

Chapter 6

Follow up on Prior Years’ Recommendations

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Follow up on Prior Years' Recommendations

Background

6.1 We have a strategic goal that departments and agencies accept and implement our recommendations. Consequently, we track both the number of recommendations accepted and the number of recommendations implemented. This chapter reports on those two key performance indicators.

6.2 This chapter promotes accountability by giving MLAs and the general public information about how responsive the government has been to our recommendations. We think it is important that MLAs and the public see if the government is making progress with our recommendations; recommendations that were significant enough to have been brought to the attention of the Legislative Assembly in previous years.

Scope

6.3 Our practice is to track the status of our recommendations for four years after they first appear in the Report of the Auditor General, starting in the second year after the original Report. In other words, in this Report for the year ended 31 March 2009, we are tracking progress on recommendations from 2005, 2006 and 2007.

6.4 To prepare this chapter, we request written updates on progress from the respective departments and agencies. This year we changed our process slightly. In addition to any comments they might normally provide, we asked departments and agencies to “self-report” the status of each recommendation. That is, we asked for each recommendation that the departments and agencies simply check the one appropriate box:

- Fully Implemented
- Not Implemented

6.5 We added these two “self-report” boxes to attempt to clarify our understanding of the departments’ responses. In the past, we have found cases where a department or agency provides us a fairly lengthy response to a recommendation, but it has not been completely clear to us whether the response is actually saying the recommendation has been implemented or not.

6.6 We mailed these requests in June 2009. We received all the updates we requested, and carried out our review during the Fall of 2009.

6.7 Our follow-up work does not involve further auditing of the program that was the subject of our original audit. Rather, we carry out enough procedures on the updates to allow us to conclude the information is plausible in the circumstances. In some cases we request additional documentation to test the accuracy of the progress updates departments and agencies have sent to us. If a department or agency reports that it has implemented a recommendation, we normally do some checking to see if this is the case.

6.8 In carrying out this checking, we had the same scope restriction that we reported in 2008. The Department of Public Safety once again refused to show us a legal opinion pertinent to one of our original recommendations.

6.9 Exhibit 6.1 gives an overview of the status of recommendations by department and agency. Exhibit 6.2 shows the results organized by year of the original audit.

6.10 A good deal of the coverage in this chapter is on the recommendations from 2005. This is because these recommendations have reached the end of the four year follow-up cycle. We are providing the Members of the Legislative Assembly and the general public one last look at those recommendations which the government has not adopted. Following our comments on recommendations from 2005, we do have comments on a couple of recommendations of note from 2006.

Exhibit 6.1 Status of recommendations

Department	Audit area	Year	Recommendations					
			Total	Disagreed	Implemented	Partially implemented	Agreed/Not implemented	No longer applicable
Business New Brunswick	Community Economic Development Agencies	2006	5	0	4	0	1	0
Education	Facilities Maintenance	2005	22	2	9	5	6	0
Health	Prescription Drug Program	2005	8	0	2	0	6	0
	Health Levy	2006	5	0	3	1	1	0
	Program Evaluation	2007	8	0	0	0	8	0
Justice	Pensions Benefit Act	2006	20	4	4	6	6	0
	NBCUDIC	2007	12	1	3	1	7	0
Natural Resources	Tracking System for Wood Harvested from Private Woodlots	2006	12	0	6	3	3	0
	Wildlife Trust Fund	2007	4	1	1	0	2	0
NBIMC / Finance	Governance	2006	14	1	5	2	6	0
NB Power / Energy / Finance	Governance	2005	22	1	12	5	4	0
Post Secondary Education, Training and Labour	Private Occupational Training Act	2007	23	5	5	3	10	0
Public Safety	NB's Emergency 9-1-1 Service	2006	9	0	3	2	4	0
Service New Brunswick	Property Assessment for Taxation Purposes	2005	16	1	10	4	1	0
Social Development	Special Care Homes	2005	21	0	11	1	9	0
Total			201	16	78	33	74	0

