features to existing systems that increased storage requirements. These factors have resulted in storage requirements growing at 80% per year. Although government has been aware of the need for additional storage for a long time, it only began to address this issue once the risk it presented became very high.

5.45 The Province's human resource polices apply to all government personnel, including IT staff. However, within the IT community there are some issues that need to be addressed. Position classifications differ across Corporate Service Units so that in some cases a staff member is regularly advising or directing staff members at other Corporate Service Units who are classified at a higher rating than they are. We also noted that IT directors are not always in the same position in departmental organizations. Some IT directors report directly to deputy ministers, while others report to executive directors who in turn report to a deputy minister.

5.46 It is now a reality in most businesses and governments that the demand for skilled and experienced IT workers is highly competitive. This has caused difficulty in obtaining and retaining qualified staff. Management at some Corporate Service Units noted that recent job postings resulted in no, or very few, qualified applicants. An initiative entitled IT/IM HR Strategy was launched earlier this year at the request of the IT Directors Forum. This is a joint initiative between Economic Development and the Public Service Commission, with the chair of BTAC as the corporate sponsor. The purpose of this initiative is to examine, at a corporate level, human resource issues specific to the IT community.

5.47 As mentioned above, there is a lack of consistency across the Corporate Service Units in terms of tools and practices used. This makes it very difficult to develop accurate benchmarks necessary for an assessment of service delivery. We noted that some Corporate Service Units have already adopted an internationally recognized service delivery methodology called the Information Technology Infrastructure Library. This methodology is highly regarded throughout the worldwide IT community. We also understand that if the centralization of the service delivery component of IT is approved, this methodology will be used.

5.48 We found there are a variety of project management methodologies used by Corporate Service Units in the planning and implementation of IT projects. Some are using the Project Management Institute's methodology; others use another recognized project management methodology; while some have developed their own methodologies. We believe there should be a government-wide standard established for managing significant IT projects.

> Recommendation 5.5
> In preparing an IT governance framework, Treasury and Policy Board should establish an appropriate governance structure to manage IT resources. This should be based on the principles expressed in COBIT or a similar authoritative framework.

5.49 *Performance management* – Performance management focuses on maintaining the effectiveness of IT by tracking the delivery of IT projects, as well as measuring and monitoring the continued provision and results of IT services. The IT Governance Institute states *"In IT, if you are playing the game and not keeping score, you are only practicing."* This quote serves to emphasize that effective performance measurement is at the heart of performance management.

5.50 The risks of inadequate performance management for IT include the following.

- IT systems and processes may fail to meet business requirements. Government may not be able to provide all the programs and services planned.

- It may be difficult to determine if IT objectives are being achieved. For example, if a new system was justified on the basis of increased reliability, it would be impossible to determine if reliability has improved if down-time is not measured.

- Performance deficiencies may not be identified on a timely basis, resulting in a delay in recognizing the problem and developing a solution.

- The effectiveness of key IT decisions cannot be assessed. For example, without accurate performance management, government cannot determine if the acquisition of a particular new system was a good or bad decision. Bad decisions may be repeated.

- Wrong decisions could be made based on inaccurate performance information. If a new system has problems, inaccurate performance information may result in ineffective or uneconomical solutions.

5.51 We determined that there are no government standards established for IT performance management. Without such standards there is no way to

ensure that appropriate issues are identified and brought to the attention of management. We found two particular examples of concern arising from the absence of performance management standards.

5.52   The first matter relates to reporting. One of the key components of performance management is the definition of performance reporting standards. We noted that there is some ad hoc reporting, both within departments and Corporate Service Units, as well as to BTAC. However, such reporting does not address the ongoing operation of existing IT systems and services.

5.53   The second matter relates to a lack of consistency in performance measurement. For example, we found that all Corporate Service Units have implemented problem tracking systems. However, the systems used are not consistent across government and, accordingly, the information obtained and used for management purposes is not consistent. This lack of consistency is due, in part, to the lack of a governance structure with authority to define and enforce system standards. This means that it is impossible to determine, on a government-wide basis, the quality of IT service provided in problem resolution. We do note, however, that the centralization of service delivery, if implemented, should address the consistency issue in performance measurement for problem solving. However, appropriate standards will still need to be established for all other aspects of IT.

Recommendation 5.6
In preparing an IT governance framework, Treasury and Policy Board should establish an appropriate governance structure to manage IT performance. This should be based on the principles expressed in COBIT or a similar authoritative framework.

Response: Treasury and Policy Board

The Treasury and Policy Board would like to thank the staff of the Auditor General for their courtesy and professionalism while conducting the government-wide audit of the Governance of Information Technology Operations.

Our current IT Governance has enabled us to achieve results for which we are perceived as public sector leaders by other jurisdictions. However, Treasury and Policy Board recognizes that as government's use of and dependence on IT has increased, it is important to continually align our IT Operations with an effective framework for IT governance to ensure successful delivery and control. This becomes more important with an increase in the level of shared services, systems and processes, as well as increased integration.

The basic elements of an IT strategic plan are in place, as a vision and guiding principles for Technology and Information were developed through the Business and Technology Strategy in 2000. This foundation has helped us to progress our use of shared services, systems, and processes across government.

Nova Scotia is considered a world leader in the delivery of back office shared services. There are a number of examples of shared services models within the Government of Nova Scotia, such as the SAP Customer Competency Center, that provides support to not only the Province, but to the School Boards, municipal sector, and other clients. We have received world wide recognition for our shared services models through Gartner Research, who published an article on the Nova Scotia shared services model.

Nova Scotia is highly respected by our peers for the work being done to share systems and business processes, and to integrate across business areas. The Department of Justice is recognized as a leader in the area of integrated justice, through their JEIN system, and Community Services for their Integrated Case Management system. The efforts in shared systems and business processes extends across levels of government with such systems as the Nova Scotia Business Registry developed by Service Nova Scotia and Municipal Relations.

Nova Scotia is also recognized as a public sector leader in implementing common business practices and systems across sectors, utilizing a standardized back office system across the Province, the School Boards and in the Health sector.

Health has been able to implement standardization across the province in their clinical systems through Meditech and have successfully implemented Picture Archiving and Communications from one end of the province to the other allowing health care professionals to share high-quality, digital, diagnostic images. There are many more such initiatives planned or underway. An effective framework for IT governance will ensure that we will continue to be successful.

The Auditor General's six recommendations are accepted in principle. The results of the audit will be forwarded to the Business Technology Advisory Committee (BTAC), a Deputy Minister sub-committee of Treasury and Policy Board, for their review and follow-up. The Corporate Information Strategies Division of Economic Development, as secretariat support to BTAC, will investigate the COBIT governance framework in order to provide advice to BTAC as they determine next steps.

Financial Reporting

6 Government Financial Reporting

Summary

An audit opinion provides independent assurance on the financial results of an entity. An unqualified audit opinion provides assurance that the financial statements present fairly, in all material respects, the financial results of an entity. The Minister of Finance tabled the Province's audited consolidated financial statements on August 9, 2007. The Auditor General's opinion on those statements was unqualified. This release date is significantly earlier than the release date closer to the end of September in prior years. We commend the efforts of Department of Finance staff in preparing and releasing more timely financial results.

Several findings and observations resulting from this audit were reported in a management letter issued to the Minister of Finance in January 2008. We noted accomplishments in financial reporting during the year such as the disclosure of budget information, as necessary, throughout the financial statements, and the disclosure of expenses at gross values.

The most significant of our findings related to an accounting change and its retroactive restatement in the financial statements. We believe an additional adjustment of $27.5 million was required to the accumulated deficit of the Province at April 1, 2006. Although this finding and others identified were neither individually, nor cumulatively, significant enough to affect the opinion on the consolidated financial statements, each impacted on the integrity of financial results, and reduced the usefulness of these statements to users.

We made several comments with respect to systems and controls. We noted the need to document roles and responsibilities for controls, including internal controls, and government's continued efforts to fulfill this need. We also noted our continued concerns with respect to IT access issues, and have made a recommendation to reduce access to certain IT functions to select individuals.

We are required under Section 9 of the Auditor General Act to report any appropriations that were exceeded during the year. Two additional appropriations were approved totaling $222.4 million to cover budget overruns for 2006-07. The most significant amount of the total additional appropriations related to capital purchase requirements which exceeded the approved budget by $75.6 million. We noted, as we have several times over the past years, that the current process to approve additional appropriations reduces accountability to and control by the House of Assembly. The debate and challenge that are integral to the budget process are absent from the approval for additional appropriations.

Background

6.1 The Provincial Finance Act establishes the roles and responsibilities of the Minister and Deputy Minister of Finance. Key among these are financial reporting requirements including the preparation of estimates, public accounts and forecasts. These reporting requirements are a significant component in the accountability framework between the Department and the House of Assembly. The framework also includes:

- the annual tabling of crown corporations' business plans, audited financial statements and proposed public financing in the House of Assembly;

- the filing of required documents as a foreign registrant of the Securities and Exchange Commission in the United States (or its equivalent in other countries);

- other discretionary financial information or reports released to the public;

- the oversight responsibility of the Executive Council; and

- the role of the House of Assembly itself, including the Public Accounts Committee in holding government accountable for the use and control of public funds.

6.2 As an independent audit office, the Office of the Auditor General's role in the accountability framework is established through the Auditor General Act. The broad mandate of the Act provides for the Office to examine and report to the House of Assembly on the use and control of public resources by government and its controlled entities, as well as recipients of financial assistance. Further, Sections 9 and 9B of that Act provide for specific annual reporting by the Auditor General on the Province's consolidated financial statements (an audit engagement, with a high level of assurance provided by the audit opinion), and government's revenue estimates (a review engagement, providing a moderate level of assurance).

6.3 The Auditor General's opinion on the 2007-08 revenue estimates was tabled in the House of Assembly on March 23, 2007 along with the government's budget documents. The results of that review were reported in Chapter 7 of the June 2007 Report of the Auditor General.

Chapter Objective

6.4   The purpose of this Chapter is to provide summary comments and observations on our audit of the Province's March 31, 2007 consolidated financial statements.   A draft management letter including detailed comments and suggestions was issued to the Minister of Finance in October 2007. Management's responses were included in the final letter dated January 31, 2008.

Significant Observations

Results of the March 31, 2007 Audit

6.5   *Conclusions and summary of observations* – The Minister of Finance tabled the Province's audited consolidated financial statements on August 9, 2007, well in advance of the legislated deadline of September 30. The Auditor General's opinion on those statements was unqualified.

6.6   The Province's Government Accounting Division is responsible for the preparation of the Province's consolidated financial statements.   We commend the efforts of the Division in preparing and releasing more timely financial results. Several findings resulted from the audit and these were reported in a management letter issued to the Minister of Finance in January 2008.   While our findings were neither individually nor cumulatively significant enough to affect the opinion on the consolidated financial statements, each impacts on the integrity of financial results, and reduces the usefulness of these statements to their users.

6.7   Professional standards require that an auditor review, prior to their release, any information or other documents to be released concurrently, or in combination, with financial statements upon which the auditor has or will be providing an opinion. We reviewed, but did not audit, the information in the Financial Discussion and Analysis section of Volume 1 of the March 31, 2007 Public Accounts.

Significant Accounting Policies

6.8   *Prior and current recommendations* – The June 2007 Report of the Auditor General identified certain areas in which the Province's March 31, 2006 consolidated financial statements were not yet fully in compliance with generally accepted accounting principles (GAAP). We recommended steps be taken to ensure fuller compliance for the March 31, 2007 consolidated financial statements, the audit of which had just begun. We are pleased to acknowledge that significant steps have been taken to address many of these areas. Accomplishments during the year include the following.

- Budget information is now included on the Statement of Change in Net Direct Debt. This completes the required disclosure of budget information under Public Sector Accounting Board (PSAB).

- PSAB requires that expenses be disclosed at gross values. Management began the process of recording user fees, chargeables and recovery account balances as revenues in 2005-06, and continued improvements during the current year. The March 31, 2007 Statement of Operations and Accumulated Deficits now reflects all significant revenues and expenditures at gross value.

6.9 We believe further improvements to the consolidated financial statements are needed, as noted below.

- There remains one entity (Canadian Blood Services) for which there is disagreement between the Department of Finance and the Office of the Auditor General as to whether it is a Government Partnership Arrangement. The results of operations of this entity have not been consolidated. This matter will be resolved prior to next year's audit.

- PS 2500.07 of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook notes that as part of the consolidation process, the accounting policies of government units must be adjusted to conform with the government's accounting policies. We disagree with Government Accounting's interpretation of this recommendation. While Government Accounting understands this recommendation to mean that overall accounting policies are conformed, we have interpreted this recommendation to require that the specifics of the policies conform as well. For example, not only must a government unit capitalize its assets as central government does, it must also capitalize its assets using the same threshold limits.

6.10 The example of asset capitalization noted above was selected as it represents the most significant matter for discussion during the process of ensuring government unit accounting policies conform to those of government. This is for two reasons.

- We have had a concern with the high level of the tangible capital assets (TCA) thresholds used by government for certain classes of assets for the past several years, and have communicated this to management both in our audit results communication and in previous Reports of the Auditor General.

- Accordingly, adjusting the TCA thresholds of all entities consolidated to the Province's thresholds would reduce the amount of TCA balances which would be capitalized. Given the high TCA threshold limits of the

Province, compliance with the GAAP requirement could actually impair the fair presentation of the TCA balances on the consolidated financial statements.

6.11   During the current year's audit, we refined our analysis of the Province's threshold limits and focused our discussions on those TCA classes where the threshold appears to be higher than the anticipated individual cost of an asset in that TCA category. Our concern is that there could be a significant balance of transactions related to the acquisition of TCA, as defined by GAAP, which are expensed rather than capitalized since the balances fall below the government's threshold for capitalization.

6.12   There is a need to further research and review the Province's TCA threshold limits to ensure they allow for the fair and consistent presentation of the TCA balance on the consolidated financial statements. Government Accounting has agreed to review these threshold limits when they conduct their next review of all threshold limits.

Presentation Changes

6.13   *Accounting changes* – PS Section 2120 on Accounting Changes recommends that a change in an accounting policy be applied retroactively, and that prior period amounts appearing on the financial statements in the year of the change be restated accordingly. A cumulative restatement to opening accumulated deficits is made to reflect the impact of retroactive changes on prior years not presented for comparison.

6.14   Note 2 to the March 31, 2007 Public Accounts describes the impact of implementing a change in accounting policy on the current and prior years. This change was due to revisions to PS Section 3150 on Tangible Capital Assets. These revisions, which required assets be recorded at their gross cost, were released in September 2006 and were effective immediately. (Previously, assets could be recorded net of contributed amounts received, for example, under cost-sharing agreements with the Federal government.) An adjustment of $10.4 million was made to the April 1, 2005 Accumulated Deficits. Comparative amounts for March 31, 2006 were restated.

6.15   During the audit of Note 2 to the March 31, 2007 consolidated financial statements, we determined that this change in policy was applied retroactively to April 1, 2004. We disagree with the time frame selected to effect this change. Retroactive restatement applies to all prior periods. While we recognize there is a cost in time and resources to determining the restatement, we believe this change in policy was significant to periods prior to April 1, 2004. In support of this, we obtained, with minimal effort, audit evidence indicating the TCA balance would have been approximately $27.5 million higher had the change in accounting policy

been applied retroactively to April 1, 1999 – the date on which the Province first recognized tangible capital assets. Accumulated deficits at April 1, 2005 would have been reduced by a similar amount. This amount is not conclusive because we focused only on the more significant cost-sharing agreements. However, it is significant and indicates that a full analysis of the cost versus benefit of determining the extent of the adjustment was not completed.

