

Chapter 5

Follow-up on Prior Years' Recommendations

Contents

| | |
|---|-----|
| Background | 113 |
| Summary | 114 |
| Scope and Objectives | 115 |
| Detailed Findings | 115 |
| General Comments on the Implementation of Recommendations | 123 |

Follow-up on Prior Years' Recommendations

Background

- 5.1** Last year, we did not prepare a follow-up chapter for the first time in a number of years due to resource constraints. During the past year, some Members of the Legislative Assembly expressed their desire for us to resume at least some work in this area, recognizing it as an important component of the accountability process. Therefore, although we have not returned to performing the full scope of work as in the past, we felt it important to prepare a chapter showing the extent of follow-up work conducted in 2011.
- 5.2** A follow-up chapter promotes accountability by giving MLAs, and the general public, information about how responsive government has been to our recommendations. We think it is important that both MLAs and the public see if government is making progress with our recommendations.
- 5.3** We continue to have a strategic goal that departments and agencies accept and implement our recommendations. Consequently, in this chapter we report on the progress updates as provided to us by departments and Crown agencies. Even though we did not have the resources to verify the accuracy of all responses, we gathered the information.
- 5.4** This year we selected one department for detailed follow-up or confirmation. The selection of the Department of Justice and Consumer Affairs captured three past reports including:
- New Brunswick Credit Union Deposit Insurance Corporation (2007);
 - Superintendent of Credit Unions (2008); and
 - La Caisse populaire de Shippagan (2009).

Summary

- 5.5** Our overall results show departments and agencies report they had implemented about 60% (86 of 144) of our recommendations from the 2007, 2008 and 2009 Reports of the Auditor General. We anticipate this percentage will increase for 2008 and 2009 recommendations as we continue to track them.
- 5.6** However, we are concerned the results show, for 2007 recommendations, the last year of our tracking, that more than 55% (26 of 47) remain unimplemented after four years.
- 5.7** Our detailed follow up in the Department of Justice and Consumer Affairs showed 18 of 28 recommendations have been implemented; nine have not been implemented and the department disagreed with one. The department indicated work continues on some recommendations.
- 5.8** We are pleased to report that a number of the members of the Public Accounts Committee and the Crown Corporations Committee have questioned departments and agencies appearing before them on how successful they have been in implementing our recommendations. The Appendices to this chapter contain detailed listings of past reports and recommendations. This is intended to facilitate the work of the two committees.
- 5.9** Further, we have also noted that the Minister of Finance announced in the 2011-12 Budget Speech that *“We will also be reviewing the last five years of the Auditor General’s recommendations on improving efficiency and transparency in government operations to ensure they are effectively implemented.”* This additional attention to our recommendations should further encourage departments and agencies to adopt our recommendations on a timely basis.
- 5.10** We have been encouraged by a couple of recent trends regarding implementation of our recommendations. One of these trends is attributed to members of the two key legislative committees, the Public Accounts Committee and the Crown Corporations Committee. Last year, as the new committees got underway, we encouraged members to make inquiries regarding implementation of past Auditor General recommendations. We saw this as an important part of government accountability. We were pleased to note that at a number of the committee meetings that followed, members did indeed develop lines of questioning around follow-up. Various departments and agencies were asked about specific

recommendations in our reports, and what action they had taken to implement them.

5.11 The second trend was noted by the Minister of Finance in the 2011-12 Budget Speech. The Minister stated *“We will also be reviewing the last five years of the Auditor General’s recommendations on improving efficiency and transparency in government operations to ensure they are effectively implemented.”* We explored the Minister's comments in more detail by corresponding with his Deputy who informed us the government's initial review will focus on the previous five years’ Auditor General recommendations as a project within the Government Renewal effort.

Scope and Objectives

5.12 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 2011, we are tracking progress on recommendations from 2007, 2008 and 2009. Our objective is to determine the degree of progress departments and agencies have made in implementing our recommendations. We have assessed their progress as fully implemented or not implemented.

5.13 In addition, departments and agencies also add any explanatory comments they believe necessary to explain how a recommendation has been implemented.

5.14 We received all the updates requested.

5.15 In addition, we selected the Department of Justice and Consumer Affairs and carried out more detailed follow up or confirmation of their self-reporting of recommendations stemming from three audits:

- New Brunswick Credit Union Deposit Insurance Corporation (2007);
- Superintendent of Credit Unions (2008); and
- La Caisse populaire de Shippagan (2009).

Detailed Findings

5.16 This section provides details on how well departments and agencies have done in implementing recommendations we have made in the years 2007, 2008 and 2009. Exhibit 5.1 gives an overview of the status of recommendations by department and agency. Exhibit 5.2 shows the results summarized by year.