Exhibit 6.2 Status of recommendations by year

Year	Recommendations					
	Total	No longer applicable	Implemented	Partially implemented	Agreed/Not implemented	Disagreed
2005	89	0	44	15	26	4
2006	65	0	25	14	21	5
2007	47	0	9	4	27	7
Total	201	0	78	33	74	16

Results in brief

6.11 Exhibit 6.1 shows departments and agencies had implemented 78 (about 39%) of our recommendations from 2005, 2006 and 2007 by the time we drafted our 2009 Report. We rated another 33 (about 16%) as partially implemented. More than half of our recommendations remain unimplemented after four years, the limit of our tracking.

Comments on recommendations from 2005

6.12 45, or 51% of the 89 recommendations we made in our 2005 Report have not been fully implemented by the government. Of these 45 recommendations, 4 are “disagreed with recommendations”, 26 are “not implemented” and 15 are “partially implemented”.

6.13 Exhibit 6.3 shows all of the 45 recommendations from 2005 that the government has not fully implemented and their current status. Their current status appears under the column titled “our assessment after four years”. The term “partial” in this column means we have judged the recommendation as partially implemented. The term “agree” means we have determined government has not made progress with the recommendation, but neither has it disagreed with it in the responses of the last four years.

6.14 These 2005 recommendations have reached the end of the four year follow-up cycle. They are in the areas of:

- NB Power Governance ;
- Social Development – Special Care Homes;
- Education – Facilities Maintenance;
- Service New Brunswick – Property Assessment for Taxation Purposes; and
- Health – Prescription Drug Program.

6.15 We encourage Members of the Legislative Assembly to look at these 2005 recommendations which the government has not implemented. Perhaps upcoming meetings of the Public Accounts Committee and the Crown Corporations Committee would give an opportunity for Members to pursue these matters in some detail.

6.16 Immediately following Exhibit 6.3, we provide some additional commentary on some of the recommendations from 2005 audits.

Exhibit 6.3 Recommendations made in 2005 that were not fully implemented

Department	Audit	Recommendations made in 2005 that were not fully implemented	Our assessment after 4 years
Service New Brunswick	Property Assessments for Taxation Purposes	We recommended SNB exercise their full authority under the Assessment Act to obtain all relevant information required to properly assess all properties.	Agree
		We recommended SNB eliminate inequity in assessments of superior homes, waterfront properties, apartment buildings, commercial, and industrial properties.	Partial
		We recommended SNB ensure its sales inspection standards are met.	Partial
		We recommended SNB develop an audit plan for the Quality Control function.	Partial
		We recommended SNB disclose in its annual report the nature of its accountability relationships with its governing authorities.	Partial
		We recommended SNB disclose in its annual report operating results for each line of business.	Disagree
Education	Facilities Maintenance	We recommended the Department of Education establish standard timelines for completion of repairs of identified deficiencies.	Agree
		We recommended the Department of Education monitor the degree of compliance with legislation, results of inspections, overall building condition, and the extent of unfunded repairs.	Partial
		We recommended the Department of Education ensure appropriate province-wide policy exists to protect assets and facility occupants. Such policy should detail specific actions and the level of subsequent reporting required.	Agree
		We recommended the Department of Education ensure DEC's adopt adequate playground inspection practices. This would include requirements for meeting CSA requirements regarding the frequency of inspections and documentation of findings and remedial action taken.	Partial
		We recommended the Department of Education ensure all inspection results are kept for review at head office.	Partial
		We recommended the Department of Education develop appropriate follow-up procedures to ensure the timely completion of needed repairs identified by facilities inspection processes. Further, results of follow-up procedures should be well documented.	Partial
		We recommended the Department of Education report funding shortfalls and associated risks to the decision makers and the public.	Partial
		We recommended the Department of Education allocate capital repair dollars to districts on a priority basis which considers the risk to safety and health of building occupants.	Disagree
		We recommended the Department of Education ensure necessary minor repairs are addressed in a timely fashion.	Disagree
		We recommended the Department of Education develop, document and communicate goals for facilities maintenance.	Agree
We recommended the Department of Education develop objectives relating to the maintenance of facilities that are linked to goals. These objectives should be documented and communicated to all affected parties.	Agree		

