



# Office of the Auditor General

## Our Vision

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

## Our Mission

To make a significant contribution to enhanced accountability and performance in the provincial public sector.

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# 1 Message from the Auditor General

I am pleased to present my June 2010 Report to the House of Assembly on work completed by my Office in the fall of 2009 and winter of 2010.

As the province's Auditor General, my goal is to work towards better government for the people of Nova Scotia. As an independent, nonpartisan officer of the House, I and my Office help to hold the government to account for its management of public funds and contribute to a well-performing public sector. I consider the needs of the public and the House, as well as the realities facing management, in providing sound, practical recommendations to improve the management of public sector programs.

My priorities during my term of office are: to conduct and report audits that provide information to the House of Assembly to assist it in holding government accountable; to focus audit efforts on areas of higher risk that impact on the lives of Nova Scotians; to contribute to a better performing public service for Nova Scotia; and to encourage continual improvement to financial reporting by government; all while promoting excellence and a professional and supportive workplace at the Office of the Auditor General. This Report reflects this service approach.

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



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## 2 Financial Assistance to Businesses Through NSBI and IEF

Management of Nova Scotia Business Inc. (NSBI) and the Industrial Expansion Fund (IEF) have refused to provide the information we required to complete our audit of financial assistance to businesses through these organizations. We therefore have denied audit opinions on both NSBI's and IEF's financial and program controls and compliance with legislation, regulations and policies, related to loans, payroll rebates and other financial assistance to businesses.

Denial of an audit opinion is the most severe audit sanction available to us. Withholding information relevant to an audit of public expenditures constitutes disregard for public accountability. In doing so, both NSBI and IEF acted in contravention of the Auditor General Act.

Management informed us that staff at Executive Council Office instructed them to withhold Cabinet submissions and Cabinet-related information. NSBI management and IEF's Department of Justice solicitor also withheld solicitor-client communications.

Ultimately the authority and responsibility for these decisions rests with Cabinet. The Auditor General Act requires that all documents, whether confidential or not, be provided to the Auditor General and does not contain any exemption for Cabinet submissions or solicitor-client communications. We have therefore recommended that Cabinet instruct departments and agencies to comply with the Auditor General Act.

All files requested by audit staff at both NSBI and IEF were withheld until they could be reviewed and documents removed or sections redacted which either NSBI management, IEF management, or Department of Justice solicitors considered to be subject to Cabinet confidentiality or solicitor-client privilege. We have no way of knowing whether all documents removed or sections redacted were, in fact, Cabinet or solicitor-client documents.

NSBI management removed 173 documents from 21 files and redacted information in 32 documents. At IEF, 108 documents were removed from 24 files. In April 2010, IEF's Department of Justice solicitors reconsidered their decision and provided 10 documents for which they had previously claimed solicitor-client privilege. This



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action calls into question the basis on which these decisions are being made.

There is ample and recent precedent for releasing this type of information to the Auditor General. A previous audit of NSBI in 2004 included full and complete access to documents submitted to Cabinet as well as communications between NSBI and its lawyer. In June 2008, the Executive Council Office provided the Auditor General with access to the cabinet and solicitor-client documents related to the Nova Scotia Nominee Program, although not before the Public Accounts Committee issued subpoenas.

For the limited work we were ultimately able to complete, we made recommendations for improvements at both NSBI and IEF which are detailed in this Chapter.

## Recommendations

### ***Recommendation 2.1***

We recommend that Cabinet instruct all departments and agencies of government to comply with all terms of the Auditor General Act and the Public Inquiries Act, cooperate fully with the Office of the Auditor General, and provide the Auditor General with timely and unrestricted access to all information in their possession.

### ***Recommendation 2.2***

Nova Scotia Business Inc. should ensure that all practices for both types of payroll rebates are accurately reflected in documented policies and procedures. Policies and procedures should be followed in the review of information and awarding of payroll rebates.

### ***Recommendation 2.3***

The Department of Economic and Rural Development should formally document its policies and procedures for the Industrial Expansion Fund. These should include establishing standard application forms, developing a checklist of documents which should be considered and performing a formal risk assessment.



