

Chapter 4

Follow-up on Recommendations from Prior Years' Performance Audit Chapters

Contents

Background.....	103
Summary.....	104
Scope and Objectives.....	104
Detailed Findings.....	105
General Comments on the Implementation of our Recommendations.....	120

Follow-up on Recommendations from Prior Years' Performance Audit Chapters

Background

- 4.1** This follow-up chapter promotes accountability by giving the Legislative Assembly, and the general public, information about how responsive government has been to our performance audit recommendations. We think it is important that both MLAs and taxpayers be provided with sufficient information to assess the progress government is making in implementing these recommendations.
- 4.2** Note that recommendations made to departments and Crown agencies pursuant to our financial audit work are followed up annually as part of our financial audit process, and are not discussed in this chapter. For a complete list of Performance Audit reports over the last ten years, please see Appendix A.
- 4.3** We continue to have a strategic goal that departments and agencies accept and implement our performance audit recommendations. Consequently, in this chapter we report on the updates as provided to us by departments and Crown agencies for performance audit recommendations made in our 2010, 2011, and 2012 Reports. Even though we do not have the resources to review the accuracy of all responses annually, we reviewed the responses received related to our 2010 recommendations for accuracy, and gathered and summarized the information submitted by departments for 2011 and 2012. (See Chapter 1 for follow up on 2012 recommendation regarding long term infrastructure sustainability plan and see Appendix B for detailed status report of recommendations since 2010).

Summary

4.4 Our overall results show departments and agencies report they had implemented about 69% (64 of 93) of our performance audit recommendations from the 2010, 2011 and 2012 Reports of the Auditor General.

4.5 The percentage of performance audit recommendations implemented from 2010 was 62%. It appears, based on self-reporting by the Departments responsible for responding to recommendations in our 2011 and 2012 reports, that four-year percentages may ultimately be at a comparable level or better for 2011 and 2012.

Scope and Objectives

4.6 Our practice is to track the status of our performance audit 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 2014 Report, we are tracking progress on performance audit recommendations from 2010, 2011 and 2012. 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, not implemented, disagreed with, or no longer applicable.

4.7 To prepare this chapter, we request written updates on progress from the respective departments and Crown agencies. They are asked to provide their assessment of the status of each performance audit recommendation. In addition, departments and agencies also add any explanatory comments they believe necessary to explain the rationale for their assessment.

4.8 We received all updates requested.

4.9 In the past year we followed up on all performance audit recommendations made in our 2010 Report. Areas covered included:

- Financial Assistance to Industry;
- Immigration with the Provincial Nominee Program;
- New Brunswick Art Bank; and

- New Brunswick Liquor Agency Stores.

Detailed Findings

4.10 This section provides details on how well departments and Crown agencies have done in implementing performance audit recommendations we made in the years 2010, 2011 and 2012. Exhibit 4.1 gives an overview of the status of recommendations by department and agency. Exhibit 4.2 shows the results summarized by year.

4.11 Exhibit 4.2 shows departments and agencies reported to us that they had implemented 41 of 56 (73%) of our performance audit recommendations from 2011 and 2012 Reports of the Auditor General. For 2010, based upon departmental and agency reporting, and our own review of their assessments, we have concluded that 23 of 37 (62%) of our recommendations have been implemented, excluding 7 additional recommendations that are no longer applicable. Of the remaining 14 recommendations, 11 have been agreed with but not yet implemented and three have been disagreed with. Consistent with our established process, this is the last year that our 2010 performance audit recommendations will be subject to our formal follow up process. However, project areas covered in 2010 may be considered for future performance audit reports.

Exhibit 4.1 - Status of Performance Audit Recommendations as Reported by Departments/Agencies

Department / Agency	Audit area	Year	Performance Audit Recommendations					% Implemented
			Total	Disagreed	Implemented	Agreed/Not implemented	No longer applicable	
Economic Development	Financial Assistance to Industry	2010	7	3	2	2	0	29
Tourism, Heritage and Culture	New Brunswick Art Bank	2010	7	0	7	0	0	100
Environment and Local Government	Solid Waste Commission	2012	13	0	11	2	0	85
	Wastewater Commission	2011	7	0	6	1	0	86
Executive Council/ Legislative Assembly	Constituency Office Costs for MLAs and Executive Council	2011	5	0	3	2	0	60
Finance / Transportation and Infrastructure	Public Private Partnerships	2011	10	0	10	0	0	100
Health	EHealth – Procurement and Conflict of Interest	2012	6	0	5	1	0	83
	Medicare – Payments to Doctors	2012	3	0	1	2	0	33
New Brunswick Liquor Corporation	Agency Stores	2010	10	0	3	0	7	100*
Post-Secondary Education, Training and Labour	Immigration with the Provincial Nominee Program	2010	20	0	11	9	0	55
Social Development	CMHC Social Housing Agreement	2011	2	0	0	2	0	0
Transportation and Infrastructure	Capital Maintenance of Highways	2012	10	0	5	5	0	50
Totals			100	3	64	26	7	69

*100% implemented rate excludes those recommendations that are no longer applicable.