Department	Audit	Recommendations made in 2005 that were not fully implemented	Our assessment after 4 years
Education	Facilities Maintenance	We recommended the Department of Education ensure its annual report include: <ul style="list-style-type: none"> • a clear account of goals and objectives relating to facilities maintenance; and • disclosure on how well the Department has done in achieving its plans relating to facilities maintenance. 	Agree
		We recommended the Department of Education annually advise government of: <ul style="list-style-type: none"> • the estimated level of expenditures necessary to appropriately maintain school facilities; and • the major repairs that have been deferred because of limited funding and the projected risks associated with deferring the major repairs. 	Agree
Social Development	Special Care Homes	The Department should comply with the Regulation and ensure all regulatory requirements are met prior to issuing a license to a special care home or a community residence.	Agree
		The Department should determine why licenses are not being renewed prior to their expiry dates and implement corrective actions to ensure their timely renewal.	Agree
		The Department should ensure licensing procedures are followed. If procedures are no longer appropriate, they should be changed.	Agree
		The Department should review the legislation for special care homes and community residences and initiate amendments as appropriate. In particular, the inclusion of requirements for an emergency plan and public posting of the license should be considered.	Agree
		The Department should verify operators' compliance with all of the standards by performing complete inspections at special care homes and community residences.	Partial
		The Department should implement a formalized risk management approach for prioritizing inspections of special care homes and community residences.	Agree
		The Department should develop quality control practices to ensure the policies and procedures are followed.	Agree
		The Department should take immediate corrective action to comply with the legislation. The corrective action may require changes to the practices, to the legislation or to both.	Agree
		The Department should develop and implement quality control practices to ensure that policies and procedures are followed consistently in the regional offices.	Agree
		To provide better accountability to the public, the Department should report publicly, in its annual report, on the performance of the program for licensing and inspecting special care homes and community residences.	Agree

Department	Audit	Recommendations made in 2005 that were not fully implemented	Our assessment after 4 years
Health	Prescription Drug Program	Once objectives have been established, we recommended the Department ensure the information collected is adequate to measure the performance with regard to the objectives.	Agree
		We also recommended the Department monitor data and conduct analysis on a regular basis to ensure that problems and issues are identified.	Agree
		We recommended the Department identify the non-financial aspects of the Prescription Drug Program that affect performance, and accordingly establish standards to regularly monitor and evaluate the program's performance, and take corrective action as required.	Agree
		We recommended the Department ensure the information required to evaluate the goals/objectives of the program is available.	Agree
		We recommended the Department utilize the data it currently has to its fullest potential.	Agree
		We recommended the Department comply with the requirements of the annual report policy with respect to the content concerning the Prescription Drug Program.	Agree
NB Power / Energy / Finance	Governance	We recommended the Executive Council Office develop and document a policy that clearly defines the process to be followed in appointing directors to the boards of all provincial Crown agencies. This policy should be based on the process utilized to appoint the new NB Power board.	Partial
		We recommended the policy include the requirement for thorough documentation of information and analyses supporting the evaluation, recommendation and appointment of candidates.	Agree
		We recommended clearly documented mandates, missions, and objectives for all corporations in the NB Power Group be reviewed and agreed to by the Province, as shareholder, and the board of NB Power. This could be done as part of the sign-off of a shareholder's letter of expectations, as discussed later in this chapter.	Partial
		We recommended the Province give the board of directors of NB Power full responsibility for approving the hiring and firing of the NB Power CEO.	Disagree
		We recommended the Province, in consultation with the NB Power board of directors, develop, and update annually, a shareholder's letter of expectations that, as a minimum: <ul style="list-style-type: none"> • Identifies one official shareholder representative to provide direction to NB Power on behalf of the shareholder (i.e. Department of Energy, NBEFC, or another organization). • Provides clearly defined shareholder performance expectations including targets that the Province will use in evaluating corporate performance. • Provides a clear indication to the NB Power board of directors as to when it needs to consult with the shareholder representative for direction prior to making a decision on a significant initiative. This should be consistent with the process to the extent it is already documented in existing shareholder agreements. • Documents clearly-stated mandates, missions and objectives for all corporations in the NB Power group. • Establishes performance reporting the shareholder needs from NB Power to evaluate corporate performance. • Clarifies other aspects of the relationship between the shareholder and NB Power as considered necessary (e.g. relative roles and responsibilities of major players in the governance of NB Power). 	Agree

