

Chapter 4

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

Contents

Background.....	67
Summary.....	67
Scope and Objectives.....	69
Detailed Findings.....	70
General Comments on the Implementation of our Recommendations.....	86
Appendix A - Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years.....	89
Appendix B - Detailed Status Report of Recommendations Since 2011.....	97

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 (Value for Money) 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, commissions 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, commissions and agencies accept and implement all our performance audit recommendations. Consequently, in this chapter we report on the updates as provided to us by departments, commissions and Crown agencies for performance audit recommendations made in our 2011, 2012, and 2013 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 2011 recommendations for accuracy, and gathered and summarized the information submitted by departments, commissions and agencies for 2012 and 2013.

Summary

4.4 Our overall results show departments, commissions and agencies report they had implemented about 70% (69 of 98) of our performance audit recommendations from the 2011, 2012 and 2013 Reports of the Auditor General.

4.5 The percentage of performance audit recommendations implemented from 2011 was 63%. It appears, based on self-reporting by the Departments responsible for responding to

recommendations in our 2012 and 2013 reports, that four-year percentages may ultimately be at a comparable level or better for 2012 and 2013.

- 4.6** In our 2015 follow up review of our 2011 audit of Constituency Office Costs for Members of the Legislative Assembly and Executive Council, we were disappointed to note that two important recommendations have still not been implemented by the Executive Council Office and/or the Legislative Assembly. Implementation of these recommendations is critical in ensuring that Members of the Legislative Assembly can be held accountable for their constituency office costs.
- 4.7** In our follow up of our 2011 chapter, “CMHC Social Housing Agreement”, we noted that a key recommendation had not been implemented. Specifically, we recommended the Department of Social Development establish a long-term plan to ensure that it can continue to provide for provincial social housing needs in the future. Given the pending decline of federal support and aging infrastructure, government’s ability to meet demands of the program continues to be at risk without a long-term plan.
- 4.8** Not all recommendations contained in our 2011 chapter on Wastewater Commissions have been implemented. However, the recommendations that have been implemented appear to have had a significant, positive impact on the governance and oversight of the Greater Moncton Sewerage Commission. Additionally, amendments made to the *Clean Environment Act* have enhanced the governance of all provincial wastewater commissions.
- 4.9** Our follow up for “Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School” indicated that many of our recommendations have been implemented. However, we continue to believe the Department of Transportation and Infrastructure, in cooperation with the Departments of Finance and Education should develop an asset management system for provincial schools, in conjunction with budgeting measures to protect long-term funding required to appropriately maintain provincial schools over their useful lives.
- 4.10** We note both Opportunities New Brunswick and the Executive Council Office report they have acted quickly to respond to a number of the recommendations contained in our 2015 audit of Financial Assistance to Atcon Holdings

Inc. and Industry, although we have not verified this information. We will follow up again in 2016 to ensure progress in implementing those recommendations continues.

Scope and Objectives

- 4.11** 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 2015 Report, we are tracking progress on performance audit recommendations from 2011, 2012 and 2013. Our objective is to determine the degree of progress departments, commissions and agencies have made in implementing our recommendations. We have assessed their progress as fully implemented, not implemented, disagreed with, or no longer applicable.
- 4.12** To prepare this chapter, we request written updates on progress from the respective departments, commissions and Crown agencies. They are asked to provide their assessment of the status of each performance audit recommendation. In addition, departments, commissions and agencies also add any explanatory comments they believe necessary to explain the rationale for their assessment.
- 4.13** We received all updates requested.
- 4.14** In the past year we followed up on all performance audit recommendations made in our 2011 Report. Areas covered included:
- Wastewater Commissions;
 - Public-Private Partnerships: Eleanor W. Graham Middle School and Moncton North School;
 - Constituency Office Costs for Members of the Legislative Assembly and Executive Council; and
 - CMHC Social Housing Agreement.
- 4.15** We also met with Opportunities New Brunswick to get an update on their progress in implementing the recommendations from our 2015 audit of Financial Assistance to Atcon Holdings Inc. and Industry.

Detailed Findings

4.16 This section provides details on how well departments, commissions and Crown agencies have done in implementing performance audit recommendations we made in the years 2011, 2012 and 2013.

4.17 Exhibit 4.1 presents the status of recommendations by department, commission and agency. This information allows users to quickly assess which departments, commissions and agencies have done a good job in implementing our recommendations, and which have not. Exhibit 4.2 provides additional details on the implementation of recommendations by department, commission and agency.

Exhibit 4.1 – Status of Implementation of Recommendations





Legend	
	100% of Recommendations Implemented
	75% - 99% of Recommendations Implemented
	50% - 74% of Recommendations Implemented
	< 50% of Recommendations Implemented

Exhibit 4.1 – Status of Implementation of Recommendations (continued)

		Year of AG Report		
	Report Release Date & Project Name	2015	2014	2013
Departments				
Environment and Local Government	(2012) - Solid Waste Commission	✓	▲	
	(2011) - Wastewater Commissions	▼	▲	▼
Executive Council/ Legislative Assembly	(2011) - Constituency Office Costs for MLAs and Executive Council	▼	▼	▼
Finance / Transportation and Infrastructure	(2011) - Public Private Partnerships	▲	✓	▲
Government Services	(2013) - Procurement of Goods and Services – Phase I	▼		
Health	(2012) - EHealth – Procurement and Conflict of Interest	▲	▲	
	(2012) - Medicare – Payments to Doctors	●	●	
Social Development	(2013) - Foster Homes	✓		
	(2011) - CMHC Social Housing Agreement	▼	●	●
Transportation and Infrastructure	(2013) - Provincial Bridges	▼		
	(2012) - Long Term Infrastructure Sustainability Plan	●	●	
	(2012) - Capital Maintenance of Highways	▲	▼	
Various Departments	(2013) - Collection of Accounts Receivable	●		
Crown Corporation				
NB Power	(2013) - Point Lepreau Generating Station Refurbishment – Phase I	●		