***Recommendation 2.4***

The Department of Economic and Rural Development should develop formally documented policies and procedures to process loan repayments and for ongoing monitoring of recipients for the Industrial Expansion Fund.

***Recommendation 2.5***

The Department of Economic and Rural Development and Nova Scotia Business Inc. should ensure the accounting system used for loans and other assistance at the Industrial Expansion Fund and Nova Scotia Business Inc. can produce a complete and accurate listing of accounts in arrears and an aged accounts receivable listing.

FINANCIAL  
ASSISTANCE TO  
BUSINESSES  
THROUGH NSBI  
AND IEF

***Recommendation 2.6***

The Department of Economic and Rural Development should establish annual targets which will help assess the effectiveness of financial assistance through the Industrial Expansion Fund. Once established, results against targets should be reported annually.



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### 3 Environment: Management of Contaminated Sites

The risks associated with contaminated sites in Nova Scotia are not being adequately managed to protect the public interest. The Department needs to improve its monitoring of contaminated sites to ensure risks to third parties, human health and the environment are being appropriately addressed. The existence of contaminated sites which are not cleaned up may also negatively impact the competitiveness of our economy.

The Department is aware of known and possible contaminated sites where the landowner or responsible person was not required to assess and address applicable risks to the public and the environment. Management indicated that there are also sites where risks have been assessed to be unacceptable which have not been cleaned up or a risk assessment has not been completed because the person responsible does not have the funds to pay. We are concerned that there may be sites in the province for which unacceptable risks have not been properly mitigated.

Timely monitoring of sites is required to help ensure cleanups are completed and risks are addressed appropriately. For those sites where the cleanup is in progress and being monitored by the Department, there is no process in place to ensure sites with higher risks are given priority. We identified sites where we believe monitoring activities did not take place in a timely manner. We also found weaknesses in the systems established to ensure qualified site professionals are performing the cleanup and we found inspectors are not verifying the accuracy of important information reported by these professionals.

Overall we found the inspectors are conducting inspections for complaints and notifications of possible contaminated sites in an appropriate and timely manner.

Although we identified instances in which Departmental policies and procedures were not being complied with or needed improvements, we are encouraged by new operational initiatives and an information system which should address some of the weaknesses noted in this report.



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## Recommendations

### ***Recommendation 3.1***

The Department of Environment should ensure sites which are known to be or likely to be contaminated are appropriately assessed and any unacceptable risks to human health and the environment are addressed by the responsible party.

### ***Recommendation 3.2***

The Department of Environment should report to Cabinet those contaminated sites where unacceptable risks have not been adequately addressed to ensure Cabinet has appropriate information for policy decisions.

ENVIRONMENT:  
MANAGEMENT OF  
CONTAMINATED  
SITES

### ***Recommendation 3.3***

The Department of Environment should implement timeframes to follow up receipt of site professional reports and ensure timeframes are being followed.

### ***Recommendation 3.4***

The Department of Environment should ensure that site professional reports and other information are reviewed in a timely manner based on timeframes established.

### ***Recommendation 3.5***

The Department of Environment should develop a formal prioritization process to identify higher-risk contaminated sites. Inspector monitoring activities should ensure priority is given to higher-risk sites.

### ***Recommendation 3.6***

The Department of Environment should conduct periodic site visits on certain sites, taking into consideration the level of risk involved, to verify key information reported by site professionals.



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***Recommendation 3.7***

The Department of Environment should complete background checks to ensure site professionals have the education and work experience required under Departmental guidelines.

***Recommendation 3.8***

The Department of Environment should develop standardized cleanup submission requirements as well as standard report formats.

***Recommendation 3.9***

The Department of Environment should ensure consultation with the Compliance and Inspection Coordinator and notification to the coordinator and district manager occurs prior to enforcement action being taken.

***Recommendation 3.10***

The Department of Environment should ensure closed complaint and notification files are reviewed by management as required. Evidence of review, including the date, should be documented in the file.