6.16   *Changes to trust funds under administration* – Our management letter issued as a result of the March 31, 2006 audit of the Public Accounts recommended that government complete a detailed analysis of the appropriate accounting treatment for the Workers' Compensation Board (WCB), an entity which had been included in Note 8 – Trust Funds under Administration. As a result of this analysis, it was determined that WCB did not meet the definition of entities to include in Note 8. We concur with this view. However, we feel this change in reporting should have been disclosed in the March 31, 2007 Public Accounts, preferably in the consolidated financial statements themselves, or at least as part of the Financial Statement Discussion and Analysis. This would have provided users of the Public Accounts with information on the decision to remove WCB from Note 8.

Other Required Communication on Audit Results

6.17   *Use of estimates* – Government's preparation of the Province's consolidated financial statements requires the use of significant accounting estimates, certain of which are particularly sensitive to future actual results differing from government's assumptions upon which the accounting estimates are based. At the conclusion of this year's audit there were no significant outstanding concerns with the estimated accounting balances used in preparing the March 31, 2007 consolidated financial statements. We do have a comment with respect to disclosure of the following matter.

6.18   The disclosure of changes in actuarial assumptions used to determine post-retirement benefits is considered desirable. PS Section 2120.28 notes *"Disclosure of the nature and effect on the current period may be desirable for a change in an accounting estimate that is rare or unusual and that may affect the financial results of both current and future periods."* While we acknowledge that a change in an actuarial assumption is neither rare nor unusual, we suggest that its impact is significant enough to warrant disclosure in the financial statements. The impact of the change in the discount rate used to determine the actuarial value of the post-retirement obligations of the Province's two most significant obligations was an increase of $151.5 million.

6.19   *Misstatements in the financial statements* – During the audit of the March 31, 2007 consolidated financial statements, a number of accounting, disclosure

and audit issues arose, and were communicated to government staff at various points in the audit process. Some of these issues were resolved either by review of additional information provided to us or by adjustments made to the financial statements.

6.20 Generally accepted auditing standards require that all but trivial known errors or misstatements identified in the Province's consolidated financial statements during the year-end accounting or audit processes be corrected. This increases the accuracy of the financial statements. Any unresolved, unadjusted errors or differences are considered when preparing the auditor's report on whether the statements *present fairly* in accordance with GAAP. In their response to our management letter resulting from the March 31, 2007 audit, management indicated they agreed with our recommendation noted below.

> Recommendation 6.1
> The Government Accounting Division should ensure that all but trivial known and possible errors identified during the audit be corrected.

Audit Completion

6.21 This year Government Accounting set an aggressive target for release of the March 31, 2007 consolidated financial statements. Where previously these had been issued in late September each year, this year they were scheduled for release in early August. The actual release date was August 9, 2007.

6.22 We commend Government Accounting for undertaking this initiative and for their accomplishment. More timely financial statements increase their usefulness in decision-making and resource allocation.

Access to Information

6.23 When completing our audit work on the March 31, 2006 consolidated financial statements, we encountered difficulties in gaining access to certain information requested. No such difficulties were encountered during this year's audit.

Systems and Controls

6.24 *Conclusions and summary of observations* – The significance of a control framework, and processes that monitor it to ensure continued and effective operation, cannot be overemphasized. This framework should include a system of internal controls that provides for timely and accurate transaction processing and safeguarding of assets.

6.25 Internal control systems should be documented in order to ensure continuity when staff and management changes occur. Documentation should also describe responsibilities and authorities by position to ensure accountabilities are clear. Government has indicated that it is in the process of documenting its system of internal controls.

6.26 We have continuing concerns in the area of IT security. It is critical that users have access only to those system functions which are necessary for them to perform their duties. The ability to access other data increases the risk of inaccurate transaction posting, thereby reducing the usefulness of financial results.

6.27 *Internal controls* – As part of our audit, internal controls were reviewed only to the extent necessary, under Canadian generally accepted auditing standards, to establish a basis for determining the audit coverage necessary to express an opinion on the Province's consolidated financial statements. The audit work was not designed to determine whether internal controls are adequate for management's purposes and will not necessarily disclose all conditions requiring attention by management.

6.28 Further, as it relates to the internal controls of the entities consolidated in the Province's financial statement reporting entity, reliance has been placed on the audit work of public accounting firms appointed to report on the financial statements of those entities. Our comments on selected weaknesses in internal controls which were reported to those entities by their auditors are included in Chapter 7 of this Report.

6.29 In the past, we have made recommendations concerning internal controls, including their delegation throughout government. While the Provincial Finance Act includes general references to the roles and responsibilities of the Minister and Deputy Minister in this regard, additional guidance needs to be developed, and effectively communicated on a more comprehensive basis. This would include the roles and responsibilities of departmental and crown entity governing bodies and senior management in the design, implementation, operation and maintenance of internal controls.

6.30 The response to our March 31, 2006 management letter notes that departments are involved in documenting business processes and controls as part of the business continuity planning process. We are also aware that the Internal Audit and Risk Management Centre is facilitating departmental risk assessment processes. Departments are continuing to document processes, including documentation of internal controls. We await the results of these processes and hope they will address our concerns regarding the clear documentation and communication of responsibility for internal control.

6.31 *Access controls* – A standard audit procedure is to ensure that closing balances in the financial accounting records from one year become opening balances for the next year. While performing this procedure, we noted several instances where an entry had been posted to the prior year, during the current year, thereby changing the year-end balance in individual accounts in the general ledger. Some of these entries were made to reconcile sub ledger accounts to the general accounts. Other entries were made to allocate accumulated amounts to individual accounts.

6.32 The ability to post to a prior period should be limited to very few users, and not be a function for those who post routine transactions. This segregation of duties finding was also reported as a result of an audit of SAP application controls performed in June 2006 (reported in the December 2006 Report of the Auditor General). At that time, there were 15 users who were able to perform these incompatible functions. At the time of our audit (July 2007), this number had increased to 28 users.

> Recommendation 6.2
> The Division should ensure that adjustments to the general ledger be made as part of the year-end financial statement preparation process only, and not subsequently. In addition, the ability to post these entries should be limited to selected senior individuals.

6.33 *Audit of governance and control framework* – An audit of the governance and control framework of the Investment, Liability Management and Treasury Services and Capital Markets Administration Divisions of the Department of Finance was conducted by an external audit firm and completed in 2004. The resulting report, issued in December 2004, identified several control weaknesses which resulted in a denial of opinion.

6.34 We reported the results of this audit in Chapter 2 of the December 2005 Report of the Auditor General. At that time, we recommended government ensure a follow-up audit be conducted to determine the status of the identified weaknesses. We further recommended that this follow-up audit be completed by a private-sector firm with the necessary expertise.

6.35 During our current review of the status of recommendations made in the December 2005 Report of the Auditor General (see Chapter 8 of this Report), we were informed that the follow-up work was to be conducted by staff of the Internal Audit and Risk Management Centre.

6.36 Given the significance and complexity of the transactions processed by these Divisions, we again recommend that an audit by an external experienced private sector firm be conducted in order to determine whether the deficiencies have been remedied to the extent necessary for an unqualified audit opinion.

Recommendation 6.3
Management should obtain an independent audit opinion on the governance and control framework of the Investments, Liability Management and Treasury Services and Capital Markets Administration Divisions. This should be conducted by a private sector firm.

6.37 *Internal audit* – The Internal Audit and Risk Management Centre (IARMC) was established in 2004. Its primary role is to determine whether management's risk management, control and governance processes are functioning properly to ensure, among other priorities, that resources are spent efficiently and assets are protected.

6.38 In the December 2005 Report of the Auditor General we commented on the need for an effective internal audit function in government; one that assists management to ensure internal controls are effective and adequately monitored. We also noted the possible challenges now faced by government in maintaining an effective internal audit function given that the focus of IARMC extends beyond internal controls.

6.39 We are currently conducting an audit of internal audit functions across government, including those in crown corporations and other governmental units. While the objectives of that audit focus on compliance with policies and internal audit best practices, we expect that through our review of IARMC reports we will also note the extent to which the Centre is involved in monitoring internal controls.

Compliance with the Provincial Finance Act

6.40 *Conclusions and summary of observations* – Additional appropriations totalling $222.4 million were approved for the fiscal year ended March 31, 2007. Although the timing of the approval for these additional appropriations was in compliance with the Provincial Finance Act, the Act itself reduces accountability and control by allowing approval of additional expenditures in exhausted appropriations for up to ninety days after the tabling of the Public Accounts. The Act needs to be clarified. It also needs to be clarified with respect to write-offs by crown corporations.

6.41 *Additional appropriations* – We are required under Section 9 of the Auditor General Act to report on any appropriations that were exceeded during the year. Executive Council approved Order-in-Council 2007-189 on March 30, 2007 approving additional appropriations of $120.2 million for 2006-07. A second additional appropriation (OIC 2007-577) was approved on November 2, 2007 to cover further budget overruns in the amount of $102.2 million. The most significant amount of the total additional appropriations related to capital purchase requirements which exceeded the approved budget by $75.6 million.

6.42 The details of additional appropriations for the past five years are included in Exhibit 6.1 below. We note, as we have several times in past years, that the current process to approve additional appropriations reduces accountability to and control by the House of Assembly. The debate and challenge that are integral to the budget process are absent from the approval for additional appropriations.

Exhibit 6.1
Additional Appropriations

Year	Amount
2002-03	$ 69,591
2003-04	$ 99,017
2004-05	$159,443
2005-06	$110,761
2006-07	$222,434

Source: Public Accounts – Volume 1

6.43 *Timing of approvals* – According to Section 13 of the Provincial Finance Act, before a cheque can be issued, a sufficient balance must be available in the appropriation for the specified purpose and, where an appropriation is exhausted, no further contractual obligations or commitments may be charged to the exhausted appropriation. However, Section 28 of the Act allows up to ninety days after the tabling of the Public Accounts for the approval of additional appropriations related to the appropriations in the Public Accounts. There is an inconsistency within the Act. Management has acknowledged this inconsistency. We recommended last year that the Provincial Finance Act be amended and repeat this recommendation below.

6.44 *Write-offs* – Section 23 of the Provincial Finance Act notes

> *"Where a person has an obligation or debt due to the Province …, the Governor in Council may direct the Minister, … to negotiate and accept a settlement in payment and satisfaction of such obligation, debt or claim, or to determine that any such obligation, debt or claim is not collectable and to write off any loss incurred in any such settlement or determination and to charge it to the appropriation for the service in respect of which the loss was incurred or to the Consolidated Fund or to the appropriate reserve account."*

6.45 During this year's audit, we noted that an entity included in the consolidated financial statements had written off an investment without Order-in-

Council approval as described above. Our interpretation of the Finance Act has always been that it extends to the government reporting entity, thereby including consolidated entities. We are aware the Act does not clearly address whether the requirement for Executive Council approval extends to crown corporations.

Recommendation 6.4
Department of Finance management should ensure that the Provincial Finance Act is amended to eliminate the existing inconsistency with respect to additional appropriations. Management should also ensure the Act is clarified regarding its applicability to certain entities with respect to the process to write off recorded amounts.

Changes in Accounting Standards

6.46 *Conclusions and summary of observations* – Accounting standards and pronouncements that comprise GAAP continue to evolve. Changes in presentation and disclosure are intended to improve the usefulness of financial statements for decision-making purposes. There are several new accounting pronouncements, and some in process, that will have an impact on the government's future financial reporting.

6.47 Significant matters on which PSAB has recently released final or revised pronouncements or is developing new or revised pronouncements, or issuing statements of principle, are described below.

6.48 *Segmented information* – PSAB has introduced PS 2700 - Segment Disclosures; the recommendations of which are effective April 1, 2007. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information. Effective for 2007-08, government will be required to disclose the following in its consolidated financial statements:

- the basis for identifying segments, the nature of the segments and the activities they encompass, and the method of significant allocations to segments;

- segment expense by major object or category;

- segment revenue by source and type;

- the aggregate of the net surplus / deficit of government business enterprises and government business partnerships accounted for under the modified equity method for each segment, if applicable; and

- a reconciliation between the information disclosed for segments and the consolidated information in the summary financial statements.

6.49   Information on segments is already presented in the consolidated financial statements, by major functions such as health, education, community services and transportation and public works. Since segment totals are to be presented on a comparative basis, changes may be needed in the presentation of March 31, 2007 balances.

6.50   *Accounting for tax revenue* – PSAB's Tax Revenue Project will address general recognition, measurement, reporting and disclosure principles of all types of tax revenues. An exposure draft is expected to be issued in due course and a new standard is anticipated in June 2008.

6.51   *Statements of principles and other standards* – Statements of principles suggest key principles and definitions that PSAB expects to propose in future recommendations. Three statements of principle have been issued recently by PSAB:

- assessment of tangible capital assets;

- financial instruments; and

- indicators of government financial condition.

6.52   In addition, amendments to existing standards are proposed in the exposure draft on government transfers.

6.53   New formal recommendations or guidance in such areas could require changes to government's financial reporting in the future. The nature and impact of required or planned accounting changes should be disclosed as soon as practical, ideally no later than during the presentation of the budget for the fiscal year in which the changes will take effect.

6.54   We note that there are several accounting topics which impact crown corporations and other entities whose results are consolidated with those of the Province. These include several new pronouncements related to financial instruments; revisions to accounting for changes and estimates, and errors; and inventory. The impact of these changes on the financial statements of crown corporations will have to be considered during the consolidation process.

6.55   *International financial reporting standards* – Finally, the move to international accounting standards is fast approaching. Publicly accountable enterprises in Canada are to adopt International Financial Reporting Standards starting January 1, 2011. The Accounting Standards Board of the CICA is expected to issue an Omnibus Exposure Draft in early 2008 as a step to incorporating the international standards into the CICA Handbook. The scope and impact of this transition will likely be significant to the Public Accounts.

Other Matters

6.56 *Conclusions and summary of observations* – No special warrants have been approved by Executive Council since our last Report in June 2007. In addition, with respect to cash and other losses, an insignificant amount has been reported to us for 2006-07.

6.57 *Special warrants* – Section 9A of the Auditor General Act requires that we report whether any special warrants have been issued. A special warrant is issued under Section 29 of the Provincial Finance Act for expenses that have not been provided for by the Legislature and are immediately and urgently required for the public good. We note that since our last Report in June 2007, no special warrants have been approved by Executive Council under Section 29 of the Act.

6.58 *Cash and other losses* – Section 9A (1) (e) of the Auditor General Act requires that we report every case in which we have observed that *"… there has been a deficiency or loss through fraud, default, or mistake of any person"*.

6.59 There is no longer a requirement in the Management Manuals for departments and crown entities to report losses to this Office. However, as in prior years, some departments reported losses to our Office for 2006-07. Note that the list below may not include all losses as it details only those provided to us.

Exhibit 6.2
Cash and Other Losses – 2006-07

Department	Cash	Property
Justice	$646.00	$9,000.00
Service Nova Scotia and Municipal Relations	$5.50	–

7 Review of Financial Statements and Management Letters

Summary

In the private sector, financial statements are used by investors and potential investors to evaluate performance. In the public sector, financial statements are used not only to evaluate performance, but also to determine government's ability to continue providing key services to the public.

Schedule 9 of the Province's consolidated financial statements details the various entities included in the government reporting entity (GRE). Several of these entities are audited by this Office. The majority are audited by private sector auditors.

Under Section 17 of the Auditor General Act, we conduct a review of the audit opinions and related management letters of those entities audited by private sector auditors. We consider those results, as well as results from our audits of entities within the GRE, when auditing the consolidated financial statements of the Province. The purpose of this Chapter is to highlight matters of interest as a result of this review.

The majority of audits conducted on entities within the GRE resulted in unqualified audit opinions. We note that the audit opinion of one of the Province's loan funds was qualified due to insufficient support for management's estimate of provisions on asset impairment. In addition, the audit opinions for several of the school boards were qualified due to the inability of the auditors to verify the completeness of school-based funds.