Exhibit 4.2 - Summary Status of Recommendations by Year as Reported by Departments/Agency

Year	Recommendations					% Implemented *
	Total	No longer applicable	Implemented	Agreed/Not implemented	Disagreed	
2012	32	0	22	10	0	69
2011	24	0	19	5	0	79
2010	44	7	23	11	3	62
Total	100	7	64	26	3	69

* excludes those no longer applicable

Comments on recommendations from 2010

4.12 Exhibit 4.3 provides a full listing of our 2010 performance audit recommendations that are still not implemented.

4.13 Our 2010 performance audit recommendations have reached the end of the four year follow-up cycle. Projects included in the 2010 Report included:

- Financial Assistance to Industry;
- Immigration with the Provincial Nominee Program;
- New Brunswick Art Bank; and
- New Brunswick Liquor Agency Stores.

4.14 Immediately following Exhibit 4.3, we provide additional commentary on some of the performance audit recommendations from these four 2010 projects.

4.15 We encourage Members of the Legislative Assembly to look at the 2010 performance audit recommendations which the government has not implemented. Upcoming meetings of the Public Accounts Committee and the Crown Corporations Committee provide an opportunity for Members to pursue the status of these recommendations with the involved departments and Crown agencies.

Exhibit 4.3 - Summary Status of 2010 Performance Audit Recommendations Not Implemented

Department / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Economic Development	Financial Assistance to Industry	2010	2	2	31	We recommended the Department establish additional measurable targets for FAIP [Financial Assistance to Industry] Program to allow it to evaluate FAIP from different perspectives.	Not Implemented
		2010	2	2	53	We recommended the Department establish policies and procedures with respect to verifying clients' financial information other than their audited financial statements.	Disagreed With
		2010	2	2	75	We recommended BNB establish policies and procedures regarding which types of financial analysis should be performed to identify risk of potential loss and which types of mitigation steps should be taken based on the risks identified.	Disagreed With
		2010	2	2	94	We recommended the Department report to the Legislative Assembly on the success of FAIP in achieving the Department's targets.	Not Implemented
		2010	2	2	105	We recommended BNB put in place a monitoring process that directly assesses each forgivable loan recipient's progress compared to the original payback calculation. This assessment should look at each of the three components of the original payback calculation: the risk factor, the estimated amount of incremental payroll and the income tax rate.	Disagreed With
Post-Secondary Education, Training and Labour	Immigration with the Provincial Nominee Program	2010	2	3	67	The Secretariat should develop and implement appropriate monitoring procedures for the Provincial Nominee Program.	Not Implemented
		2010	2	3	78	The Secretariat should ensure the Provincial Nominee Program is adequately supported with documented policies and procedures.	Not Implemented
		2010	2	3	104	The Secretariat should ensure the Provincial Nominee Program operates in compliance with the Canada-New Brunswick Agreement.	Not Implemented
		2010	2	3	105	The Secretariat should develop and implement an evaluation plan which allows it to measure performance of the Provincial Nominee Program and determine if the program meets its objective "to increase the economic benefits of immigration to New Brunswick". Corrective action should be taken to address deficiencies identified by the evaluation.	Not Implemented

Exhibit 4.3 - Summary Status of 2010 Performance Audit Recommendations Not Implemented (continued)

Department / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Post-Secondary Education, Training and Labour	Immigration with the Provincial Nominee Program	2010	2	3	108	The Secretariat should establish program goals, performance indicators and monitoring procedures for evaluating performance of the Provincial Nominee Program.	Not Implemented
		2010	2	3	111	The Secretariat should develop and implement an approach to regularly measure performance of the Provincial Nominee Program and compare performance to the objectives and targets stated in the "Population Growth Strategy".	Not Implemented
		2010	2	3	118	The Secretariat should review the objectives and targets relating to immigration stated in the Strategy and establish a specific action plan for achieving their objectives and targets.	Not Implemented
		2010	2	3	119	The Division should develop annual operational plans to be used in day-to-day work, which would result in the achievement of the annual targets shown in the Population Growth Strategy.	Not Implemented
		2010	2	3	123	To provide better accountability to the Legislative Assembly and the public, the Secretariat should report on the performance of the Provincial Nominee Program both on its website and in the Department's Annual Report.	Not Implemented