Department	Audit	Recommendations made in 2005 that were not fully implemented	Our assessment after 4 years
NB Power / Energy / Finance	Governance	The document should be signed by both the shareholder representative and the chair of the NB Power board of directors to signify their understanding and agreement. The British Columbia document discussed above could be used as a model.	Agree
		We recommended the NB Power board develop a policy covering external reporting by NB Power. That policy should be based on the provincial annual report policy.	Agree
		We recommended a summary of the annual environmental reporting by NB Power pursuant to its involvement in the Environmental Commitment and Responsibility Program of the Canadian Electricity Association be included as part of the corporate annual report.	Partial
		We recommended the official shareholder representative consider requesting that the Electricity Act be amended to require tabling of the corporate financial statements at the Legislative Assembly within three months of the end of the fiscal year.	Partial
		We recommended that, as part of the board's internal and external reporting policies, there be a requirement for some form of assurance from management or others relating to non-financial performance information presented.	Partial

NB Power governance

6.17 In 2005 we looked at the governance structures and processes established for NB Power to see if they set a framework for effective governance. The audit involved four government organizations: NB Power, the Department of Energy, the Department of Finance and the New Brunswick Electric Finance Corporation.

6.18 We made a total of 22 recommendations. To date, twelve of those recommendations have been fully implemented and an additional five have been partially implemented. All recommendations directed to NB Power have been fully or partially implemented with one exception. In that case, implementation of the recommended reporting enhancements is close to being completed.

6.19 Other recommendations that were not implemented primarily relate to the lack of a provincially-developed accountability framework that would allow the Province to set performance expectations for NB Power and monitor its actual performance. Key aspects of an accountability framework have been in development within the Department of Energy for the past couple of years. However, as the Department of Energy did not provide us with an update for 2009, we have assumed that the related recommendations have not yet been implemented.

Department of Social Development – special care homes

6.20 This audit made 21 recommendations aimed at improving the Department's licensing and inspection practices for special care homes and community residences, and the related legislation. The Department of Social Development (formerly the Department of Family and Community Services) implemented 11 of our 21

recommendations and partially implemented another one. Recommendations that have yet to be implemented require legislative amendments, quality control measures and, as in the case of many government programs, improved performance reporting.

***Department of Education –
facilities maintenance***

6.21 This audit reviewed school facilities (including buildings and surrounding grounds) to ensure that they are appropriately maintained. As a result of our work, we made 22 recommendations. The Department implemented 9 of our recommendations and partially implemented an additional 5. Recommendations that were not implemented addressed standard timelines for completing repairs, policies to protect assets and facility occupants, and reporting on the effectiveness of programs for maintenance of school facilities.

***Service New Brunswick –
property assessment for
taxation purposes***

6.22 In 2005 we carried out an audit at Service New Brunswick of property assessment for taxation purposes. We made a total of 16 recommendations, of which 10 have been implemented. Our final recommendation in this audit was that **SNB disclose in its annual report operating results for each line of business.**

6.23 In 2005 SNB responded:

The Corporation follows generally accepted accounting principles (GAAP). As noted in the report, the requirements of GAAP for segmented reporting do not apply to SNB. While the information is available internally and shared from time to time with relevant stakeholders, the cost of providing such breakdown in audited financial statements would far exceed its value to general readers.