Auditors are required to provide management and oversight bodies with information regarding internal control weaknesses. This information is provided in management letters. Our review of these management letters indicated that issues related to information technology infrastructure are pervasive throughout entities in the GRE. Deficiencies were also identified in two provincial loan boards regarding documentation to support financial statement balances. Management should address the deficiencies identified by their auditors to ensure the continued usefulness of their financial statements.

7 Review of Financial Statements and Management Letters

Background

7.1   The financial statements of crown corporations and agencies, funds of the government of Nova Scotia, and trusts administered by the government of Nova Scotia, are in some cases audited by the Office of the Auditor General and in other cases by private sector auditors licensed under the Public Accountants Act.

7.2   Section 17 of the Auditor General Act permits this Office to conduct additional reviews of those entities where financial statements are reported on by private sector auditors. This Chapter contains comments on our review of the results of financial statement audits by private sector auditors, as well as comments on audits performed by this Office.

7.3   As noted in Chapter 6 of this Report, the Auditor General is responsible for the annual audit of the consolidated financial statements of the Province of Nova Scotia. Comments and observations on our audit of the Province's March 31, 2007 statements are noted in that Chapter.

Chapter Objective

7.4   The objective of the review of financial statements and management letters is to identify matters of interest to the users of public sector financial statements.

Significant Observations

Financial Statement Audit Results

7.5   *Conclusions and summary of observations* – In our review of the results of financial statement audits, we noted several instances where qualified audit opinions were issued. The majority of these were anticipated due to the nature of the entity's operations. In our view, these qualified opinions do not diminish the usefulness of the related financial statements. However, a qualified opinion was also issued in one instance where there was insufficient support for the provision for impairment in one of the loan funds. This reduces the usefulness of these financial statements in assessing the recovery of financial assistance.

7.6 In addition to our review of audit opinions, we also review the management letters that auditors provide to oversight bodies. We are concerned with the number of deficiencies identified in these letters, particularly in the area of information technology (IT) infrastructure. Inadequate financial controls, and deficiencies in IT infrastructure pose risks to the integrity of financial statements.

7.7 *Qualified audit opinions* – The result of an audit is an opinion on whether financial statements present fairly the financial position of the entity at its fiscal year end and the results of its operations for the year then ended. Where there are qualifications of an audit opinion or situations in which it is not possible to render an opinion, we believe it appropriate to report on such matters.

7.8 Qualified audit opinions can result from insufficient evidence to support financial statement balances or disclosures. The audit opinion of the Nova Scotia Farm Loan Board was qualified because of insufficient satisfactory evidence relating to management's estimate of provisions for loan and real estate impairment. The audit opinion of Nova Scotia Power Finance Corporation was qualified because the Corporation was unable to provide historical cost and effective interest rate of investments.

7.9 Several entities included in the consolidated financial statements of the Province derive revenue from donations or other contributions, the completeness of which is difficult to verify during an audit. This is a standard qualification for entities with these types of revenues.

7.10 Qualified audit opinions were issued by the auditors of the following entities.

- Cape Breton Victoria Regional School Board, South Shore Regional School Board, Strait Regional School Board and Tri-County Regional School Board, due to the inability to verify the completeness of school-based funds.

- Conseil Scolaire Acadien Provincial due to the exclusion of school-based fund activity in the financial statements.

- Public Trustee due to insufficient evidence to indicate whether trust income and assets are complete, which is consistent with the prior year.

- Art Gallery of Nova Scotia, Nova Scotia Talent Trust and Atlantic Provinces Special Education Authority, due to insufficient evidence to indicate whether revenue is complete, which is consistent with prior years.

- Nova Scotia Agricultural College Foundation because pledges were not recognized as revenue.

- Halifax Regional School Board due to insufficient evidence to ascertain the completeness of school-based funds and due to the use of cash basis in accounting for school-based funds.

7.11   A qualified audit opinion was also issued for the audit of E911 Cost Recovery Fund due to insufficient evidence to indicate whether expenses of the fund are complete.

7.12   *Disclosed basis of accounting* – Auditors can no longer provide an unqualified opinion on general purpose financial statements prepared on a basis of accounting other than generally accepted accounting principles.

7.13   The financial statements of the Sherbrooke Restoration Commission were prepared using accounting principles for museum boards in Nova Scotia as prescribed by the Department of Tourism, Culture and Heritage.

7.14   *Financial controls and records* – During financial statement audits, situations were noted where accounting and control systems or procedures were deficient. These weaknesses in internal controls were reported by the auditors in management letters to the crown corporations or agencies.

7.15   The results of our review indicated a significant number of deficiencies in information technology infrastructure. A recurring deficiency was in the area of access to systems. In many instances, access was granted to individuals who did not require access to a system to perform their duties, or access privileges created a lack of segregation of duties. This could impact the completeness, accuracy and authorization of recorded amounts. Other deficiencies related to controls over the general IT environment, such as program change-management, and disaster recovery. Deficiencies in application controls were also noted.

7.16   Although they were not of a magnitude to require reservation of an audit opinion, the auditors of the following entities have recommended improvements regarding the deficiencies noted to ensure financial records provide complete and accurate information on a timely basis.

Regional School Boards, Nova Scotia Community College and Atlantic Provinces Special Education Authority

7.17   *Annapolis Valley Regional School Board* – Cheque requisitions for expenses did not have the supporting invoices and the cleared cheque attached to them. This was also a weakness in the prior year. The SAP payroll system record of Master File Changes was not reviewed by senior management or payroll managers on a regular basis.

7.18 *Conseil Scolaire Acadien Provincial* – The auditors recommended that the Conseil determine a system for processing school-based funds. The Conseil should also adopt a formal procedure for evaluating internal controls, which should then be under the direction of the Audit Committee.

7.19 *South Shore Regional School Board and Tri-County Regional School Board* – There was no formal process for documenting, testing and evaluating internal controls at the Boards, except for work that had been performed to date on controls related to school-based funds. The information technology function did not have explicit plans and objectives that were aligned with the Boards' plans and objectives. Also system event logs and activity reports for the server at the Finance Department were not being reviewed and evaluated, and no security policies and procedures were in place for setup of new user or termination of existing user accounts.

7.20 *Halifax Regional School Board* – The following comments relating to school-based funds result from audit procedures conducted at six schools. Receipts were not consistently issued for funds received nor were receipts reconciled to school deposits on a consistent basis. The 68% refund of HST was not claimed on a consistent basis. Not all documentation was being reviewed and cancelled when the reviewer signed a cheque. The preceding were consistent with the prior year. One school was noted as having written a cheque to cash. There were a number of errors noted on bank reconciliations even though the bank reconciliation had been reviewed. Finally, a number of issues and errors relating to the conversion of the Board's payroll system to the SAP system hosted by the Province of Nova Scotia were outstanding and need to be resolved.

7.21 South Shore, Tri-County and Halifax Regional School Boards were audited by the same public sector firm. In addition to the specific findings noted for each board, the auditors noted the following for all boards.

- A formal process to identify and evaluate internal and external business risks should be put in place at each board.

- Management at each of the boards should review findings – noted exceptions and absent control objectives and procedures – reported in the CICA Section 5970 audit of the SAP Customer Competency Center. (SAP is the accounting software used by all school boards and is maintained by the Province's Corporate Information and Systems Division.) Management should assess potential risks to their individual financial reporting environments which may result from these findings.

7.22 *Strait Regional School Board* – The following comments relating to school-based funds result from audit procedures conducted at two schools. Bank reconciliations were not done consistently for school-generated fund

activities. Receipts were not issued for all funds received. Also, cheques were presigned with one signature and not kept in a secure location. The authorization process was not adequate. Invoices should be reviewed and initialled by the individual before signing cheques. In addition, the HST rebate application was not prepared on a regular basis. These comments are consistent with the prior year.

7.23   *Nova Scotia Community College* – There were instances where approved invoices were paid without supporting purchase orders and receiving reports attached. In addition, there were several instances of purchase orders approved in excess of the authorized level.

7.24   *Atlantic Provinces Special Education Authority* – There was no independent review of the bank reconciliation. Amounts receivable related to audiology sales were written off by management. This authority is given solely to Executive Council. This matter is discussed further in paragraph 7.59 below.

District Health Authorities and the IWK Health Centre

7.25   *Annapolis Valley District Health Authority, South Shore District Health Authority, and South West Nova District Health Authority* – Journal entries made by management were not subjected to the review process. The portion of construction costs related to holdbacks was not recorded. In terms of inventory valuation, there was no review of current price lists. Also, as in 2006, there was no formal, documented disaster recovery plan for recovery of the information processing environment although progress had been made in this area. There were concerns regarding user access, including continued access rights for former employees. In addition, South Shore District Health Authority did not set up a receivable for each claim submitted to the Department of Health. Finally, inventory counts or spot checks were not done periodically throughout the year at South West Nova District Health Authority. Parking lot revenue and ATM replenishments at this DHA were the responsibility of one individual but should have dual custody.

7.26   *Cape Breton District Health Authority* – A capital asset subsidiary ledger was not maintained. The DHA also continued to use two separate computer systems to produce information supporting purchasing and accounts payable. Several findings were noted relating to payroll: vacation carried forward from prior years was in excess of amounts permitted in the Authority's policies; timesheets were sometimes prepared and approved by the same person; and a large number of manual cheques were being processed by the payroll department each month. There were a number of journal entries without appropriate supporting documentation, and bank reconciliations were not always prepared on a timely basis. With respect to information

technology, back-up tapes were not stored off-site, and the DHA's disaster recovery plan is outdated.

7.27   *Colchester East Hants Health Authority* – Several findings were identified in the IT area. Security administration should be the responsibility of IT staff and certain finance management should not have access. In addition the controls surrounding passwords should be strengthened. Back-up tapes were not moved off-site daily and work on the disaster recovery plan should continue. A formal process was not in place for the review and follow-up of security incidents. A formal process should be developed for managing IT program changes. Finally, journal entries made by management were not subjected to the review process.

7.28   *Cumberland Health Authority* – Interim reporting to the Board would be improved through a review of the process for recording standard and non-standard accruals. A $36,000 adjustment was required to reduce pharmacy inventory in the records to the results of the physical count. Purchase cards should be limited to one per institution in the Authority, and be controlled by the site manager. Several findings related to payroll: inadequate staffing levels; the need to monitor payroll master file changes; and review of payroll access privileges. HST remittances were not being filed on a timely basis. Finally, performance appraisals for Finance Department staff were not being performed.

7.29   *Guysborough Antigonish Strait Health Authority* – There were several instances where assets had not been received or projects started yet the asset had been capitalized and amortized; in addition, accounts payable had been set up for these items. There was no subsidiary ledger for capital assets. Consistent with 2006, several packing slips or invoice audit blocks were not initialled as evidence of receipt of the goods or services before payment was made. Inter-facility accounts receivable and accounts payable were not updated from 2006.

7.30   *Pictou County Health Authority* – Administrative level access for the network and for specific applications needs to be reviewed for both IT staff and other individuals to ensure there is appropriate segregation of duties. Access controls for both the network and applications need to be strengthened. Changes to the employee master file were not reviewed, nor were security logs. There was no formal, documented disaster recovery plan for recovery of the information processing environment, and a formal process for change management should be developed. Finally, the review of the bank reconciliation should be noted on that document.

7.31   *IWK Health Centre* – Certain users were allowed to emulate other users, that is access the system with all the rights of the other users. Such usage was tracked in a log that was not being regularly reviewed. The emulation

rights should be removed or the log reviewed on a regular basis. Also regular reviews of users' access to key applications was not being performed.

Entities Providing Financial Assistance

7.32   *Nova Scotia Farm Loan Board* – As in 2006, inadequate monitoring of loans, lack of documentation to support the loan valuation process, and weaknesses in business processes and internal controls resulted in the inability to conclude on the accuracy of provisions for real estate impairment.

7.33   *Nova Scotia Fisheries and Aquaculture Loan Board* – The Board's books of accounts did not report all transactions and the balances of these accounts do not equal the amounts in the financial statements. The loans subledger and general ledger were not reconciled. There was inadequate documentation supporting the allowance amount for impaired loans. These findings were all noted in the previous year. In addition, it was noted that interest accrued prior to declaring a loan to be impaired was not being included in the allowance for loan impairments.

7.34   *Nova Scotia Film Development Corporation* – There were several incidents where cheques had only one signature, instead of the two required by the Corporation, and there was no documentation to authorize the single signature.

7.35   *Nova Scotia Business Inc.* – Existing purchase order policies were not consistently applied. Controls over payroll transactions should be strengthened. All journal entries should be independently reviewed or approved by an authorized individual and supporting documentation for manual journal entries should be maintained. The Corporation should obtain current financial statements as specified in related agreements, for the annual loan review process. Management should consider an actuarial valuation for the public service awards liability.

Government Business Enterprises

7.36   *Halifax Dartmouth Bridge Commission* – There were instances where suppliers were paid twice and refunds of duplicate payments were requested and received. A review process should be established for commissionaires' payroll. Finally, holdbacks should be recorded in accounts payable to ensure the total amount of the asset is recognized.

7.37   *Highway 104 Western Alignment Corporation* – The agreement with the service provider for the facility requires a full operational audit performed at least once per year. An audit was not completed during the year. Also, the Corporation should consider having unique user profiles and passwords in its new tolling system as the current system does not provide for these.

Finally, the Corporation needs to develop journal entry policies, including related limits.

7.38   *Nova Scotia Liquor Commission* – Access to systems remained intact for employees who changed duties or who had been terminated. Changes to IT applications should be tested, reviewed and approved before implementation. Vendor account reconciliations for key suppliers should be performed on a quarterly basis, and be reviewed by management.

Pension Funds

7.39   *Nova Scotia Teachers' Pension Fund* – There were internal control weaknesses in physical security, confidentiality and safeguarding of information, application software development and maintenance, computer operations and change management.

7.40   *Nova Scotia Public Service Superannuation Fund* – Accounts payable included $7.8 million related to an error found in 2004 on the commuted value of pensions paid from 1994 to 1999. These amounts should be paid to avoid further interest charges to the Fund.

7.41   *Member's Retiring Allowances Act Accounts* – A pensioner's death was not detected by NSPA. In addition, procedures used to allocate items between the registered and supplementary fund were not formally documented.

Regional Development Authorities

7.42   *Antigonish Regional Development Authority* – Credit card slips were used to support a number of expense claims. These should be supported by restaurant tabs, and the purpose for and participants at the meal should be noted. A written policy should be established regarding staff meals.

7.43   *Cape Breton County Economic Development Authority* – Cheques on hand that will not be used should be voided. Invoices should be approved in accordance with the approval policy. A capitalization policy should be developed.

7.44   *Colchester Regional Development Authority* – Financial reporting duties and administration of the accounting system should be segregated.

7.45   *Lunenburg Queens Regional Development Authority* – There was inadequate segregation of duties within the finance department. In addition, it is not certain that interim financial statements were being prepared using GAAP. There was no formal disaster recovery plan. Also, computers were not in a secure environment and systems and security event logs were not reviewed.

Other Entities

7.46   *AgriPoint International Inc.* – There was inadequate segregation of duties. An individual who had signing authority also reconciled the bank, had access to accounting records, the signature stamp and received the bank statements.

7.47   *AgriTECH Park Incorporated* – The entity needs to record capital assets in accordance with GAAP, and maintain an inventory of these assets. Also, cut-off procedures for accounts payable need to be reviewed.

7.48   *Insured Prescription Drug Plan Trust Fund* – The auditors recommended that the Department of Health ensure the new contract with the service provider for the Plan includes certain internal controls related to the IT environment.

7.49   *Nova Scotia Gaming Foundation* – All disbursement amounts were not subjected to independent review and there was no indication of board approval for contract changes. The Nova Scotia Gaming Foundation should ensure the independent review and approval processes occur. The terms and conditions and any changes to its contract agreements should be formally documented. In addition, the Memorandum of Agreement between the Department of Health Protection and Promotion and the Foundation should be updated to address situations where there is a need to reallocate funding.