Economic Development

Financial Assistance to Industry

Two of seven recommendations have been fully implemented

4.16 In this project our objective was to assess whether the Department had adequate procedures in place to measure and report on the effectiveness of the financial assistance it provides to industry.

4.17 We concluded in 2010 that the Department had made improvements in the areas of setting objectives and targeted results for Financial Assistance to Industry Program (FAIP) as well as capturing data and documenting its monitoring activities. However, we found the level of monitoring performed by the Department was not sufficient and clearly documented policies and procedures either did not exist or were not consistently applied. We also found the Department needed to improve the reporting of information about the effectiveness of the FAIP in its annual reports.

4.18 We are disappointed to report that of our seven original recommendations to the Department, only two have been fully implemented. The Department disagreed with three of our recommendations and two others have not been fully implemented.

4.19 In 2010 we recommended:

“The Department establish additional measurable targets for FAIP to allow it to evaluate FAIP from different perspectives.”

4.20 In their 2014 response, the Department indicated it *“will be implementing during 2014-2015 additional measurable targets of its programs during the Balanced Scorecard exercise.”*

4.21 We also recommended that:

“The Department report to the Legislative Assembly on the success of FAIP in achieving the Department’s targets.”

4.22 In their 2014 response, the Department stated that *“Balanced Scorecard data to be presented in 2014-2015 Annual Report. FAIP data is material to 2 key departmental performance measures and is the source of another performance measure being “Rate of*

recovery on loan portfolio.”

4.23 The Department continues to work towards the implementation of these two recommendations for the evaluation and reporting on the performance of the Financial Assistance to Industry Program. As activities are planned for 2014-15, they have not been fully implemented at the time of our review.

4.24 The Department disagreed with the following three recommendations made in 2010:

- *“We recommended the Department establish policies and procedures with respect to verifying clients’ financial information other than their audited financial statements.”*
- *“We recommended BNB [Economic Development] establish policies and procedures regarding which types of financial analysis should be performed to identify risk of potential loss and which types of mitigation steps should be taken based on the risks identified.”*
- *“We recommended BNB [Economic Development] put in place a monitoring process that directly assesses each forgivable loan recipient’s progress compared to the original payback calculation. This assessment should look at each of the three components of the original payback calculation: the risk factor, the estimated amount of incremental payroll and the income tax rate.”*

4.25 For the first recommendation, the Department responded that it *“did not fully implement this recommendation due to the multitude of information requiring policies or procedures to be developed. The Department continues to rely upon the experience and professional qualifications of its Project Executives to undertake the appropriate “tests” of accuracy of information. Management has stressed the need to document methods and actions undertaken to validate information on individual files and endeavor to follow up with staff where concerns may exist.”*

4.26 For the second recommendation, the Department responded that it *“continues to feel that the need for policies to provide procedural guidance, to project*

executives, detailing the type and method of analysis to be undertaken is not required given the officers' level of experience and professional certification.

Furthermore, in instances where serious risk of loss is identified measures are developed in consultation with line managers including senior management with further advisement by the Office of the Attorney General officials as required. Often, due to our subordinate position on security, negotiations may include private sector lenders as well. In short, each case is different and it would be most difficult to develop policies and procedures for each possible circumstance."

- 4.27** For the third recommendation, the Department responded *"The comments in the report and above recommendation implies that such a monitoring process is not in place, whereas it actually is in place and is the responsibility of the assigned project executives."* We would note that the process in place at Economic Development is not the one proposed in our recommendation, and the Department does not intend to change the process described in its response.

Post-Secondary Education, Training and Labour

Immigration with the Provincial Nominee Program

4.28 In this project, we wanted to determine whether the Population Growth Secretariat:

- has identified and documented significant planning measures for New Brunswick's Provincial Nominee Program;
- has adequate processes and controls for delivering the Provincial Nominee Program in New Brunswick and to determine if they support the program in achieving its objective "to increase the economic benefits of immigration to New Brunswick"; and
- measures performance for the Provincial Nominee Program and to determine if it publicly reports the program's performance.