6.24 After continuing to disagree with this recommendation in 2007 and 2008, in 2009 SNB responded:

This recommendation is under consideration at this time.

***Department of Health -
prescription drug program***

6.25 In 2003, legislative auditors from a number of jurisdictions across Canada decided to conduct audits of drug programs in their jurisdictions. The prescription drug program audit discussed the results of our participation in this joint effort.

6.26 We looked at three areas: program management; drug selection and cost; and reporting to the Legislative Assembly. We made a total of eight recommendations. The Department has implemented two of our recommendations. The remaining

recommendations that were not implemented addressed weaknesses in monitoring and performance reporting. The Department is in the very preliminary stages of developing an evaluation framework for departmental programs that, if implemented, may provide a means of addressing these weaknesses.

Comments on recommendations from 2006

Comments on recommendations from 2006 audit of NBIMC governance

6.27 This audit dealt to a large degree with governance practices of the NB Investment Management Corporation and we addressed most of our recommendations to NBIMC board and management. We did, however, have a number of recommendations that we addressed to the Department of Finance.

6.28 When we wrote the Department of Finance with our original report in 2006, we stated,

While we invite you to provide any comments you have that you would like included in our public report, we particularly would like to draw your attention to the following sections of the report

- Pages 8-9 Strategic Plan
- Pages 10 – 11 Deputy Minister of Finance – ex-officio board member
- Pages 15-17 Letter of expectations
- Pages 24-25 Continuity of board membership
- Page 28 Revisiting the role of NBIMC
- Page 29 Reviewing and updating the NBIMC Act

6.29 The Department of Finance declined our invitation and did not choose to respond to our original 2006 report. Further, it did not respond to our written enquiries in 2007 and again in 2008.

6.30 The Department did, however, provide a response in 2009, and indicated that “departmental staff are currently in the process of engaging a third party consultant to, among other things, review the roles of NBIMC and the Department of Finance in the governance and administration of the pension plans and funds. As part of the consultant’s terms of reference they will analyze rationalizing roles such as trusteeship, investment counseling and investment of pension assets.”

Comments on recommendations from 2006 re NB's Emergency 9-1-1 service

6.31 In this work in the Department of Public Safety we recommended that **the Department make a clear public statement on their intentions for the regionalization of fire dispatch and ensure that they have legislated authority to perform their intentions.**

6.32 As we reported last year, the Department told us that it has a legal opinion stating that it has legislated authority to regionalize fire dispatch. However, it continues to refuse to provide us with the opinion.

General comments on the implementation of recommendations

6.33 Our recommendations are intended to improve government programs. We undertake our annual follow-up of our recommendations to determine if the changes we identified are being put in place. We do not have the resources to do extensive investigation into the extent of departmental implementation. We hope that the Public Accounts and Crown Corporations Committees will use this chapter to hold government accountable for implementing our recommendations.

6.34 Exhibit 6.4 reports government's progress (or lack thereof) in implementing our recommendations over the past number of years.

Exhibit 6.4 Implementation of recommendations

Year	Number of Recommendations	Recommendations Implemented Within		
		Two Years	Three Years	Four Years
1999	99	35%	42%	42%
2000	90	26%	41%	49%
2001	187	53%	64%	72%
2002	147	39%	58%	63%
2003	124	31%	36%	42%
2004	110	31%	38%	49%
2005	89	27%	38%	49%
2006	65	22%	38%	-
2007	47	19%	-	-
Total	958	-	-	-

6.35 Exhibit 6.4 shows a couple of disturbing trends. Less than one in five of our recommendations made in 2007 have been implemented two years later; the downward trend is continuing. And

more than half of our recommendations remain unimplemented after four years, the limit of our tracking.