7.50   *Nova Scotia Health Research Foundation* – The financial records should record investment income of the Foundation on a regular basis.

7.51   *Nova Scotia Legal Aid Commission* – The accounts payable subledger was out of balance with the general ledger again this year.

7.52   *Nova Scotia Government Fund* – Management should develop a process to ensure that interest and principle amounts are included in the financial statements on a timely basis.

7.53   *Nova Scotia School Boards Association* – The audit committee should conduct periodic testing to monitor compliance with Board policies and procedures. A written policy should be established for investing surplus funds. Internal controls over cheque signing and access, and invoice approval processes should be strengthened.

7.54   *Resource Recovery Fund Board* – Several deficiencies were identified in access to applications and data, including continued access for terminated users. An audit trail is required to support amounts transferred from one subledger system to the software used for the general ledger. Several deficiencies were

110

noted in the review of internal controls and processes for approved program funding.

7.55   *Sherbrooke Restoration Commission* – The auditors recommended that the Commission should have at least one member with financial expertise. Controls over the inventory count and related pricing should be strengthened. Also, the Commission should maintain a detailed fixed asset schedule.

7.56   *Other matters* – In addition to the above control deficiencies, we also reviewed management letters for other matters of interest. The following are the most significant noted.

7.57   *Canada-Nova Scotia Offshore Development Board* – The auditors recommended that the Board establish a funding plan for their unfunded pension and other retirement obligations. In addition, the Board needs to determine whether its employees are eligible for service awards and, if so, recognize these as liabilities on the financial statements.

7.58   *Nova Scotia Harness Racing Incorporated (NSHRI)* – Consideration should be given to discontinuing the operations of NSHRI as the entity exists only to act as the conduit through which funds flow between the government and the harness racing industry.

7.59   *Nova Scotia Innovation Corporation (InNOVAcorp)* – Approximately $5.4 million of investments in the Nova Scotia First Fund were written off during the current year. Although management of the Corporation was informed Executive Council approval (OIC) was not required for this write-off, we noted as auditors of InNOVAcorp that we believe write-offs of crown entities require OIC approval under the Provincial Finance Act. We recommended to the Department of Finance that the Act be clarified in this matter – see Recommendation 6.4 in Chapter 6 of this Report.

7.60   *Cape Breton Victoria Regional School Board* – The operating results for the year included an excess of revenue over expenditures of $1,606,213. These operating results include $2,163,520 of last year's surplus.

Timeliness of Financial Reporting

7.61   *Conclusions and summary of observations* – The usefulness of financial information is impacted by its timeliness. As noted in Chapter 6, the usefulness of the Province's Public Accounts was enhanced this year due to their early release on August 9, 2007, well in advance of the late September release date in prior years. Management of all entities within the government reporting entity need to ensure their financial statements are released as required by legislation. Timely financial results are important for decision-making purposes.

7.62   *Compliance with deadlines* – The Provincial Finance Act requires that financial statements for government business enterprises and governmental units be submitted to the Minister of Finance by June 30 following the fiscal year end (usually March 31).

7.63   There continue to be problems with receiving submissions by the deadline. This year, 24 entities (2006 – 20) were not successful in providing audited financial statements and requested information by June 30. This delay results in using unaudited information for planning and monitoring purposes in the current year.

7.64   The Province's March 31, 2007 consolidated financial statements were released on August 9, 2007 meeting the reporting requirement set out in the Provincial Finance Act.

Follow-up of Prior Audits

8 Follow-up of 2004 and 2005 Audit Recommendations

Summary

Management's progress in implementing our audit recommendations has been inadequate. We strongly encourage government to proceed with addressing and implementing the remaining recommendations.

During our audits, we provide what we believe are practical and constructive recommendations to address weaknesses reported. We perform a review engagement two years after an audit to assess progress in implementing our recommendations.

In 2004 and 2005 we made 272 recommendations to government. Nova Scotia Business Inc. was the only entity which implemented all audit recommendations. Other government departments and entities have implemented only 39% of our 2004 and 2005 recommendations; a significant number (55%) are described as work in progress, planning stage or government plans to take action. Government does not intend to implement 6% of our recommendations. Two or more years have elapsed since these recommendations were made and we believe more significant progress should have been made in implementing the recommendations.

During our audits we may discover weaknesses in systems and controls protecting government assets or in the effectiveness or efficiency of government systems and processes. Many of these systems and processes are used to provide important services to Nova Scotians. We provide recommendations to address reported weaknesses. Failure to address these weaknesses in a timely manner increases the risk of financial loss to government and the risk that key systems and processes may not be effective in delivering required services.

We believe government needs to take a more direct role and responsibility for monitoring and ensuring appropriate actions have been taken on matters reported by the Auditor General. Such a process should include monitoring by government senior management and regular status reporting to the House. We understand government, led by Treasury and Policy Board, is in the process of developing a system that may address our concerns. We believe such a system is important and should be a priority for completion in 2008.

We experienced significant delays in completing our work on the self-assessments of one Department. The Department of Finance was given time extensions to provide us with three of their self-assessments. When we received the information it was incomplete. As a result there is one recommendation for which there is no self-assessment. This recommendation is noted as *"Did Not Report"* in Exhibit 8.3.

Background

8.1   Our Office's strategic priorities include serving the public interest, enhancing government performance, and promoting accountability. We work toward these priorities by providing legislators with the information they need to hold government and the public service accountable. We obtain this information primarily by conducting performance audits which, over time, will cover major activities of government. The result of each performance audit is reported as a chapter in a Report of the Auditor General. Each report contains recommendations which we believe provide practical, constructive advice to address issues raised by the audit. This Chapter reports how responsive departments and agencies have been to our recommendations.

8.2   In 2002 the Report of the Auditor General included formal recommendations for the first time. At that time our office made a commitment to follow up on implementation in three years. During fall 2006 we followed up on the implementation status of our 2003 recommendations. In December 2006 the Auditor General notified all auditees that our next follow-up chapter would cover recommendations issued in both 2004 and 2005 Reports. We believe that two years is sufficient time for auditees to address our recommendations.

8.3   In May 2007 each auditee was sent a form to document their self-assessment of progress on the implementation of the Office's recommendations. We requested that each auditee complete and return the forms by June 30, 2007. The Department of Finance was given an extension to September 15, 2007 due to their workload during the year-end accounting period.

8.4   Our work was structured to enable us to provide moderate or review level assurance on the implementation status of each recommendation. This level of assurance is less than for an audit because of the type of work 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 this follow-up assignment, reducing resources available to complete new audit assignments.

8.5   We requested that government management complete a written self-assessment of their progress in implementing each 2004 and 2005 recommendation. We also requested management provide supporting

information. Progress on each recommendation was summarized in the following categories.

- 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

8.6 Our review procedures focused on whether self-assessments and information provided by management were accurate, reliable and complete.

Review Objective and Scope

8.7 The objective of this assignment was to provide moderate or review level assurance on the implementation status of recommendations from the 2004 and 2005 Reports of the Auditor General.

8.8 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 an audit and a review or high and moderate assurance is available in the Canadian Institute of Chartered Accountants Handbook, Section 5025 – Standards for Assurance Engagements.

8.9 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.

Significant Observations

8.10 *Conclusions and summary of observations* – We were able to obtain sufficient support for the self-assessments to satisfy our review objectives with the exception of one recommendation related to the Department of Finance. Overall we are concerned with the timeliness of actions taken to address the recommendations in our audit reports. We found that only 39% of our 2004 and 2005 recommendations (49% and 28% respectively) have been addressed and implemented to date. After two or more years, 55% are in various stages of implementation, and government does not plan to take action on another 6%. Progress on implementing our audit recommendations has not been sufficient.

8.11 In 2004 and 2005, we made 272 (2003-137) recommendations to government. Progress on the results of each year's follow-up of recommendation implementation status is summarized as follows.

Implementation Status	2002 3rd Year Follow-up in 2005	2003 3rd Year Follow-up in 2006	2004 3rd Year Follow-up in 2007	2005 2nd Year Follow-up in 2007
Complete	35%	48%	49%	28%
Not Complete	56%	42%	47%	63%
Do not Intend to Implement Recommendation	5%	7%	4%	8%
Other	4%	3%	–	1%
	100%	100%	100%	100%

8.12 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.

December 2005 Chapter 2 – Government Financial Reporting

Recommendation 2.6
We recommend that government make arrangements to conduct a follow-up audit on the governance and control framework relating to the Investment,

Liability Management and Treasury Services and Capital Markets Administration Divisions of the Department of Finance. This audit should be completed by a private sector firm with the expertise necessary to effectively follow-up on the weaknesses identified during the audit.

8.13   The Department of Finance self-assessed the status of Recommendation 2.6 as *"Planning Stage"*. We were not provided with sufficient support for this assessment.

8.14   In late 2004 an audit was conducted on the governance and control framework relating to the Investment, Liability Management and Treasury Services and Capital Markets Administration Divisions of the Department of Finance which resulted in a denial of opinion by the auditors. When we reported these results in 2005, we recommended that a private-sector firm conduct a follow-up audit. A follow-up audit is being conducted by government's Internal Audit and Risk Management Centre. As noted in paragraph 6.35 of this Report, we recommend that an audit be conducted by an external private-sector firm to determine whether improvements made to weaknesses identified during the 2004 audit would result in an unqualified audit opinion.

8.15   Due to the workload during the year-end accounting period the Department of Finance was given a two and a half month extension from June 30, 2007 to September 15, 2007 to complete the self-assessment of progress on prior years' audit recommendations. The Department was to self-assess progress on recommendations from audits reported in June 2004, June 2005 and December 2005. By November 15, 2007 the Department had sent self-assessment forms but information was not provided for several recommendations related to three Chapters. After subsequent discussion with the Department, there remains one recommendation for which no self-assessment was provided. This is noted as *"Did Not Report"* in Exhibit 8.3 at the end of this Chapter.

8.16   The 272 recommendations from the 2004 and 2005 Reports of the Auditor General are shown in Exhibits 8.1, 8.2, 8.3 and 8.4 at the end of this Chapter along with management's assessment of the implementation status.

8.17   The following table summarizes departmental or entity progress by report and overall. It shows that some departments or entities have made more progress than others in addressing our recommendations.

2004 Report of the Auditor General Chapter	Complete	Work in Progress	Planning Stage	No Progress to Date but Plan to Take Action	Action no Longer Required	Do not Intend to Implement	Other	Total Recommendations
Community Services								
December Chapter 7 Pharmacare and Other Drug Programs – Department of Community Services			1 100%					1 100%
Education								
June Chapter 4 Halifax Regional School Board – Follow-up to 2000 Audit	4	1						5
June Chapter 4 Department of Education – Follow-up to 2000 Audit	3							3
June Chapter 5 Nova Scotia Community College	5	3						8
June Chapter 5 Nova Scotia Community College – Department of Education				1				1
Subtotal	12 70%	4 24%		1 6%				17 100%
Finance								
June Chapter 2 Government Financial Reporting	2					3		5
June Chapter 3 Government System and Controls		4						4
December Chapter 5 Pension Asset Management and Governance of Retirement Benefits – PSSP	5	1						6
December Chapter 5 Pension Asset Management and Governance of Retirement Benefits – TPP	3	2			1			6

2004 Report of the Auditor General Chapter	Complete	Work in Progress	Planning Stage	No Progress to Date but Plan to Take Action	Action no Longer Required	Do not Intend to Implement	Other	Total Recommendations
Finance								
December Chapter 8 Revenues and Recoveries – Department of Finance	1				1	1		3
Subtotal	11 46%	7 29%			2 8%	4 17%		24 100%
Health								
June Chapter 6 District Health Authorities 1, 2 & 3 – Shared Administrative Services – DHA 1	4	1	2					7
June Chapter 6 District Health Authorities 1, 2 & 3 – Shared Administrative Services – DHA 2	4	1	2					7
June Chapter 6 District Health Authorities 1, 2 & 3 – Shared Administrative Services – DHA 3	4	2	1					7
June Chapter 6 District Health Authorities 1, 2 & 3 – Shared Administrative Services – Department of Health		2						2
December Chapter 6 Capital District Health Authority	4	1	1					6
December Chapter 6 Capital District Health Authority – Department of Health		1						1
December Chapter 7 Pharmacare and Other Drug Programs – Department of Health	5	4		4		1		14
December Chapter 8 Revenues and Recoveries – Department of Health		5		3				8
Subtotal	21 40%	17 33%	6 12%	7 13%		1 2%		52 100%

FOLLOW-UP OF 2004
AND 2005 AUDIT
RECOMMENDATIONS

| 2004 Report of the Auditor General

Chapter	Complete	Work in Progress	Planning Stage	No Progress to Date but Plan to Take Action	Action no Longer Required	Do not Intend to Implement	Other	Total Recommendations
Service Nova Scotia and Municipal Relations								
December Chapter 9 Municipal Services Division	1 33%	2 67%						3 100%
Tourism, Culture and Heritage								
June Chapter 7 Audit of Selected Aspects of Operations	2 40%	2 40%	1 20%					5 100%
Transportation and Public Works								
June Chapter 8 Public Safety Communications Program Office	1	3						4
June Chapter 9 Road Safety	7	5						12
Subtotal	8 50%	8 50%						16 100%
Crown Agencies and Corporations								
June Chapter 10 Emergency Measures Organization of Nova Scotia	4 57%	2 29%	1 14%					7 100%
December Chapter 4 Payroll Rebates – Nova Scotia Business Inc.	5 100%							5 100%
December Chapter 10 Resource Recovery Fund Board Incorporated	4 40%	3 30%	1 10%	1 10%	1 10%			10 100%
Total 2004 Recommendations	68 49%	45 32%	10 7%	9 6%	3 2%	5 4%		140 100%

2005 Report of the Auditor General Chapter	Complete	Work in Progress	Planning Stage	No Progress to Date but Plan to Take Action	Action no Longer Required	Do not Intend to Implement	Other	Total Recommendations
Community Services								
December Chapter 6 Income Assistance and Child Care Centres	6 50%	4 33%	2 17%					12 100%
Education								
June Chapter 4 Special Education – Annapolis Valley Regional School Board		4						4
June Chapter 4 Special Education – Chignecto-Central Regional School Board	2	1				1		4
June Chapter 4 Special Education – Department of Education		2	2			1		5
December Chapter 7 Student Assistance		6	3					9
Subtotal	2 9%	13 59%	5 23%			2 9%		22 100%
Finance								
June Chapter 2 Government Financial Reporting	3					3	1 (see par 8.15)	7
June Chapter 3 Government Systems and Controls	1	1						2
June Chapter 5 Pension Administration Systems	1	5	1		1	1		9
December Chapter 2 Government Financial Reporting		4	4			2		10
December Chapter 3 Consulting Contracts and Service Arrangements – Department of Finance		4	1					5
Subtotal	5 15%	14 42%	6 18%		1 3%	6 18%	1 3%	33 100%

NOVA SCOTIA

2005 Report of the Auditor General Chapter	Complete	Work in Progress	Planning Stage	No Progress to Date but Plan to Take Action	Action no Longer Required	Do not Intend to Implement	Other	Total Recommendations
Health								
June Chapter 6 Nova Scotia Hospital Information System (NShIS)		1 100%						1 100%
Justice								
December Chapter 4 Electronic Information Security and Privacy Protection	2 25%	5 63%	1 12%					8 100%
Natural Resources								
June Chapter 8 Fleet Management – Department of Natural Resources	10 45%	7 32%	2 9%)			3 14%		22 100%
Office of Economic Development								
December Chapter 3 Consulting Contracts and Service Arrangements – Office of Economic Development		3 75%	1 25%					4 100%
Office of Health Promotion								
December Chapter 8 Sport and Recreation Program Area	5 56%	4 44%						9 100%
Public Service Commission								
December Chapter 3 Consulting Contracts and Service Arrangements – Public Service Commission		1 100%						1 100%
Tourism Culture and Heritage								
December Chapter 3 Consulting Contracts and Service Arrangements – Tourism Culture and Heritage			1 100%					1 100%

2005 Report of the Auditor General Chapter	Complete	Work in Progress	Planning Stage	No Progress to Date but Plan to Take Action	Action no Longer Required	Do not Intend to Implement	Other	Total Recommendations
Transportation and Public Works								
June Chapter 8 Fleet Management – Department of Transportation and Public Works	7 44%	9 56%						16 100%
Treasury and Policy Board								
December Chapter 3 Consulting Contracts and Service Arrangements – Treasury and Policy Board		3 100%						3 100%
Total 2005 Recommendations	37 28%	64 48%	18 14%	–	1 1%	11 8%	1 1%	132 100%)

8.18   We are pleased to note that Nova Scotia Business Inc. has completed implementation of all our December 2004 recommendations.