***Recommendation 3.11***

The Department of Environment should implement time standards for the inspection of a complaint or notification by inspectors and for district manager review of closed files.

***Recommendation 3.12***

All information related to a complaint and notification file should be accurately reflected in the activity tracking system.

***Recommendation 3.13***

The Department of Environment should implement the quality assurance program for contaminated site files.

***Recommendation 3.14***

Management should closely supervise all new inspectors to ensure they are receiving appropriate training and sites assigned to them are properly monitored.



***Recommendation 3.15***

Training on the use of the Development Accountability Model should be completed as soon as possible.

***Recommendation 3.16***

The Department of Environment should clearly define and communicate the objectives of the contaminated site program as well as establish outcome measures including reporting on program performance.

ENVIRONMENT:  
MANAGEMENT OF  
CONTAMINATED  
SITES

***Recommendation 3.17***

An inventory of known contaminated sites should be established and maintained for management purposes. This should include information on the stage of cleanup and risks involved for each site.



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## 4 Health: Mental Health Services

There is inadequate oversight of the mental health system and no effective monitoring of compliance with mental health standards by the Department of Health. The Department is not fulfilling its legislative requirements under the Health Authorities Act to monitor and evaluate the quality of mental health services.

Nova Scotia implemented mental health standards in 2003. DOH management informed us they were aware at the time that additional funding was needed to move the system towards compliance with standards. However no formal plan was developed to address areas of noncompliance with standards and funding concerns.

We carried out detailed audit work at Annapolis Valley District Health Authority (AVDHA), Capital District Health Authority (CDHA), Colchester East Hants Health Authority (CEHHA) and the IWK Health Centre. We tested compliance with selected mental health standards and found only 14% of 358 files tested met all selected standards. While certain standards were met most of the time in some districts, the overall lack of compliance is concerning and could negatively impact mental health patient care.

Historically there has been no province-wide wait time information for mental health services. While certain DHAs and the IWK had wait time information for their services, the data has not always been reliable. There is a new initiative called community-wide scheduling which is intended to provide province-wide wait time information. However CDHA, the province's largest DHA, will not be able to use this system as it is not compatible with their current system. DOH management informed us they will combine information from the community-wide scheduling system with CDHA's data to produce province-wide wait times. Manually compiling data from two systems is inefficient and increases the risk of errors. Additionally, only outpatient wait times will be reported initially which will limit the usefulness of the information.

Department of Health senior management refused to provide information related to DOH budget requests and plans to improve DHA/IWK accountability. Management informed us that Executive Council Office staff told DOH that they were not permitted to provide us with information that went to Executive Council as this is considered confidential. This denial of information represents interference with the work of the Auditor General and limits our

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ability to provide the House with complete information about the entities we audit.



## Recommendations

### ***Recommendation 4.1***

The Department of Health should formally document its evaluation of the District Health Authority and IWK Health Centre self-assessments. The Department should also document areas in which improvements are required, make recommendations to increase compliance with standards in the future, and follow up to ensure changes have been implemented.

HEALTH:  
MENTAL HEALTH  
SERVICES

### ***Recommendation 4.2***

The Department of Health should prepare a long-range plan documenting steps needed to ensure all District Health Authorities and the IWK Health Centre can fully meet the *Standards for Mental Health Services in Nova Scotia*. This plan should include a timeframe for implementation and should identify funding requirements to fully implement the standards.

### ***Recommendation 4.3***

Each District Health Authority and the IWK Health Centre should ensure there is adequate support for its assessment of compliance with mental health standards. Any areas in which there is insufficient information to assess compliance should be reviewed and the District Health Authority or IWK Health Centre should determine how it can obtain the information necessary for the assessments.

### ***Recommendation 4.4***

The Department of Health should ensure each District Health Authority and the IWK Health Centre have a robust, evidence-based process to assess compliance with mental health standards.

### ***Recommendation 4.5***

The Department of Health should review the concurrent disorder standards to determine if these are still valid and if so, should require District Health Authorities and the IWK Health Centre to comply with the standards.



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***Recommendation 4.6***

The Department of Health should ensure that the most current version of the mental health standards is available on its website and distributed to District Health Authorities and the IWK Health Centre.