5.17 Exhibit 5.2 shows departments and agencies reported to us

that they had implemented 86 of 144 (about 60%) of our recommendations from 2007, 2008 and 2009 Reports of the Auditor General. For 2007 recommendations, 26 of 47 (more than 55%) of our recommendations remain unimplemented after four years, the limit of our tracking.

Exhibit 5.1 Status of Recommendations as Reported by Departments

| Department | Audit area | Year | Recommendations | | | | |
|---|--|------|-----------------|-----------|-------------|------------------------|----------------------|
| | | | Total | Disagreed | Implemented | Agreed/Not implemented | No longer applicable |
| Education | Provincial Testing of Students Anglophone Sector | 2009 | 16 | 0 | 15 | 1 | 0 |
| Environment | Environmental Trust Fund | 2009 | 8 | 0 | 8 | 0 | 0 |
| | Environmental Impact Assessments | 2008 | 8 | 0 | 2 | 6 | 0 |
| Business New Brunswick | New Brunswick Innovation Foundation | 2009 | 9 | 0 | 3 | 6 | 0 |
| Supply & Services and Social Development | Review of Nursing Home Contract with Shannex Inc | 2009 | 10 | 0 | 6 | 4 | 0 |
| Justice & Consumer Affairs | La Caisse populaire de Shippagan | 2009 | 6 | 0 | 4 | 2 | 0 |
| NBIMC | Investment Performance and Cost Analysis | 2008 | 9 | 0 | 3 | 6 | 0 |
| Justice & Consumer Affairs | Superintendent of Credit Unions | 2008 | 10 | 0 | 7 | 3 | 0 |
| Executive Council | Review of Departmental Annual Reports | 2008 | 1 | 0 | 0 | 1 | 0 |
| Natural Resources | Wildlife Trust Fund | 2007 | 4 | 1 | 3 | 0 | 0 |
| | Timber Royalties | 2008 | 4 | 0 | 2 | 2 | 0 |
| Health | Program Evaluation | 2007 | 8 | 0 | 3 | 5 | 0 |
| Justice and Consumer Affairs | NBCUDIC | 2007 | 12 | 1 | 7 | 4 | 0 |
| Post Secondary Education, Training and Labour | <i>Private Occupational Training Act</i> | 2007 | 23 | 5 | 8 | 10 | 0 |
| | Adult Literacy Services | 2008 | 16 | 0 | 15 | 0 | 1 |

Exhibit 5.2 Summary Status of Recommendations by Year as Reported by Departments

| Year | Recommendations | | | | |
|-------|-----------------|----------------------|-------------|------------------------|-----------|
| | Total | No longer applicable | Implemented | Agreed/Not implemented | Disagreed |
| 2009 | 49 | 0 | 36 | 13 | 0 |
| 2008 | 48 | 1 | 29 | 18 | 0 |
| 2007 | 47 | 0 | 21 | 19 | 7 |
| Total | 144 | 1 | 86 | 50 | 7 |

Comments on recommendations from 2007

5.18 Exhibit 5.3 provides a full listing of the 2007 recommendations that are still not implemented.

5.19 These 2007 recommendations have reached the end of the four year follow-up cycle. They are in the areas of:

- New Brunswick Credit Union Deposit Insurance Corporation;
- Department of Post-Secondary Education, Training and Labour-Private Occupational Training Act;
- Department of Natural Resources-Wildlife Trust Fund; and
- Department of Health-Program Evaluation

5.20 We encourage Members of the Legislative Assembly to look at these 2007 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.

5.21 Immediately following Exhibit 5.3, we provide some additional commentary on some of the recommendations from these four 2007 audits.