8.19   In Chapter 7 of the December 2006 Report of the Auditor General we identified the need for government to take a direct role and responsibility for coordinating responses and actions on matters reported by this Office. We understand that Treasury and Policy Board are currently leading an initiative that may address our concerns, but to date this is still in progress. We believe this is an important initiative and strongly encourage timely completion and implementation. We are repeating our recommendation from 2006.

> Recommendation 8.1
> Government should prepare and table in the House its response to and plans for addressing recommendations included in the Auditor General's Reports.

Exhibit 8.1 – June 2004

Chapter 2 – Government Financial Reporting

2.1   We recommend the economic assumptions and estimated revenues for each line item be developed after the Executive Council has approved planned revenue and spending decisions for the coming year and the impact of those decisions be incorporated into the development of the economic assumptions and the revenue line items.
Status – Do not intend to implement recommendation

2.2   We recommend all assumptions used in the development of the revenue estimates be approved by the Executive Council.
Status – Do not intend to implement recommendation

2.3   We recommend that the processes and practices for measurement and recognition of tax and other revenue transfers from the federal government be reviewed to ensure they are the most appropriate.
Status – Complete

2.4   We recommend that government, where possible, identify required and planned accounting changes to the House in advance of the start of the fiscal year in which they will be implemented.
Status – Do not intend to implement recommendation

2.5   We recommend that government news releases on its financial reports and reporting be factually correct, complete and accurate.
Status – Complete

Chapter 3 – Government Systems and Controls

3.1   We recommend government ensure adequate, cost-effective controls exist and operate for CFMS and its other SAP systems.
Status – Work in Progress

3.2   We recommend the pension administration system implementation project be reviewed by the Trustee to ensure costs charged to the pension plans are fair and reasonable.
Status – Work in Progress

3.3   We recommend government consider increased use of independent service audit arrangements to ensure data processing service providers have adequate functioning controls in place.
Status – Work in Progress

3.4   We recommend government assess the adequacy of its own control procedures associated with data processing service provider arrangements.
Status – Work in Progress

Chapter 4 – Halifax Regional School Board – Follow-up to 2000 Audit

Halifax Regional School Board

4.1   We recommend that the RSBs continue to request annual and multi-year funding targets from the Province prior to commencement of the fiscal year. This would facilitate Board approval of final budgets before the start of the fiscal year.
Status – Work in Progress

4.2   We recommend that the Halifax Regional School Board start the forecasting process by the end of the first quarter of the fiscal year.
Status – Complete

4.3   We recommend that the Department of Education and HRSB ensure that the level of achievement of performance targets and outcome measures is reported in the RSB business plans.
Status – Complete

4.4   We recommend that the Department of Education and School Boards work towards establishing Generally Accepted Accounting Principles as the basis of accounting for Regional School Boards.
Status – Complete

4.5   We recommend that the Halifax Regional School Board continue discussions with the Departments of Education and Finance with a view towards obtaining a service organization audit opinion on the data processing operation.
Status – Complete

Department of Education

4.3   We recommend that the Department of Education and HRSB ensure that the level of achievement of performance targets and outcome measures is reported in the RSB business plans.
Status – Complete

4.4   We recommend that the Department of Education and School Boards work towards establishing Generally Accepted Accounting Principles as the basis of accounting for Regional School Boards.
Status – Complete

4.5   We recommend that the Halifax Regional School Board continue discussions with the Departments of Education and Finance with a view towards obtaining a service organization audit opinion on the data processing operation.
Status – Complete

Chapter 5 – Nova Scotia Community College

Nova Scotia Community College

5.1   We recommend that the College prepare monthly bank reconciliations approved by management and that the physical security over blank and printed cheques be improved. We also recommend that the College's student accounts receivable reconciliation problems be addressed.
Status – Complete

5.2   We recommend that the College improve its process for identifying students with accounts in arrears.
Status – Work in Progress

5.3   We recommend that the College develop formal policies governing the safeguarding of personal computers and related equipment and, for systems maintained internally, the backup of data files and disaster recovery.
Status – Complete

5.4   We recommend that the College ensure that internal audit recommendations are addressed in a timely manner.
Status – Complete

5.5   We recommend that the College document the rationale for exempting specific purchases from compliance with policy. All exceptions should be formally approved by appropriate management. The College should also maintain evidence of public tendering.
Status – Complete

5.6   We recommend that the College prepare an annual business plan which links to the strategic plan and budgets approved by the Board and includes the College's key performance indicators. Business plans should set out operational priorities for the year and related financial information. These plans should be approved by senior management of the College and the Board.
Status – Complete

5.8   We recommend that the College ensure that the assumptions and calculations supporting the utilities budget are appropriately documented.
Status – Work in Progress

5.9　We recommend that the College develop a system to track the status of high priority building deficiencies and that the College and Departments of Education and Transportation and Public Works develop a plan to address deferred maintenance.
Status – Work in Progress

Department of Education

5.7　We recommend that the Department of Education formally notify the College of its funding prior to the beginning of the fiscal year, and that the Department strive to establish a longer-term funding commitment.
Status – No progress to date but plan to take action

Chapter 6 – District Health Authorities 1, 2 and 3 – Shared Administrative Services

District Health Authority 1

6.1　We recommend that the shared services agreement be finalized
Status – Complete

and that it include service or performance standards with provisions for required reporting on achievement.
Status – Planning Stage

6.2　We recommend the DHAs and the Department of Health review the allocation methodology for expenses related to shared services to ensure that direct costs are borne by the DHA which receives the benefit of the service.
Status – Work in Progress

6.4　We recommend the completion of a financial policy manual
Status – Complete

including policies surrounding the business planning and budget preparation process and periodic monitoring. Policies should include a quality assurance process for the budget.
Status – Planning Stage

6.5　We recommend that all proposed lease transactions be thoroughly analyzed by DHA management to determine due regard for economy and efficiency, compliance with government legislation and policies, and appropriate accounting treatment in the financial statements of the DHA and the government's financial statements.
Status – Complete

6.6   We recommend the DHAs draft additional procurement policies which comply with the *Government Procurement Process – ASH Sector*. These should include a policy on alternative procurement practices and a records retention policy.
Status – Complete

District Health Authority 2

6.1   We recommend that the shared services agreement be finalized
Status – Complete

and that it include service or performance standards with provisions for required reporting on achievement.
Status – Planning Stage

6.2   We recommend the DHAs and the Department of Health review the allocation methodology for expenses related to shared services to ensure that direct costs are borne by the DHA which receives the benefit of the service.
Status – Work in Progress

6.4   We recommend the completion of a financial policy manual
Status – Complete

including policies surrounding the business planning and budget preparation process and periodic monitoring. Policies should include a quality assurance process for the budget.
Status – Planning Stage

6.5   We recommend that all proposed lease transactions be thoroughly analyzed by DHA management to determine due regard for economy and efficiency, compliance with government legislation and policies, and appropriate accounting treatment in the financial statements of the DHA and the government's financial statements.
Status – Complete

6.6   We recommend the DHAs draft additional procurement policies which comply with the *Government Procurement Process – ASH Sector*. These should include a policy on alternative procurement practices and a records retention policy.
Status – Complete

District Health Authority 3

6.1 We recommend that the shared services agreement be finalized
Status – Complete

and that it include service or performance standards with provisions for required reporting on achievement.
Status – Planning Stage

6.2   We recommend the DHAs and the Department of Health review the allocation methodology for expenses related to shared services to ensure that direct costs are borne by the DHA which receives the benefit of the service.
Status – Work in Progress

6.4 We recommend the completion of a financial policy manual
Status – Complete

including policies surrounding the business planning and budget preparation process and periodic monitoring. Policies should include a quality assurance process for the budget.
Status – Work in Progress

6.5   We recommend that all proposed lease transactions be thoroughly analyzed by DHA management to determine due regard for economy and efficiency, compliance with government legislation and policies, and appropriate accounting treatment in the financial statements of the DHA and the government's financial statements.
Status – Complete

6.6   We recommend the DHAs draft additional procurement policies which comply with the *Government Procurement Process – ASH Sector*. These should include a policy on alternative procurement practices and a records retention policy.
Status – Complete

Department of Health

6.2   We recommend the DHAs and the Department of Health review the allocation methodology for expenses related to shared services to ensure that direct costs are borne by the DHA which receives the benefit of the service.
Status – Work in Progress

6.3   We recommend that funding levels, business plans and budgets should be approved by DOH prior to commencement of the fiscal year.
Status – Work in Progress

Chapter 7 – Audit of Selected Aspects of Operations

Department of Tourism, Culture and Heritage

7.1   We recommend that the Department review the economic model used

to calculate the impact of tourism on the Provincial economy to ensure the underlying assumptions and factors are still valid.
Status – Planning Stage

7.2   We recommend that the Department consider initiating periodic audit and other verification processes as provided for in the management agreements as part of its oversight and due diligence in managing the agreements.
Status – Work in Progress

7.3   We recommend that the Tourism Division review its licensing and inspection system and practices, consider establishing a risk-based approach for determining the frequency of inspections, and establish file documentation standards and a file quality assurance review process.
Status – Complete

7.4   We recommend that the Tourism Division review its practices concerning unlicensed establishments and establish a process for improving compliance with the licensing requirements.
Status – Work in Progress

7.5   We recommend that the Culture Division continue to develop its database to include information on receipt of final reports. This would help ensure recipients are held accountable for investment funds received before any new funding is considered.
Status – Complete

Chapter 8 – Public Safety Communications Program Office

8.1   We recommend that the acquisition of capital assets be supported by comprehensive analysis of the costs and benefits and risks and rewards of identified alternatives. The most economical alternative which meets user needs should be selected. The accounting treatment of the transaction should not be a determinant in negotiating capital acquisitions.
Status – Work in Progress

8.2   We recommend that the Public Safety Communications Program Office's processes include a requirement for a formal post-implementation evaluation for major systems.
Status – Work in Progress

8.3   We recommend that Transportation and Public Works implement a process to ensure there are formal agreements with all commercial users which are reviewed on a regular basis. The process should ensure rates charged are appropriate and all revenues due to the Province are collected on a timely basis.
Status – Complete

8.4   We recommend that the capital asset management system of the Public Safety Communications Program Office include complete lists of capital assets under its control.
Status – Work in Progress

Chapter 9 – Road Safety

9.1   We recommend that regular comprehensive, comparative reports on the status of road safety initiatives and progress in achieving road safety targets be prepared and reported to the public.
Status – Complete

9.2   We recommend that TPW publish its accountability reports on a more timely basis.
Status – Complete

9.3   We recommend that public information on the status of road safety be comprehensive, comparable and provide credible information which is fairly presented.
Status – Complete

9.4   We recommend that the Department of Justice include outcome measures related to highway safety in its business planning process.
Status – Work in Progress

9.5   We recommend that objectives, priorities and/or goals related to the traffic services component of the Provincial Police Service Agreement be communicated to the RCMP before the fiscal year begins. The targets should relate to expected future progress and achievement.
Status – Work in Progress

9.6   We recommend that the Province ensure all significant requirements of the Letter of Agreement with the RCMP on commercial vehicle enforcement are met.
Status – Work in Progress

9.7   We recommend that the Department of Justice request the RCMP to report progress relating to road safety as it pertains to services the RCMP provide under the Provincial Police Service Agreement. The Department should also ensure that all reporting requirements of the Provincial Police Service Agreement are met.
Status – Work in Progress

9.8   We recommend that TPW resolve the problems with the accuracy and timeliness of the collision rate books
Status – Complete

and use the information to determine road sections with high collision rates.
Status – Work in Progress

9.9   We recommend that minutes be prepared, approved and retained for all meetings of RSAC, its subcommittees and its Deputy Minister oversight committee.
Status – Complete

9.10 We recommend that responsible departments report back to the Road Safety Advisory Committee on the status of initiatives which it has recommended.
Status – Complete

9.11 We recommend that Road Safety Advisory Committee business plans be formulated and communicated to affected organizations and departments before the beginning of the fiscal year to which they pertain.
Status – Complete

Chapter 10 – Emergency Measures Organization of Nova Scotia

10.1 We recommend that the Civil Emergency Planning Regulations be updated to include a process which ensures the continuity of government in both war and peacetime emergency situations. Responsibility for business continuity should be clearly and formally assigned.
Status – Work in Progress

10.2 We recommend that changes to Executive Council approvals for financial assistance programs be formally determined.
Status – Complete

10.3 We recommend that all disaster financial assistance claim files include adequate support for the final decision on eligibility to ensure that assistance paid can be recovered on a timely basis from the Federal government.
Status – Complete

10.4 We recommend that the capital acquisition process for the Emergency Measures Organization include a requirement for a formal post-implementation evaluation when significant new systems are acquired.
Status – Planning Stage

10.5 We recommend that EMO management consult with officials of the Department of Finance and Treasury and Policy Board about including more information on the financial position and operations of the E911 Cost Recovery Fund in the public financial reporting of the Province.
Status – Complete

10.6 We recommend the establishment of adequate controls to ensure all amounts due to the E911 Cost Recovery Fund are collected.
Status – Work in Progress

10.7 We recommend that the annual plans and budgets of the E911 Cost Recovery Fund be approved prior to the start of the fiscal year to which they relate.
Status – Complete

Exhibit 8.2 – December 2004

Chapter 4 – Nova Scotia Business Inc. – Payroll Rebates

4.1   We recommend that NSBI develop written procedures for the risk assessment process to ensure it is completed consistently for each payroll rebate client. Consideration should also be given to whether staff should be required to utilize common checklists to ensure consistency in assessing the risk of each potential client.
Status – Complete

4.2   We recommend that NSBI determine whether potential rebate clients are in receipt of or will receive other forms of government assistance for the same project and verify funding where applicable. This information should be provided in rebate proposal documents to ensure NSBI's Investment Committee, Board and the Executive Council have a complete financial picture of prospective clients.
Status – Complete

4.3   We recommend that NSBI formally document procedures for payroll rebate disbursements.
Status – Complete

4.4   We recommend that NSBI finalize revised wording for standard rebate terms and conditions. The level of assurance required from an external auditor or procedures to be performed to verify a company has met the terms and conditions necessary for rebate disbursement should be clearly stated.
Status – Complete

4.5   We recommend that payroll rebate guidelines and policies be included in NSBI's annual business plan as required by Regulations.
Status – Complete

Chapter 5 – Pension Asset Management and Governance of Retirement Benefits

Note: As a result of an agreement between the province and the NSTU, there is now joint trusteeship of the Teachers' Pension Plan, effective April 1, 2006. The administration of the Plan, and the investment of Plan assets, are now separate from the activities of the PSSP.