***Recommendation 4.7***

Annapolis Valley District Health Authority should record the triage category for all mental health patients.

***Recommendation 4.8***

The Department of Health should review the mental health standards to ensure each standard is measurable, specific and can be evaluated.

***Recommendation 4.9***

Colchester East Hants Health Authority, Cumberland Health Authority and Pictou County Health Authority should develop formal, written agreements for inpatient care.

***Recommendation 4.10***

The Department of Health should ensure future shared services arrangements for mental health services between District Health Authorities or the IWK Health Centre are formally documented.

***Recommendation 4.11***

The Department of Health should ensure District Health Authorities and the IWK Health Centre are not restricting access to services to local patients only and excluding or limiting services to patients from other District Health Authorities.

***Recommendation 4.12***

The Department of Health should develop a formal policy to ensure youth transferring to adult services are treated in a consistent manner in all areas of the province. This policy should ensure patients have continued access to services either in the youth or adult system.



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***Recommendation 4.13***

All services available through mental health should be clearly identifiable on District Health Authority, IWK Health Centre and Department of Health websites and in printed formats at clinics and physician offices.

***Recommendation 4.14***

District Health Authorities and the IWK Health Centre should formalize communication with physicians serving their catchment areas and provide regular updates on the services available.

HEALTH:  
MENTAL HEALTH  
SERVICES

***Recommendation 4.15***

The Department of Health should oversee a review of mental health data systems throughout the province. This review should identify Department, and District Health Authority and IWK Health Centre information requirements and ensure the information systems in place are adequate for these purposes.

***Recommendation 4.16***

The Department of Health should ensure all District Health Authorities and the IWK Health Centre produce consistent and comparable information.

***Recommendation 4.17***

The Department of Health should assess whether province-wide wait time information is needed for other mental health treatment areas in addition to outpatient.

***Recommendation 4.18***

The Department of Health should take the lead in establishing consistent wait time measurements for District Health Authorities and the IWK Health Centre. Resulting wait time data should be verified to ensure it is accurate.

***Recommendation 4.19***

Capital District Health Authority should review its system to calculate wait time information, identify areas in which improvements are required and take steps to implement necessary changes. As part of this review, the District should also develop and implement regular processes to ensure its wait time information is accurate.



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## 5 Follow-up of 2007 Recommendations

Only 22 of 82 (27%) of the recommendations made in the June 2007 Report of the Auditor General have been implemented. This is the lowest rate found in any year since we began to track implementation.

We noted that neither the Department of Health's Long-Term Care program nor the Department of Justice's Maintenance Enforcement program have completed any of our 2007 recommendations.

Our audit recommendations provide constructive advice to correct weaknesses in systems and controls; they may also address deficiencies in the efficiency or effectiveness in the delivery of government programs and services to Nova Scotians. We strive to ensure our recommendations are practical and implementable. It is evident from the results of our follow-up of 2007 recommendations that these have not been given priority.

During 2008, government decided to take a more direct role in monitoring actions taken on matters reported by the Auditor General. Treasury and Policy Board (now Treasury Board Office) and the Department of Finance developed the Tracking Auditor General Recommendations (TAGR) system to monitor progress on implementing our recommendations. In the fall of 2009 we found that the data in the TAGR system was inaccurate and incomplete. We do not believe that government can rely on the system to provide accurate results to track the status of recommendations made in our Reports. We have recommended government develop a process to monitor the implementation status of our recommendations, including ensuring TAGR is complete and accurate.

All other legislative audit offices in Canada perform follow-up work. We noted the status of implementing recommendations was monitored until it was determined they were fully implemented in 40% of the other jurisdictions. We plan to assess the implementation status of outstanding recommendations in each year from 2005 forward, beginning in 2010.



## Recommendations

### ***Recommendation 5.1***

Government should ensure that the Tracking Auditor General Recommendations (TAGR) database is both accurate for the status level of each recommendation, and complete for all published recommendations.

FOLLOW-UP OF 2007  
RECOMMENDATIONS