Exhibit 5.3 Summary Status of 2007 Recommendations Not Implemented

| Department | Audit | Recommendations made in 2007 that were not fully implemented | Assessment after 4 years |
|---|-----------------------------------|---|--------------------------|
| Justice and Consumer Affairs | NBCUDIC | We recommend the Superintendent review the practice of recording general provisions against accounts receivable by all credit unions to ensure consistency and to eliminate the need to make adjustments for regulatory purposes. | Disagree |
| | | We recommend NBCUDIC and the Credit Unions, Cooperatives, and Trust Companies branch of the Department amend their memorandum of understanding to include specific operating parameters such as length of time to fill positions and establishing work priorities. | Not implemented |
| | | We recommend that NBCUDIC and the Department establish a minimum value for the Deposit Insurance Fund. If the existing balance is determined to be insufficient, a funding plan with appropriate levies should be put in place. | Not implemented |
| | | Because of NBCUDIC's reliance on the work of the superintendent, NBCUDIC should request the superintendent to carry out more frequent inspections of stabilization boards as required by the <i>Credit Unions Act</i> . | Not implemented |
| | | We recommend NBCUDIC review the content of its annual report to comply with government's annual report policy. | Not implemented |
| Post-Secondary Education, Training and Labour | Private Occupational Training Act | We recommended the Department re-assess the exempt status of internet based private occupational training organizations to determine if they should continue to be exempt from the Act. | Not implemented |
| | | We recommended, if religious schools are to continue to be considered exempt, that the Department amend the regulation to clarify their status. | Not implemented |
| | | We recommended the Department apply the Act to flight schools. | Not implemented |
| | | We recommended the Department clarify the purpose of instructor registration, and look for ways to use this process to ensure the instructors have proper qualifications. | Not implemented |
| | | We recommended the Department implement procedures to ensure students will be able to access their transcripts in the event of school closures. | Not implemented |
| | | We recommended the Department implement legislative or regulatory measures so that the Receiver General of Canada and the Minister of Finance of New Brunswick are able to receive refunds directly from the Training Completions Fund, when applicable, without the need for affected students to apply for such compensation. | Not implemented |
| | | We recommended the Department evaluate the viability of extending the security requirement beyond the current two year time period. | Not implemented |
| | | We recommended the Department consult an actuary to assess the appropriateness of the 1% levy of tuition fees for the Training Completions Fund. | Disagree |
| | | We recommended the Corporation have documented procedures to follow in the event of a large claim against the Fund. | Disagree |
| We recommended the Corporation develop an appropriate investment policy and invest the funds accordingly. | Disagree | | |

Exhibit 5.3 Summary Status of 2007 Recommendations Not Implemented (continued)

| Department | Audit | Recommendations made in 2007 that were not fully implemented | Assessment after 4 years |
|---|-----------------------------------|--|--------------------------|
| Post-Secondary Education, Training and Labour | Private Occupational Training Act | We recommended the Corporation develop a policy to guide it in determining when to provide refunds to students who are subject to unexpected organization closures. | Disagree |
| | | We recommended the Department develop policy to clearly define the extent of refunds in the event that refunds are required. | Not implemented |
| | | We recommended the Department develop a more comprehensive list of performance indicators. | Not implemented |
| | | We recommended the Department report on the effectiveness of the protection program for students enrolled in private occupational training organizations in New Brunswick through its annual report. | Disagree |
| | | We recommended the Department amend the fee structure of the Branch with the objective of eventually making the Branch self sufficient. | Not implemented |
| Natural Resources | Wildlife Trust Fund | We recommended the Council set documentation standards that reflect the size and complexity of the grants. | Disagree |
| Health | Program Evaluation | We recommend DOH set appropriate formal program evaluation guidelines that specify standard departmental approaches to program evaluation for reference by the evaluators of departmentally-administered programs. | Not implemented |
| | | We recommend DOH ensure that appropriate formal documented evaluation plans have been developed for all programs under its administration. | Not implemented |
| | | We recommend DOH ensure that appropriate provincial performance expectations are set for each program they administer and that those performance expectations (i.e. objectives, performance indicators and targets) are communicated to the RHAs. | Not implemented |
| | | We recommend DOH act as the provincial coordinator for evaluative work on departmentally-administered programs. | Not implemented |
| | | We recommend DOH ensure that it receives regular reports from RHAs for each program it administers covering the continued relevance, cost-effectiveness, and success of that program in achieving provincial performance expectations. Further, DOH should ensure that pertinent comparative information is shared among all RHAs. | Not implemented |

New Brunswick Credit Union Deposit Insurance Corporation (from 2007 Report)

5.22 In 2007, we looked at the governance structures and processes established for the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) to see if they provided an adequate framework for NBCUDIC to fulfill

its obligation to protect the deposits of members of credit unions and caisses populaires in New Brunswick. Of our twelve original recommendations, seven have been fully implemented, four have not been fully implemented and the Department of Justice and Consumer Affairs disagreed with one (Exhibit 5.1). When we recently met with staff at the Department of Justice and Consumer Affairs, we found work continues on two of the outstanding recommendations addressing the deposit insurance fund and the inspection of stabilization boards.

5.23 The Department reported that a consultant completed a report on the adequacy of capital at the credit union level, at the stabilization board level and at the deposit insurance fund level. This report was made available to stakeholders, and the Board of NBCUDIC met with stakeholders on 12 May 2011. The Board is now considering the information received before making a final decision.

5.24 At the time of our audit, we found that stabilization boards had not been inspected since 1999, though the *Credit Unions Act* required annual inspections. During follow up, we found that one of the stabilization boards (Risk Management Agency) had been inspected in both 2010 and 2011. The most recent inspection of the other stabilization board, l'Office de stabilisation, occurred in 2009. Though staff had intended on carrying out more frequent inspections of l'Office de stabilisation, they were unable to do so due to staff turnover.