Public Service Superannuation Plan

5.1   We recommend that changes to the Statement of Investment Policies and Goals should be formally approved by the Investment Advisory Committee for recommendation to and approval by the Trustee. In addition, the Statement should explicitly state the overall risk tolerance or refer to an overall risk management plan.
Status – Complete

5.2   We recommend the Investment Advisory Committee adhere to its role as an advisory committee to the Minister. Formal terms of reference should be developed and approved for the Committee, and updated periodically as appropriate.
Status – Complete

5.3   We recommend the Investment Advisory Committee should consider increased use of external consultants to corroborate changes to investment strategies suggested by Department of Finance staff.
Status – Complete

5.4   We recommend that a system to formally monitor compliance with contractual requirements and mandates of external investment managers should be established.
Status – Complete

5.5   We recommend that the control framework related to pension and other retirement obligations should be formalized as required. Committees involved in the monitoring and/or approval of benefits should provide regular reports to the plan trustee or administrator.
Status – Complete

5.6   We recommend that management should continue to develop a sufficient and appropriate performance management system for the administration of pension and other retirement obligations.
Status – Work in Progress

Teacher's Pension Plan

Note: As a result of an agreement between the province and the NSTU, there is now joint trusteeship of the Teachers' Pension Plan, effective April 1, 2006. The administration of the Plan, and the investment of Plan assets, are now separate from the activities of the PSSP.

5.1   We recommend that changes to the Statement of Investment Policies and Goals should be formally approved by the Investment Advisory Committee for recommendation to and approval by the Trustee. In addition, the Statement should explicitly state the overall risk tolerance or refer to an overall risk management plan.
Status – Work in Progress

5.2   We recommend the Investment Advisory Committee adhere to its role as an advisory committee to the Minister. Formal terms of reference should be developed and approved for the Committee, and updated periodically as appropriate.
Status – Action no longer required or appropriate

5.3   We recommend the Investment Advisory Committee should consider increased use of external consultants to corroborate changes to investment strategies suggested by Department of Finance staff.
Status – Complete

5.4   We recommend that a system to formally monitor compliance with contractual requirements and mandates of external investment managers should be established.
Status – Complete

5.5   We recommend that the control framework related to pension and other retirement obligations should be formalized as required. Committees involved in the monitoring and/or approval of benefits should provide regular reports to the plan trustee or administrator.
Status – Complete

5.6   We recommend that management should continue to develop a sufficient and appropriate performance management system for the administration of pension and other retirement obligations.
Status – Work in Progress

Chapter 6 – Capital District Health Authority

Capital District Health Authority

6.1   We recommend that CDHA establish policies and related system processes regarding timing of interim billings in cases where there has been

no discharge date for extended time periods. We also recommend terms and conditions be arranged and documented with the parties in these cases.
Status – Complete

6.2   We recommend that CDHA institute a requirement for formal sign off that billing rate updates have been entered correctly. Documentation supporting the changes should be retained.
Status – Complete

6.3   We recommend complete reconciliation of parking tickets issued with cash deposited and appropriate documentation of the process.
Status – Complete

6.4   We recommend that the Department of Health and CDHA reconsider existing policies regarding the provision of services to non-Canadians and modify as required. Policies should address necessary guarantees and credit authorizations, billing frequency and rates, and formal reviews of individual cases by the DHA and Department of Health when charges reach a specified amount or length of stay exceeds a certain number of days.
Status – Work in Progress

6.5   We recommend that CDHA update and strengthen its credit management policies and procedures including credit authorization.
Status – Planning Stage

6.6   We recommend that CDHA disclose its related party relationship with the Foundations and Partners for Care, including transactions between the related parties during the year, in the notes to CDHA's financial statements.
Status – Complete

Department of Health

6.4   We recommend that the Department of Health and CDHA reconsider existing policies regarding the provision of services to non-Canadians and modify as required. Policies should address necessary guarantees and credit authorizations, billing frequency and rates, and formal reviews of individual cases by the DHA and Department of Health when charges reach a specified amount or length of stay exceeds a certain number of days.
Status - Work in Progress

Chapter 7 – Pharmacare and Other Drug Programs

Department of Health

7.1   We recommend the Department and government update and consolidate legislation governing the various prescription drug programs.
Status – Do not intend to implement recommendation

7.2   We recommend that the Departments of Health and Community Services develop a process to establish objectives, measure and evaluate the performance of the Pharmacare Programs. The objectives and results should be included in Departmental Business Plans and Accountability Reports.
Status – Work in Progress

7.3   We recommend that DOH formalize a performance-based third party service contract for the administration of the Pharmacare Programs and that the contract be appropriately approved in accordance with the Government Procurement Policy.
Status – Complete

7.4   We recommend that DOH develop a long-term system development strategy for the Pharmacare Program.
Status – Complete

7.5   We recommend that the Departments eliminate the mark-up paid to pharmacies for generic drugs.
Status – Complete

7.6   We recommend that the Department of Health identify and analyze possible options for reducing drug prices.
Status – Work in Progress

7.7   We recommend DOH increase the number of primary care physicians meeting with academic detailers by identifying and addressing the barriers to participation.
Status – Work in Progress

7.8   We recommend DOH continue and enhance its drug utilization review activities to ensure that both general and specific data related to both providers and patients is examined and followed up on a regular basis.
Status – Complete

7.9   We recommend DOH seek the legislative authority to collect and analyze drug information for all Nova Scotia residents and
Status – No progress to date but plan to take action

move toward a full electronic health record to provide pharmacists, nurse practitioners and physicians with complete information to assist in the identification of potential drug interactions.
Status – Work in Progress

7.10 We recommend DOH establish a real-time electronic system to track utilization of drugs monitored by the Prescription Monitoring Association

of Nova Scotia with the goal of flagging issues before prescriptions are dispensed.
Status – Complete

7.11 We recommend that each of the disease specific drug programs be reviewed to ensure that the rationale for the program is still valid and that the coverage provided by the various programs is consistent.
Status – No progress to date but plan to take action

7.12 We recommend that the controls over claims related to disease-based programs be strengthened to include audit verification, appropriate segregation of duties and assessment of the reasonableness of drug costs.
Status – No progress to date but plan to take action

7.13 We recommend the Department of Health put processes in place to ensure that it is receiving sufficient information from the QEII and the IWK to allow detailed analysis of program costs and to ensure only eligible patients receive prescriptions covered by the Exception Drug Fund.
Status – No progress to date but plan to take action

Department of Community Services

7.2   We recommend that the Departments of Health and Community Services develop a process to establish objectives, measure and evaluate the performance of the Pharmacare Programs. The objectives and results should be included in Departmental Business Plans and Accountability Reports.
Status – Planning Stage

Chapter 8 – Revenues and Recoveries

Department of Health

8.1   We recommend that the DOH Revenue/Recovery Section require billings from the DHAs and IWK to be submitted to DOH within 30 days of discharge.
Status – Work in Progress

8.2   We recommend that the DOH Revenue/Recovery Section ensure that all non-resident patient declaration forms are obtained from hospitals at the time billing data is submitted to the Department.
Status – Work in Progress

8.3   We recommend the Department of Health implement necessary changes to enable electronic exchange of reciprocal billing information with all jurisdictions.
Status – No progress to date but plan to take action

8.4   We recommend that the Department of Health work towards accumulating the necessary cost information to assess whether fees are adequate to cover the cost of services delivered.
Status – No progress to date but plan to take action

8.5   We recommend that the Department of Health develop a process to recover costs currently excluded from the motor vehicle levy from third parties.
Status – Work in Progress

8.8   We recommend that the Department of Health review the rates charged by DHAs for the most common uninsured services and establish common rates which recover the costs of services provided.
Status – No progress to date but plan to take action

8.9   We recommend that all DHAs have formal credit management policies and that the policies be complied with. We also recommend that the DHAs make significant efforts to increase the timeliness of accounts receivable collection.
Status – Work in Progress

8.10 We recommend that the Department continue with its efforts to achieve conformity with the MIS Guidelines in recording and standardized reporting of revenues and recoveries across the DHAs.
Status – Work in Progress

Department of Finance

8.6   We recommend more stringent credit monitoring to ensure collection of the motor vehicle levy from the insurance companies within the 60 day policy
Status – Complete

including consideration of charging interest on overdue amounts.
Status – Do not intend to implement recommendation

8.7   We recommend that the Superintendent of Insurance develop a process for reconciling the number of vehicles reported by the IBC to the number of vehicles registered with the Nova Scotia Registry of Motor Vehicles to ensure motor vehicle levy invoices are based on accurate information.
Status – Action no longer required or appropriate

Chapter 9 – Municipal Services Division

9.1   We recommend that the accounts of Service Nova Scotia and Municipal

Relations include all expenditures and recoveries relating to grants to municipalities which are the responsibility of the Minister of SNSMR.
Status – Complete

9.2   We recommend the Department ensure reporting of municipal performance occurs on a timely basis.
Status – Work in Progress

9.3   We recommend the Department apply sufficient resources and implement additional procedures, if necessary, to ensure municipal statistical reports are available on a timely basis.
Status – Work in Progress

Chapter 10 – Resource Recovery Fund Board Incorporated

10.1   We recommend that Resource Recovery Fund Board improve its external reporting of performance. Including information such as performance against quantified targets in the organization's annual report would improve its usefulness as an accountability document.
Status – Complete

10.2   We recommend that Resource Recovery Fund Board review its financial reporting policies to ensure its annual financial statements are fairly presented in accordance with associated agreements, regulations and generally accepted accounting principles.
Status – Complete

10.3   We recommend that initiatives be taken to strengthen control over information technology, including an industry-standard computer room, more secure off-site storage of file back-ups, and documentation of staff agreement to follow the organization's security policies and acceptable use guidelines.
Status – Work in Progress

10.4   We recommend that Resource Recovery Fund Board strengthen controls to reduce the risk associated with the two co-located Enviro-Depots/regional processing centres.
Status – Complete

10.5   We recommend that Department of Environment and Labour requests for payment for reimbursable expenses be supported by an analysis of actual expenses made by the Department, and an indication of how such expenses further the achievement of the goals, objectives and mandate of RRFB or the Fund.
Status – No progress to date but plan to take action

10.6 We recommend that Resource Recovery Fund Board adhere to the spirit and detailed requirements of the Nova Scotia Procurement Policy.
Status – Complete

10.7 We recommend that new business initiatives be adequately supported by a comprehensive analysis of the costs, benefits and risks. Costs and progress against identified goals and targets should be monitored throughout the life of the project.
Status – Work in Progress

10.8 We recommend Resource Recovery Fund Board update its articles of incorporation or prepare a set of comprehensive corporate bylaws.
Status – Planning Stage

10.9 We recommend that all government entities be required to obtain formal approval before they create, acquire or dispose of another government entity.
Status – Action no longer required or appropriate

10.10 We recommend government establish a communication process to ensure relevant statutory, policy or other requirements are effectively communicated to the governing bodies and senior management of all government entities. We also recommend Resource Recovery Fund Board put in place a process to ensure it is aware of, and in compliance with, all statutory or other requirements affecting its operations.
Status – Work in Progress

Exhibit 8.3 – June 2005

Chapter 2 – Government Financial Reporting

2.1   We recommend that the development of the economic assumptions and estimated revenues for each line item be completed after the Executive Council has approved planned revenue and spending decisions for the coming year. The impact of those decisions should be specifically incorporated into the development of the economic assumptions and the revenue line items.
Status – Do not intend to implement recommendation

2.2   We recommend the effective date of the economic assumptions be the date they are approved by the Executive Council.
Status – Complete

2.3   We recommend all key economic assumptions used in the development of the revenue estimates be approved by the Executive Council.
Status – Do not intend to implement recommendation

2.4   We recommend that, in accordance with GAAP, Federal transfer payments be included in revenue as opposed to being netted against expense appropriations.
Status – Complete

2.5   We recommend the budget process be reviewed and revised to ensure there is proper cut off of information and that the revenue estimates reflect the most current information available.
Status – Did not report (Note – See paragraph 8.15 of this Report)

2.6   We recommend the budget process be reviewed and revised to ensure Finance is made aware of all potential revenue line items so the Department can assess relevant information when determining the Province's estimated revenues and related disclosures.
Status – Do not intend to implement recommendation

2.7   We recommend government take steps to ensure the necessary resources and processes are in place to ensure the Province's annual SEC Form 18K report is filed as required on a timely basis.
Status – Complete

Chapter 3 – Government Systems and Controls

3.1   We recommend government assess the adequacy of its own control procedures associated with data processing service provider arrangements.
Status – Work in Progress

3.2   We recommend that annual business planning information and accountability reporting on the Industrial Expansion Fund be made available to the House of Assembly on at least the same basis as such information is currently available on other crown entities.
Status – Complete

Chapter 4 – Special Education

Annapolis Valley Regional School Board

4.1   We recommend that all RSBs conduct regular evaluations of Special Education programs with input from all stakeholder groups to serve as a basis for planning and performance reporting.
Status – Work in Progress

4.2   We recommend the Department and RSBs analyze information needs for Special Education and consider the development of a Province-wide student information system to accumulate and report data.
Status – Work in Progress

4.4   We recommend that the Department and RSBs reestablish the practice of conducting peer reviews of RSBs for verification of compliance with legislation, regulations and policies and sharing of best practices.
Status – Work in Progress

4.6   We recommend that the RSBs negotiate with the District Health Authorities to establish a documented protocol with respect to the performance of medical procedures. Where the procedures are to be performed by teacher assistants, related training needs should be addressed.
Status – Work in Progress

Chignecto-Central Regional School Board

4.1   We recommend that all RSBs conduct regular evaluations of Special Education programs with input from all stakeholder groups to serve as a basis for planning and performance reporting.
Status – Work in Progress

4.2   We recommend the Department and RSBs analyze information needs for Special Education and consider the development of a Province-wide student information system to accumulate and report data.
Status – Complete

4.4   We recommend that the Department and RSBs reestablish the practice of conducting peer reviews of RSBs for verification of compliance with legislation, regulations and policies and sharing of best practices.
Status – Do not intend to implement recommendation

4.6   We recommend that the RSBs negotiate with the District Health Authorities to establish a documented protocol with respect to the performance of medical procedures. Where the procedures are to be performed by teacher assistants, related training needs should be addressed.
Status – Complete

Department of Education

4.2   We recommend the Department and RSBs analyze information needs for Special Education and consider the development of a Province-wide student information system to accumulate and report data.
Status – Work in Progress

4.3   We recommend that the Department of Education require RSBs to prepare a comprehensive annual report on the performance of all major

Special Education programs. The annual report should be made available to stakeholders including the Department, parents, and members of the House of Assembly.
Status – Planning Stage

4.4   We recommend that the Department and RSBs reestablish the practice of conducting peer reviews of RSBs for verification of compliance with legislation, regulations and policies and sharing of best practices.
Status – Do not intend to implement recommendation

4.5   We recommend that government review and update the Education Act and related regulations to ensure that they reflect the current funding environment.
Status – Work in Progress

4.7   We recommend that the Department of Education improve its guidance to RSBs regarding accounting for Special Education expenditures to specifically describe which costs can be charged and how they are to be calculated. A direct costing model should be adopted to ensure that all significant Special Education expenditures are being appropriately identified, classified and reported on a consistent basis at all Boards.
Status – Planning Stage

Chapter 5 – Pension Administration System (PenFax)

5.1   We recommend that the PSG establish and test an appropriate disaster recovery plan for the PenFax system. This should include service level agreements with entities external to the PSG.
Status – Work in Progress

5.2   We recommend the establishment of a policy requiring departments to have an appropriate business continuity plan, and that this plan be kept up-to-date. Further, we recommend the establishment of an initiative to undertake the development and implementation of a corporate business continuity planning process.
Status – Planning Stage

5.3   We recommend that, in conjunction with the development of a corporate business continuity planning process, the Business Technology Advisory Committee (BTAC) examine the needs for a corporate disaster recovery planning process, as it relates to the provision of information technology services.
Status – Action no longer required or appropriate