Eleven of our twenty recommendations have been implemented

4.29 Our 2010 report concluded that the key element missing from New Brunswick's Provincial Nominee Program (PNP) is monitoring. Without monitoring, the PNP was:

- unable to measure its success and report on its performance;
- subject to increased risk of program abuse as immigrants use the program as a gateway to Canada because of its shorter processing time;
- not complying with the Canada-New Brunswick Agreement on Provincial Nominees; and
- unable to identify the benefits of PNP as the number of nominees that settle and contribute economically in New Brunswick was not measured.

4.30 As a result of our findings, we made 20 recommendations. We found the Department has fully implemented 11 of these recommendations, while implementation of the other nine continues as discussed in the paragraphs that follow.

4.31 We recommended the Secretariat "*develop and implement appropriate monitoring procedures for the*

Provincial Nominee Program.”

4.32 In their 2014 response, the Department stated that the implementation of this recommendation is in progress, adding:

“Effective monitoring and tracking of provincial nominees continues to be an issue for all territorial and Provincial Nominee Programs. The following initiatives have been introduced by PGD [Population Growth Division] to enhance monitoring and tracking:

- 1. Following the restructuring in 2013, PGD established a new committee to develop a plan for tracking and monitoring landed nominees. The plan will be implemented over the next 12 months.*
- 2. PGD continues to identify gaps in reporting and presented another scope of work for PETL IT Division to capture the activities of landed nominees for two years post-landing. (Two years is consistent with CIC Annual Report on Provincial Nominees).*
- 3. PGD is working with the Privacy Engagement Review Committee and the Research Data Centre at UNB to find efficient ways to track landed nominees.*
- 4. PGD is assisting the Research Data Centre at UNB in its effort to obtain access to the Longitudinal Immigration Database (IMDB). This database links immigration and taxation records and will allow PGD to track landed nominees.”*

4.33 We also recommended the Secretariat *“ensure the Provincial Nominee Program is adequately supported with documented policies and procedures.”*

4.34 In their 2014 response, the Department indicated this recommendation is in progress:

“PGD has engaged a third party to develop a program policy framework to prescribe the procedures for attracting, processing, selecting the best possible candidates for immigration to NB by describing all provincial actions required to meet the requirements of the provincial-federal agreement. The process should be finalized by fall 2014.”

- 4.35** We further recommended the Division “*ensure the Provincial Nominee Program operates in compliance with the Canada-New Brunswick Agreement.*”
- 4.36** The Department responded in 2014 that implementation is in progress, adding “*PGD is moving toward compliance with the Canada-New Brunswick agreement, paragraph 7.1 as it relates to program evaluation and information exchange.*”
- 4.37** The Department has indicated the implementation of five of our recommendations, pertaining to performance measurement and evaluation, will be completed once a new population growth strategy is in place, as described in the following paragraphs.
- 4.38** We recommended the Division “*develop and implement an evaluation plan which allows it to measure performance of the Provincial Nominee Program and determine if the program meets its objective to “increase the economic benefits of immigration to New Brunswick.” Corrective action should be taken to address deficiencies identified by the evaluation.*”
- 4.39** The Department noted this recommendation is in progress, responding in 2014 “*due to federal immigration caps imposed upon the Provincial Nominee Program the current objectives and targets are unattainable. PGD is currently developing a revised population growth strategy that will be implemented in 2014. An evaluation plan will be developed in concert with the strategy.*”
- 4.40** We also recommended the Division “*establish program goals, performance indicators and monitoring procedures for evaluating performance of the Provincial Nominee Program.*”
- 4.41** The Department reported the implementation of this recommendation is in progress in its 2014 response: “*PGD is currently developing a new population growth strategy that will be implemented in 2014. Program goals, performance indicators and monitoring procedures for evaluating performance will be developed.*”
- 4.42** We also recommended the Division “*develop and implement an approach to regularly measure performance of the Provincial Nominee Program and*

compare performance to the objectives and targets stated in the Population Growth Strategy.”