5.25 We also made a recommendation to amend a memorandum of understanding (MOU) between NBCUDIC and the Department of Justice and Consumer Affairs; the auditee replied that they had not implemented our recommendation as they were satisfied with the MOU currently in place. We made another recommendation concerning the content of the annual report and compliance with government's annual report policy. We found that although improvements had been made to the content, compliance with the policy had not been achieved.

Department of Post-Secondary Education, Training and Labour - Private Occupational Training Act (from 2007 Report)

5.26 In this assignment we were examining whether the Department and the New Brunswick Private Occupational Training Corporation were fulfilling their mandate for consumer protection to students of private colleges and training organizations. We made 23 recommendations. As reported in 2009, the Department disagreed with five recommendations. As of this year, the Department reports it has now implemented eight recommendations, leaving an additional ten not implemented.

Department of Natural Resources - Wildlife Trust Fund (from 2007 Report)

5.27 This audit engagement examined a number of grants made through the Wildlife Trust Fund. We also did work on the conservation revenue fee that generates a significant portion of annual funding. The Department of Natural Resources disagreed with one of our four recommendations. As for the other three, the Department reported that they have been fully implemented.

Department of Health – Program Evaluation (from 2007 Report)

5.28 Our audit included eight recommendations as part of our work to determine if the Department of Health had adequate systems and practices to regularly evaluate the programs it funds. As the Department of Health required the largest portion of annual government spending, it is particularly important that it have systems and practices in place to evaluate the success achieved through the money it spends. The Department reported having implemented three of the recommendations. As shown in Exhibit 5.1 five recommendations have not been implemented.

5.29 At the time of our audit, we concluded that adequate systems and practices have not been established to regularly evaluate programs funded by the Department of Health. We went on to say “*implementation of the recommendations (...) would establish a workable framework within which DOH could develop an effective evaluation system.*” Given the need for adequate evaluative information for program decision-makers, we are disappointed that only three of our eight recommendations have been implemented.

Comments on More Detailed Follow-up on Recommendations Made to the Department of Justice and Consumer Affairs and NBCUDIC

5.30 We decided to confirm the self-reported status of recommendations made as a result of the following reports:

- New Brunswick Credit Union Deposit Insurance Corporation (2007)
- Superintendent of Credit Unions (2008)
- La Caisse populaire de Shippagan (2009)

New Brunswick Credit Union Deposit Insurance Corporation

5.31 This 2007 audit resulted in twelve recommendations. The Department disagreed with one of the recommendations. We found that of the remaining recommendations, seven have been implemented and four remain outstanding. We discussed these recommendations earlier in the chapter.

Superintendent of Credit Unions

5.32 In 2008, we made ten recommendations as a result of our audit. We found that seven of these had been implemented. The three outstanding recommendations address the annual inspection of stabilization boards, compliance with annual report policy and the conflicting role of the Superintendent of Credit Unions.

La Caisse populaire de Shippagan

5.33 In 2009, we made six recommendations concerning La Caisse populaire de Shippagan. We found that four of the recommendations have been implemented while two have not. One of the recommendations not implemented recommended the Superintendent be independent of the Department of Justice and Consumer Affairs, and have the resources needed to properly supervise the credit union system. The other recommendation, addressed to the Executive Council, recommended that term limits exist for all members of the governing bodies of provincial Crown corporations, agencies, boards and commissions. We did find that changes have been made to the *Credit Unions Act* with respect to the term of office of directors of credit unions.

5.34 Overall, we found that the Department had implemented 64% of our recommendations. This level of implementation is likely to increase given that follow-up of our *Superintendent of Credit Unions* chapter will continue for an additional year, while *La Caisse populaire*

de Shippagan chapter follow-up will continue for two years.

General Comments on the Implementation of Recommendations

5.35 As noted earlier, we continue to encourage the Public Accounts and Crown Corporations Committees to use this chapter to hold government accountable for implementing our recommendations. Exhibit 5.4 reports government's progress, in implementing our recommendations over the past number of years.

Exhibit 5.4 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% | N/A* |
| 2007 | 47 | 19% | N/A* | 45%** |
| 2008 | 48 | N/A* | 60%** | - |
| 2009 | 49 | 73%** | - | - |
| Total | 1055 | | | |

* No follow-up performed in 2010

** As self-reported by departments with confirmation by our Office in the Department of Justice and Consumer Affairs

5.36 Exhibit 5.4 shows certain disturbing trends. Only 45% of recommendations made in 2007 have been implemented four years later. In most years presented in this table, more than half of our recommendations remain unimplemented after four years. Though the implementation level appears to have increased this year, these figures represent the self-reported status by department; that is, with the exception of work carried out on recommendations made to the Department of Justice and Consumer Affairs, we did not assess the accuracy of the results reported by departments.