5.4   We recommend that PSG management enter into appropriate service level agreements with the Resources CSU.
Status – Work in Progress

5.5   We recommend that management periodically review security matters surrounding the PenFax system.
Status – Complete

5.6   We recommend that the PSG develop security and privacy policies and communicate these to staff. The signing of a security and confidentiality agreement by employees should be an integral component of these policies.
Status – Work in Progress

5.7   We recommend that a sign-off procedure for file reviews be designed and implemented. A check list could be inserted into the member file noting review procedures with sign-off required when the work is completed.
Status – Do not intend to implement recommendation

5.8   We recommend that PSG management continue with its data integrity initiatives and contact with employers to prevent errors from occurring in the pension source data.
Status – Work in Progress

5.9   We recommend that data transfer procedures between employees and PSG be standardized, to meet the requirements of the PenFax system, and that employers be accountable for data accuracy
Status – Work in Progress

Chapter 6 – Nova Scotia Hospital Information System (NShIS) Project

6.1   We recommend the disaster recovery plans and procedures be formalized and tested.
Status - Work in Progress

Chapter 8 – Fleet Management

Department of Transportation and Public Works

8.1   We recommend that Transportation and Public Works and Natural Resources investigate ways of coordinating their fleet management operations in order to promote economy and efficiency.
Status - Complete

In doing so, consideration should be given to including fleet operations of other government departments and agencies.
Status - Work in Progress

8.3   Government should review the policy on acquisition of fleet assets and assess the reasonableness of the $25,000 limit and/or clarify the application of the limit to the different vehicles employed in Provincial fleet operations.
Status – Complete

8.4   We recommend that acquisition and disposal decisions be better documented in both Departments,
Status – Complete

and be based on analysis of the best means of meeting operational needs.
Status – Work in Progress

8.5   We recommend that life-cycle costs, environmental performance,
Status –Complete

and operational performance of similar fleet assets previously acquired be considered in purchase decisions.
Status – Work in Progress

8.7   We recommend that Transportation and Public Works and Natural Resources develop a formal fleet maintenance policy and improve existing systems and practices to ensure vehicles are properly maintained. We further recommend that maintenance activities be adequately supported by appropriate documentation.
Status – Work in Progress

8.8   We recommend that Transportation and Public Works and Natural Resources obtain and use information necessary to monitor whether fleet assets are used efficiently and only for authorized purposes.
Status – Work in Progress

8.9   We recommend that government require reimbursements for personal use of government vehicles based on full operating and capital costs.
Status – Work in Progress

8.10 We recommend that Transportation and Public Works document the value in permitting certain unreimbursed use of vehicles by staff who are on-call or standby. TPW should also submit for expert analysis its practices in this area to ensure full compliance with the Income Tax Act.
Status – Complete

8.11 We recommend that the current registration process be reviewed to determine if there is an opportunity to improve the efficiency of registering Provincial vehicles with the Registry of Motor Vehicles.
Status – Work in Progress

8.13 We recommend that Transportation and Public Works and Natural Resources ensure that bulk fuel storage for fleet operations complies with Provincial regulations. Documentation for inspection and maintenance of storage tanks should be improved. Responsibilities for fuel storage should be clearly assigned and communicated.
Status – Complete

8.14 We recommend the preparation and implementation of a government-wide policy for the storage and handling of fuel. The policy should be adequately communicated and address all requirements of the Petroleum Management Regulations and Dangerous Goods Management Regulations.
Status – Complete

8.15 Environmental site assessments should be performed on all fuel storage sites operated by the Provincial government, and contaminated sites requiring remediation should be remediated in a timely manner.
Status – Work in Progress

8.16 We recommend measures be taken by Transportation and Public Works and Natural Resources to improve controls over fuel expenses and consumption.
Status – Work in Progress

Department of Natural Resources

8.1 We recommend that Transportation and Public Works and Natural Resources investigate ways of coordinating their fleet management operations in order to promote economy and efficiency. In doing so, consideration should be given to including fleet operations of other government departments and agencies.
Status - Work in Progress

8.2 We recommend that the Department of Natural Resources' fleet management branch review and assess its current information needs and evaluate the ability of current systems to meet them. The Department should also assess the need for additional staff training in fleet management systems and practices.
Status – Work in Progress

8.3 Government should review the policy on acquisition of fleet assets and assess the reasonableness of the $25,000 limit and/or clarify the application of the limit to the different vehicles employed in Provincial fleet operations.
Status – Complete

8.4   We recommend that acquisition and disposal decisions be better documented in both Departments, and be based on analysis of the best means of meeting operational needs.
Status – Complete

8.5   We recommend that life-cycle costs,
Status – Planning Stage

environmental performance,
Status – Complete

and operational performance of similar fleet assets previously acquired be considered in purchase decisions.
Status – Work in Progress

8.6   We recommend that the Department of Natural Resources improve safeguarding of its fleet assets, parts and supplies.
Status – Complete

8.7   We recommend that Transportation and Public Works and Natural Resources develop a formal fleet maintenance policy and improve existing systems and practices to ensure vehicles are properly maintained.
Status – Work in Progress

We further recommend that maintenance activities be adequately supported by appropriate documentation.
Status – Complete

8.8   We recommend that Transportation and Public Works and Natural Resources obtain and use information necessary to monitor whether fleet assets are used efficiently
Status – Work in Progress

and only for authorized purposes.
Status – Do not intend to implement recommendation

8.9   We recommend that government require reimbursements for personal use of government vehicles based on full operating and capital costs.
Status – Do not intend to implement recommendation

8.10 We recommend that Transportation and Public Works document the value in permitting certain unreimbursed use of vehicles by staff who are on-call or standby. TPW should also submit for expert analysis its practices in this area to ensure full compliance with the Income Tax Act.
Status – Do not intend to implement recommendation

8.11 We recommend that the current registration process be reviewed to determine if there is an opportunity to improve the efficiency of registering Provincial vehicles with the Registry of Motor Vehicles.
Status – Work in Progress

8.12 We recommend that expenses of the Department of Natural Resources be recorded in appropriate general ledger accounts, and that the Department's budget have no role in how expenses are classified.
Status – Complete

8.13 We recommend that Transportation and Public Works and Natural Resources ensure that bulk fuel storage for fleet operations complies with Provincial regulations. Documentation for inspection and maintenance of storage tanks should be improved. Responsibilities for fuel storage should be clearly assigned and communicated.
Status – Complete – air fleet, Work in Progress – vehicle fleet

8.14 We recommend the preparation and implementation of a government-wide policy for the storage and handling of fuel. The policy should be adequately communicated and address all requirements of the Petroleum Management Regulations and Dangerous Goods Management Regulations. Environmental site assessments should be performed on all fuel storage sites operated by the Provincial government, and contaminated sites requiring remediation should be remediated in a timely manner.
Status – Complete – air fuel, Planning Stage – vehicle fuel

8.15 We recommend that the Department of Natural Resources comply with sole-sourcing approval and reporting provisions of the Provincial Procurement Policy.
Status – Complete

8.16 We recommend measures be taken by Transportation and Public Works and Natural Resources to improve controls over fuel expenses and consumption.
Status – Complete

Exhibit 8.4 – December 2005

Chapter 2 – Government Financial Reporting

2.1 We recommend steps be taken to ensure the Province complies more fully with generally accepted accounting principles, especially with regard to disclosing GAAP-compliant budget information in the financial statements.
Status – Work in Progress

2.2   We recommend internal controls within government, including specifically the positions with roles and responsibilities for control effectiveness, be clearly documented and effectively communicated.
Status – Planning Stage

2.3   We recommend a defined plan and schedule be developed to ensure the government management manuals are updated, to include all relevant financial and accounting policies, in a timely manner.
Status – Work in Progress

2.4   We recommend an ongoing process be established to identify the risks to the integrity of the financial statements and ensure the exposure is minimized. This process should be documented.
Status – Planning Stage

2.5   We recommend government and departments ensure roles and responsibilities for internal control are being performed effectively and, where appropriate, subject to adequate coverage by internal audit or other audit resources.
Status – Planning Stage

2.6   We recommend that government make arrangements to conduct a follow-up audit on the governance and control framework relating to the Investment, Liability Management and Treasury Services and Capital Markets Administration Divisions of the Department of Finance. This audit should be completed by a private sector firm with the expertise necessary to effectively follow up on the weaknesses identified during the audit.
Status – Planning Stage
Note: We were not provided with sufficient support for this assessment. See our comment in paragraph 8.13.

2.7   We recommend government take steps to ensure weaknesses identified in the first service auditor report for the centralized SAP infrastructure are addressed so that an unqualified opinion may be provided. As well, the next report should be completed and issued so it is available for use in the March 31, 2006 financial statement audits of the Province and entities which use the SAP Customer Competency Centre.
Status – Work in Progress

2.8   We recommend management address the recommendations to improve controls within the Business Registration Unit of SNSMR in a timely manner.
Status – Work in Progress

2.9   We recommend that policies and procedures concerning the use of contingencies in the Province's budgets and forecasts be clearly defined and

communicated. When contingencies are used, they should be specifically approved by Executive Council and clearly disclosed in the applicable document.
Status – Do not intend to implement recommendation

2.10 We recommend adequate disclosure in government's budget documents of the risks in achieving the budget.
Status – Do not intend to implement recommendation

Chapter 3 – Consulting Contracts and Service Arrangements

Department of Finance

3.1   We recommend that the business need and other planning considerations be adequately documented in the project files to support the initiation and implementation of a project.
Status – Work in Progress

3.2   We recommend that departments and agencies ensure the Procurement Policy is followed when awarding consulting contracts and that appropriate documentation is prepared on a timely basis.
Status – Work in Progress

3.3   We recommend that change control procedures be defined and documented to control changes to projects. Change requests should be handled as described in the change control process.
Status – Planning Stage

3.4   We recommend that departments ensure invoices include adequate details to support billings prior to payment. Payments should be in accordance with the terms of the contract.
Status – Work in Progress

3.5   We recommend that departments undertake post-completion evaluations to assess project management, consultant performance, and lessons learned to improve future projects. Where the consultants provide a report, the usefulness of the report should be assessed and an action plan documented to address any recommendations.
Status – Work in Progress

Treasury and Policy Board

3.1   We recommend that the business need and other planning considerations be adequately documented in the project files to support the initiation and implementation of a project.
Status – Work in Progress

3.2   We recommend that departments and agencies ensure the Procurement Policy is followed when awarding consulting contracts and that appropriate documentation is prepared on a timely basis.
Status – Work in Progress

3.4   We recommend that departments ensure invoices include adequate details to support billings prior to payment. Payments should be in accordance with the terms of the contract.
Status – Work in Progress

Office of Economic Development

3.1   We recommend that the business need and other planning considerations be adequately documented in the project files to support the initiation and implementation of a project.
Status – Work in Progress

3.3   We recommend that change control procedures be defined and documented to control changes to projects. Change requests should be handled as described in the change control process.
Status – Work in Progress

3.4   We recommend that departments ensure invoices include adequate details to support billings prior to payment. Payments should be in accordance with the terms of the contract.
Status – Work in Progress

3.5   We recommend that departments undertake post-completion evaluations to assess project management, consultant performance, and lessons learned to improve future projects. Where the consultants provide a report, the usefulness of the report should be assessed and an action plan documented to address any recommendations.
Status – Planning Stage

Public Service Commission

3.1   We recommend that the business need and other planning considerations be adequately documented in the project files to support the initiation and implementation of a project.
Status – Work in Progress

Tourism, Culture and Heritage

3.3   We recommend that change control procedures be defined and documented to control changes to projects. Change requests should be handled as described in the change control process.
Status – Planning Stage

Chapter 4 – Electronic Information Security and Privacy Protection

4.1   We recommend that the government should develop and implement a comprehensive privacy policy.
Status – Work in Progress

4.2   We recommend that all departments develop and implement a departmental privacy policy, consistent with a government-wide policy, to address the protection of personal information for all departmental business processes.
Status – Work in Progress

4.3   We recommend that a government-wide comprehensive security architecture be developed and implemented and that departmental comprehensive security architectures, consistent with the government-wide architecture, be developed and implemented.
Status – Work in Progress

4.4   We recommend that a formal security risk analysis be conducted, by department, regarding personal information. This might appropriately be a part of the development of a security architecture as recommended above.
Status – Work in Progress

4.5   We recommend that departments, as part of their departmental privacy plan, implement a formal training program.
Status – Complete

4.6   We recommend that all staff with access to personal information be required to read and sign a confidentiality agreement as a condition of employment and that this agreement be renewed annually.
Status – Work in Progress

4.7   We recommend that all personal information sent electronically be encrypted and that policies be established to define acceptable transmission methods.
Status – Planning Stage

4.8   The government should continue to monitor the potential implications of the U.S. Patriot Act as it relates to the security and privacy of personal information held by, or on behalf of, the government of Nova Scotia.
Status – Complete

Chapter 6 – Income Assistance and Child Care Centres

6.1   We recommend that the Department of Community Services review its processes for issuing licences and examine the costs and benefits of issuing

a licence for a full term once a centre is fully compliant with the Act and regulations. The Department should also improve its licensing guidelines and assess the benefits of delegating the administrative responsibility for licensing to the regional offices.
Status – Work in Progress

6.2   We recommend that the Department of Community Services develop formal file documentation standards for its child care centre licensing activities. In addition, efficiency of licensing activities should be increased by eliminating duplication of record keeping and more fully utilizing the computerized licensing system. For example, this could be achieved by providing Early Childhood Development Officers with the ability to complete licensing checklists electronically during inspection visits.
Status – Planning Stage

We further recommend that the Department review and update its information system controls to prevent a licence from being renewed when there are outstanding compliance violations.
Status – Complete

6.3   We recommend that the Department of Community Services investigate enhancements to the computer system used for licensing child care centre so that timely summary compliance reports are readily available for management use.
Status – Complete

6.4   We recommend the Department of Community Services review and update its Employment Support and Income Assistance policy manual to provide detailed procedures and guidance to assist staff in the interpretation and administration of ESIA legislation and regulations. We further recommend that the Department regularly review and update the policy manual.
Status – Complete

6.5   We recommend the Department of Community Services develop and implement more comprehensive documentation standards for its Employment Support and Income Assistance Program to ensure sufficient and appropriate documentation is maintained to support client eligibility decisions and the amount of assistance provided, and to provide evidence of the monitoring process.
Status – Complete

In addition, a process should be established to ensure documentation standards are consistently followed.
Status – Work in Progress

6.6   We recommend that the Department of Community Services review its current staff roles, responsibilities and authorities to ensure adequate segregation of incompatible duties and/or appropriate compensating controls are in place and functioning as intended.
Status – Complete

6.7   We recommend that all Department of Community Services district offices have processes to review receipts associated with financial assistance purchase orders. Inappropriate purchases should be addressed with clients. We further recommend the development of guidelines to assist staff in this assessment and to indicate appropriate actions to be taken if acquired items are deemed inappropriate.
Status – Work in Progress

6.8   We recommend the Department of Community Services review its maximum disbursement limit for the Employment Support and Income Assistance Program and assess whether or not such a high limit is required for the efficient operation of the Program. We further recommend that the Department implement controls over the disbursement process, such as disbursement review and approval procedures.
Status – Complete

6.9   We recommend that the Department of Community Services implement a training program to ensure staff has the skills needed to identify high risk Employment Support and Income Assistance applicants and circumstances. We further recommend that the Department evaluate the benefits of providing all staff that assess client eligibility with training, resources and tools similar to those used in the Eligibility Review and Early Detection Programs.
Status – Work in Progress

The Department should also review the cost and benefits of the Early Detection Program to determine whether or not the program should be expanded to all regions.
Status – Planning Stage

Chapter 7 – Student Assistance

7.1   We recommend that the Student Assistance Division prepare a long-term operational plan for the Student Assistance program.
Status – Work in Progress