4.43 The Department responded that the implementation of this recommendation is in progress in their 2014 response: *“PGD is currently developing a new population growth strategy that will be implemented in 2014. Performance will be regularly measured and compared to the objectives and targets.”*

4.44 We also recommended the Division *“review the objectives and targets relating to immigration stated in the Strategy and establish a specific action plan for achieving their objectives and targets.”*

4.45 The Department responded that the implementation of this recommendation is in progress in their 2014 response: *“PGD is currently developing a new population growth strategy that will be implemented in 2014. New objectives and targets will be developed.”*

4.46 We further recommended the Division *“develop annual operational plans to be used in day-to-day work, which would result in the achievement of the annual targets shown in the Population Growth Strategy.”*

4.47 The Department responded that the implementation of this recommendation is in progress in their 2014 response: *“PGD is currently developing a new population growth strategy that will be implemented in 2014. Operational plans will be developed and aligned to annual targets.”*

4.48 Our final recommendation addressed annual performance reporting. In 2010, we recommended the following: *“To provide better accountability to the Legislative Assembly and the public, the Division should report on the performance of the Provincial Nominee Program both on its website and in the Department’s Annual Report.”*

4.49 The Department responded in 2014 that the *“Division adheres to the Provincial Annual Report Policy.”* We note this policy does not require website reporting.

4.50 We also reviewed the Department’s most recent annual report (2012-2013) and found that the information provided was insufficient to assess the performance of the Provincial Nominee Program. As a

result, we find this recommendation has not been implemented.

4.51 We encourage the Department to continue to move forward with its ongoing initiatives and the implementation of our outstanding recommendations.

Wellness, Culture and Sport

New Brunswick Art Bank

4.52 Our objective in this audit was:

“To ensure that all art works acquired for the provincial Art Bank can be accounted for and are being adequately protected, maintained and conserved.”

4.53 We concluded that all artworks in the collection can be accounted for and are being adequately protected. However, as a working collection which is on display at all times, artworks in the collection are not being adequately maintained and conserved due to a lack of funding available to complete needed work. As a result, the overall condition of the collection is lower than should be expected of a permanent collection.

All recommendations have been fully implemented

4.54 We made seven recommendations to the Department of Wellness, Culture and Sport, now the Department of Tourism and Heritage. We are very pleased to report that all recommendations have been fully implemented.

New Brunswick Liquor

Agency Stores

4.55 Our objective for this audit was:

“To determine whether the New Brunswick Liquor Corporation has appropriate control procedures for its agency store program.”

4.56 Our 2010 report found that NB Liquor had strategic direction for the agency store program. We also found that contracts with agency stores adequately reflected ANBL'S [Alcool NB Liquor] expectations as outlined in the agency store policy, and ANBL had appropriate control procedures to monitor agency stores' compliance with contract agreements. Finally, we found that ANBL had management and operating procedures in place for its agency store program; however, by not fully assessing the sale potential of the assets involved, it was missing a significant control.

Three of our ten recommendations have been implemented

4.57 As a result of our findings, we made ten recommendations to NB Liquor. Three of the recommendations have been fully implemented. The remaining seven recommendations are no longer considered applicable, specifically:

- Two of the recommendations related to the process to be followed in future reviews of the ANBL retail network. Such a review has not been completed since our audit;
- Two of the recommendations were directed towards the operations of the ANBL Agency Stores Committee. That committee no longer exists; and
- Three of the recommendations related to the process to be followed by ANBL in future sales of existing ANBL- owned stores. Such a transaction has not occurred since our audit.

General Comments on the Implementation of our Recommendations

4.58 As noted earlier, we encourage the Public Accounts and Crown Corporations Committees to use this chapter to hold government accountable for implementing our performance audit recommendations. Exhibit 4.4 reports government's progress, in implementing our performance audit recommendations since 1999.

Exhibit 4.4 - Implementation of Performance Audit 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%**	57%****
2009	49	73%**	73%***	74%****
2010	44	64%***	70%***	62%****
2011	24	71%***	79%***	-
2012	32	69%***	-	-
* N/A as no follow-up performed in 2010 ** As self-reported by departments and agencies with confirmation by our Office in the Department of Justice and Consumer Affairs *** As self-reported by departments and agencies **** As self-reported by departments and agencies and reviewed for accuracy by our Office.				

4.59 We are encouraged that the percentage of performance audit recommendations implemented continues to gradually increase over time. It appears, based on self-reporting by the departments and agencies responsible for responding to recommendations in our 2011 and 2012 reports, that four-year percentages may be at a comparable level or better in the next two years.

4.60 We are committed to continuing to work with departments and Crown agencies to develop sound, practical recommendations in all our performance audit reports. Also, we will continue to use our follow-up process as a means of providing encouragement and support for departments and Crown agencies to fully implement, on a timely basis, as many of our performance audit recommendations as possible.