7.2   (repeated from 2002 audit) We recommend that the Student Assistance Division prepare an annual operational plan to provide a clear link between

the overall Departmental goals and priorities and the more specific goals, priorities, and activities of the Branch and Division. The plan should include measurable performance indicators and targets. The Student Assistance Division should report performance in relation to the plan.
Status – Work in Progress

7.3   We recommend that the Student Assistance Division prepare business continuity and disaster recovery plans.
Status – Work in Progress

7.4   (repeated from 2002 audit)   We recommend that the Department perform an analysis of risks affecting the Student Assistance program, and implement appropriate preventive and detective controls. The Department should consider either verifying the income of Student Assistance applicants and supporting persons through electronic comparisons with CRA data and/ or establishing a formal, comprehensive audit regime.
Status – Work in Progress

7.5   We recommend that the Student Assistance Division improve its internal quality control process by implementing risk assessment and internal audit.
Status – Planning Stage

7.6   We recommend that the Student Assistance Division establish a formal target for application turnaround time and report achievement.
Status – Work in Progress

7.7   We recommend that the Department of Education seek legal advice to determine whether Section 23(1) of the Provincial Finance Act applies to guaranteed student loans in default.
Status – Planning Stage

7.8   (repeated from 2002 audit) We recommend that the Student Assistance Division continue to improve its electronic edit processes related to interest charges billed by the Bank to the Province.
Status – Planning Stage

7.9   (repeated from 2002 audit)   We recommend that the Department of Education continue to pursue a Designation Policy for the Student Assistance program.
Status – Work in Progress

Chapter 8 – Sport and Recreation Program Area

8.1   We recommend OHP release annual or biennial progress reports on the implementation of the strategic plan.
Status – Complete

8.2 We recommend that the Sport and Recreation program area establish measurable performance targets for each program. The performance in comparison to targets should be reported to senior management of the program area and OHP.
Status – Complete

8.3 We recommend that government include all grants for recreation facilities in the Estimates process to provide for approval by the House rather than Executive Council.
Status – Complete

8.4 We recommend that government review the funding process for construction of major recreation facilities to ensure adequate accountability, a transparent awards process, and an appropriate policy framework. We also recommend that the timing of distribution of funds be linked to the incurrence of construction costs.
Status – Complete

8.5 We recommend that the Sport and Recreation program area continue to document and formally approve its policies and procedures for the grant process, and that these be made available to all program area staff.
Status – Work in Progress

8.6 We recommend that OHP and financial support staff at DOH develop policies which require analysis of all advance grant payments before they are made to determine (1.) whether the advance is necessary, and (2.) the appropriate fiscal year for recording of the related expenditure in accordance with generally accepted accounting principles.
Status – Work in Progress

8.7 We recommend that OHP and financial support staff at DOH develop policies which require analysis of all unpaid final grant instalments at year end and recording of accounts payable when appropriate according to generally accepted accounting principles.
Status – Work in Progress

8.8 We recommend that the Memorandum of Agreement between the Office of Health Promotion and Sport Nova Scotia include accountability requirements. The Agreement should require Sport Nova Scotia to submit audited financial statements.
Status – Complete

8.9 We recommend the Sport and Recreation program area continue to implement the CIMS system for all grant programs.
Status – Work in Progress

Appendix

An Act Respecting the Office of Auditor General

Short title

1   This Act may be cited as the Auditor General Act. *R.S., c. 28, s. 1.*

Interpretation

2   (1)   In this Act,

(a)   "agency of government" means any department, board, commission, foundation, agency, association or other body of persons, whether incorporated or unincorporated, all the members of which, or all the members of the board of management or board of directors of which,

(i)   are appointed by an Act of the Legislature or by order of the Governor in Council, or

(ii)   if not so appointed, in the discharge of their duties are public officers or servants of the Crown, or for the proper discharge of their duties are, directly or indirectly, responsible to the Crown;

(b)   "Auditor General" means a person appointed pursuant to this Act and includes any person appointed in his place and stead;

(c)   "Minister" means the Minister of Finance;

(d)   "public property" means property immovable or movable, real or personal, belonging to Her Majesty in right of the Province and includes property belonging to an agency of Her Majesty in said right.

(2)   Unless otherwise provided in this Act, the words and expressions used herein have the same meaning as in the Provincial Finance Act. *R.S., c. 28, s. 2.*

Auditor General and Deputy Auditor General

3   (1)   Subject to the approval of the House of Assembly by majority vote, the Governor in Council shall appoint a person to be the Auditor General.

(1A)   Subject to subsection (1B), the Auditor General holds office for a term of ten years and may not be re-appointed.

(1B)   The Governor in Council shall remove the Auditor General on the passing by the House of Assembly of a resolution carried by a vote of two thirds of the members of the House of Assembly voting thereon requiring the Governor in Council to remove the Auditor General from office.

(2)   The Auditor General shall be paid out of the Consolidated Fund of the Province such salary as the Governor in Council determines.

(3)   Notwithstanding subsection (2) hereof, the salary of the Auditor General shall not be reduced by the Governor in Council except on the passing by the House of Assembly of a resolution carried by a vote of two thirds of the members of the House of Assembly voting thereon requiring the Governor in Council so to do.

(4)   Upon written advice of the President of the Executive Council and the Leader of the Official Opposition, the Governor in Council may, at any time the Legislature is not in session, suspend the Auditor General for cause, but the suspension shall not continue in force beyond the end of the next ensuing session of the Legislature.

(5)   The Governor in Council may appoint a person to be Deputy Auditor General who shall hold office during pleasure and shall be paid such salary as the Governor in Council determines and shall perform such duties as are assigned to him by the Auditor General and who shall during any vacancy in the office of the Auditor General or during the illness or absence of the Auditor General have and exercise all the powers of the Auditor General.

(6)   Such officers and employees as are necessary to enable the Auditor General to perform his duties shall be appointed in accordance with the Civil Service Act.

(7)   The Auditor General and the Deputy Auditor general shall be qualified auditors. *R.S., c.28, s.3; 2005, c.13, s.1.*

Experts

4   (1)   The Auditor General may engage the services of such counsel, accountants and other experts to advise him in respect of matters as he deems necessary for the efficient carrying our of this duties and functions under this Act.

(2)   The compensation paid to those persons mentioned in subsection (1) hereof shall be determined by the Auditor General within the total dollar limitations established for the Office of the Auditor General in The Appropriations Act for the year in which the compensation is paid and shall be paid out of the Consolidated Fund of the Province. *R.S., c.28, s.4.*

Oath

5   (1)   The Auditor General and every officer, agent and other person employed in the execution of any duty under this Act or under any regulations made hereunder, before entering upon his duties, shall take and subscribe to the following oath:

> I, ...solemnly and sincerely swear that I will faithfully and honestly fulfull the duties that devolve upon me by reason of my employment in the Office of the Auditor General and that I will not, without due authority in that behalf, disclose or make known any matter that comes to my knowledge by reason of such employment. So help me God.

(2)   This oath shall be taken before such person, and returned and recorded in such manner, as the Governor in Council perscribes. *R.S., c.28, s.5.*

Public Service Superannuation Act

6   The Auditor General and all officers and employees of the Auditor General are employees within the meaning of the Public Service Superannuation Act and are entitled to all benefits therein set forth. *R.S., c.28, s.6.*

Powers and duties

7   (1)   The Auditor General shall supervise and be responsible for all matters relating to the conduct of his office and of persons employed by him and shall have all the powers and perform all the duties conferred and imposed upon him by this Act, any other Act and the Governor in Council.

(2)   The Auditor General may delegate to any person employed by him any duty, act or function that by this Act he is required to do other than reporting to the House of Assembly or to the Governor in Council. *R.S., c.28, s.7.*

Examination of account

8   The Auditor General shall examine in such manner and to the extent he considers necessary such of the accounts of public money received or expended by or on behalf of the Province, and such of the accounts of money received or expended by the Province in trust for or on account of any government or person or for any special purposes or otherwise, including, unless the Governor in Council otherwise directs, any accounts of public or other money received or expended by any agency of government appointed to manage any department, service, property or business of the Province, and shall ascertain whether in his opinion

(a)   accounts have been faithfully and properly kept;

(b)   all public money has been fully accounted for, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of the capital and revenue receipts;

(c)   money which is authorized to be expended by the Legislature has been expended without due regard to economy or efficiency;

(d)   money has been expended for the purposes for which it was appropriated by the Legislature and the expenditures have been made as authorized; and

(e)   essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property. *R.S., c.28, s.8.*

Annual report

9   (1)   The Auditor General shall report annually to the House of Assembly on the financial statements of the Government that are included in the public accounts required under Sections 9 and 10 of the Provincial Finance Act, respecting the fiscal year then ended.

(2)   The report forms part of the public accounts and shall state
(a)   whether the Auditor General has received all of the information and explanations required by the Auditor General; and

(b)   whether in the opinion of the Auditor General, the financial statements present fairly the financial position, results of operations and changes in financial position of the Government in accordance with the stated accounting policies of the Government and as to whether they are on a basis consistent with that of the preceding year.

(3)   Where the opinion of the Auditor General required by this Section is qualified, the Auditor General shall state the reasons for the qualified opinion. *1998, c.5, s.1.*

Other reports

9A   (1)   The Auditor General shall report annually to the House of Assembly and may make, in addition to any special report made pursuant to this Act, not more than two additional reports in any year to the House of Assembly on the work of the Auditor General's office and shall call attention to every case in which the Auditor General has observed that

(a)   any officer or employee has willfully or negligently omitted to collect or receive any public money belonging to the Province;

(b)   any public money was not duly accounted for and paid into the Consolidated Fund of the Province;

(c)   any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d)   an expenditure was not authorized or was not properly vouched or certified;

(e)   there has been a deficiency or loss through fraud, default or mistake of any person;

(f)   a special warrant, made pursuant to the provisions of the Provincial Finance Act, authorized the payment of money; or

(g)   money that is authorized to be expended by the Legislature has not been expended with due regard to economy and efficiency.

(2)   The annual report of the Auditor General shall be laid before the House of Assembly on or before December 31st of the calendar year in which the fiscal year to which the report relates ends or, if the House is not sitting, it shall be filed with the Clerk of the House.

(3)   Where the Auditor General proposes to make an additional report, the Auditor General shall send written notice to the Speaker of the House of Assembly thirty days in advance of its tabling or filing pursuant to subsection (2).

(4)   Whenever a case of the type described in clause 1(a), (b) or (e) comes to the attention of the Auditor General, the Auditor General shall forthwith report the circumstances of the case to the Minister.

(5)   The Auditor General shall, as soon as practical, advise the appropriate officers or employees of an agency of Government of any significant matter discovered in an audit.

(6)   Notwithingstanding subsection (1), the Auditor General is not required to report to the House of Assembly on any matter that the Auditor General considers immaterial or insignificant. *1998, c.5, s.1.*

Review and opinion of revenue estimates

9B   (1)   The Auditor General shall annually review the estimates of revenue used in the preparation of the annual budget address of the Minister of Finance to the House of Assembly and provide the House of Assembly with an opinion on the reasonableness of the revenue estimates.

(2)   The opinion of the Auditor General shall be tabled with the budget address. *1998, c.5, s.1.*

Access to information

10   (1)   Notwithstanding the provisions of any other Act, every officer, clerk or employee of an agency of government shall provide the Auditor General with such information and explanation as the Auditor General requires and the Auditor General shall have free access, at all times, to the files, records, books of account and other documents, in whatever form, relating to the accounts of any agency of government.

(2)   The Auditor General, if he deems it expedient, may station one or more of his officers in any agency of government to enable him more effectively to carry out his duties under this Act, and the agency of government shall provide necessary office accommodation for such officer or officers. *R.S., c.28, s.10.*

Audit before payment

11   (1)   The Auditor General, if directed by the Governor in Council, shall audit the accounts of any agency of government before payment.

(2)   Where the Auditor General is directed to audit, before payment, certain accounts or classes of accounts, no payment of such accounts may be made until the Auditor General has certified them to be correct or the Minister directs. *R.S., c.28, s.11.*

Examination of security

12   The Auditor General may examine in such manner and to the extent he considers necessary such of the securities representing any debt of the Province which have been redeemed and cancelled. *R.S., c.28, s.12.*

Security required

13   The Auditor General shall require every person employed by him who examines the accounts of an agency of government to comply with any security requirements applicable to officers and employees of that agency of government. *R.S., c.28, s.13.*

Powers, privileges, immunities

14   The Auditor General shall have, in the performance of his duties, the same powers, privileges and immunities as a Commissioner appointed under the Public Inquiries Act. *R.S., c.28, s.14.*

Special audit and report

15   Notwithstanding any provision of this Act, the Auditor General may, and where directed by the Governor in Council or the Treasury and Policy Board shall, make an examination and audit of

(a)   the accounts of an agency of government; or

(b)   the accounts in respect of financial assistance from the government or an agency of the government of a person or institution in any way receiving financial assistance from the government or an agency of government,

where

(c)   the Auditor General has been provided with the funding the Auditor General considers necessary to undertake the examination and audit; and

(d)   in the opinion of the Auditor General, the examination and audit will not unduly interfere with the other duties of the Office of the Auditor General pursuant to this Act,

and the Auditor General shall perform the examination and audit and report thereon. *R.S., c.28, s.15; 2005, c.13, s.2.*

Payment for statutory audit

16   (1)   Where under this Act or any other Act of the Legislature, the Auditor General is, or may be, required to examine and audit or inquire into the accounts of any agency of government, the Governor in Council may direct that the cost of the examination and audit or inquiry be paid by that person, institution or agency of government, and upon such direction such payment shall be made.

(2)   The Auditor General may charge fees for the examination and audit or inquiry, or such other professional services rendered by the Office of the Auditor General, on the basis approved by the Treasury and Policy Board. *R.S., c.28, s.16; 2005, c.13, s.3.*

Examination by chartered accountant

17   (1)   Where the Governor in Council pursuant to this Act or any other Act has directed that the accounts of public money received or expended by any agency of government shall be examined by a chartered accountant or accountants other than the Auditor General, the chartered accountant or accountants shall

(a)   deliver to the Auditor General immediately after the completion of the audit a copy of the report of findings and recommendations to management and a copy of the audited financial statements relating to the agency of government; and

(b)   make available to the Auditor General, upon request, and upon reasonable notice, all working papers, schedules and other documentation relating to the audit or audits of the agency accounts.

(2)   Notwithstanding that a chartered accountant or accountants other than the Auditor General have been directed to examine the accounts of an agency of government, the Auditor General may conduct such additional examination and investigation of the records and operations of the agency of government as he deems necessary. *R.S., c.28, s.17; revision corrected 1999.*

Where other auditor designated

18   Nothing in this Act shall be construed to require the Auditor General to audit or report upon the accounts of any agency of government if the Governor in Council, in pursuance of statutory authority in that behalf, has designated another auditor to examine and report upon the accounts of the agency of the government. *R.S., c.28, s.18.*

Powers and authorities

19   The Auditor General shall have all the powers and authorities exercisable by a deputy head under the Civil Service Act. *R.S., c.28, s.19.*

Regulations

20   The Governor in Council may make such regulations as are deemed expedient for the better carrying out of this Act. *R.S., c.28, s.20.*

Annual estimate

21   The Auditor General shall prepare annually an estimate of the sums required to be provided by the Legislature for the carrying out of this Act during the fiscal year, which estimate shall be transmitted to the Treasury and Policy Board for its approval, and shall be laid before the Legislature with the other estimates for the year. *R.S., c.28, s.21; 2005, c.13, s.4.*

Expenses

22   The expenses to be incurred under this Act shall be paid out of the Consolidated Fund of the Province. *R.S., c.28, s.22.*

Regulations act

23   Regulations made by the Governor in Council pursuant to Section 20 shall be regulations within the meaning of the Regulations Act. *R.S., c.28, s.23.*

APPENDIX I