Exhibit 4.2 - Status of Performance Audit Recommendations as Reported by Departments, Commissions or Agencies

Department / Commission/ Agency	Subject	Year	Performance Audit Recommendations					% Implemented
			Total	Disagreed	Implemented	Agreed/Not implemented	No longer applicable / Not determinable	
Environment and Local Government	Solid Waste Commissions	2012	13	0	13	0	0	100
	Wastewater Commissions	2011	7	0	4	3	0	57
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	6	2	2	75
Government Services	Procurement of Goods and Services – Phase I	2013	9	0	6	3	0	67
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
NB Power	Point Lepreau Generating Station Refurbishment – Phase I	2013	1	0	0	1	0	0
Social Development	Foster Homes	2013	11	0	11	0	0	100
Social Development	CMHC Social Housing Agreement	2011	2	0	1	1	0	50
Transportation and Infrastructure	Provincial Bridges	2013	13	0	8	5	0	61
Transportation and Infrastructure	Long Term Infrastructure Sustainability Plan	2012	1	0	0	1	0	0
Transportation and Infrastructure	Capital Maintenance of Highways	2012	10	0	8	2	0	80
Various Departments	Collection of Accounts Receivable	2013	9	0	3	6	0	33
Totals			100	0	69	29	2	70

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

4.18 Exhibit 4.3 shows the results summarized by year.

Departments, commissions and agencies reported to us that they had implemented 55 of 76 (72%) of our performance audit recommendations from the 2012 and 2013 Reports of the Auditor General. For 2011, based upon department, commission and agency reporting, and our own review of their assessments, we have concluded that 14 of 22 (63%) of our recommendations have been implemented. Of the remaining 8 recommendations, all 8 have been agreed with but not yet implemented. There are also 2 recommendations that were no longer applicable by the time of our 2015 follow up. Consistent with our established process, this is the last year that our 2011 performance audit recommendations will be subject to our formal follow up process. However, project areas covered in 2011 may be considered for future performance audit reports.

Exhibit 4.3 - Summary Status of Recommendations by Year as Reported by Departments, Commissions or Agencies

Year	Recommendations					% Implemented *
	Total	No longer applicable / Not determinable	Implemented	Agreed/Not implemented	Disagreed	
2013	43	0	28	15	0	65
2012	33	0	27	6	0	81
2011	24	2	14	8	0	63
Total	100	2	69	29	0	70

* excludes those no longer applicable

Comments on recommendations from 2011

4.19 Exhibit 4.4 provides a full listing of our 2011 performance audit recommendations that have still not been implemented.

4.20 Our 2011 performance audit recommendations have reached the end of the four year follow-up cycle. Projects included in the 2011 Report included:

- Wastewater Commissions;
- Public-Private Partnerships: Eleanor W. Graham Middle School and Moncton North School;
- Constituency Office Costs for Members of the Legislative Assembly and Executive Council; and
- CMHC Social Housing Agreement.

4.21 Immediately following Exhibit 4.4, we provide additional commentary on these four 2011 projects.

4.22 We encourage Members of the Legislative Assembly to look at the 2011 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, commissions and Crown agencies.

Exhibit 4.4 - Summary Status of 2011 Performance Audit Recommendations Not Implemented

Department/ Commissions / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Environment and Local Government / Executive Council Office	Wastewater Commissions	2011	1	1	45	We also recommend Executive Council Office amend the provincial policy document, "An Appointment Policy for New Brunswick Agencies, Boards and Commissions" to require term limits be placed on all government appointments to agencies, boards, and commissions.	Not Implemented
		2011	1	1	47	<p>We recommend the Department of Environment ensure that all wastewater commission boards in the Province are provided with ongoing guidance in the areas of governance and accountability. This guidance could include, but not be limited to, such areas as:</p> <ul style="list-style-type: none"> • How to prepare board member position profiles and other selection criteria for reference by appointing bodies; • The roles and responsibilities of commission board members; • How to hold management accountable for performance; • Committees of the board; • Commission board members' accountability obligation to commission stakeholders; and • Steps to take when a commission wants to involve itself in areas outside its legislated mandate. 	Not Implemented
		2011	1	1	59	We recommend necessary steps be taken, by the Department of Environment to ensure wastewater commissions comply with the <i>Public Purchasing Act</i> .	Not Implemented
Department of Transportation and Infrastructure and Department of Finance	Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School	2011	3	2	71	The Department of Supply and Services should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.	Not Implemented

*Exhibit 4.4 - Summary Status of 2011 Performance Audit Recommendations Not Implemented
(continued)*

Department/ Commissions / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Department of Transportation and Infrastructure and Department of Finance	Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School	2011	3	2	111	<p>To ensure provincially owned schools are properly maintained over their useful lives, the Department of Supply and Services in cooperation with the Departments of Finance and Education should:</p> <ul style="list-style-type: none"> develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and implement budgeting measures to protect the long-term funding stream required for sufficient ongoing maintenance of the schools. 	Not Implemented
Executive Council Office and Legislative Assembly	Constituency Office Costs for Members of the Legislative Assembly and Executive Council	2011	3	3	50	We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.	Not Implemented
		2011	3	3	62	To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.	Not Implemented
Social Development	CMHC Social Housing Agreement	2011	3	4	60	We recommended the Department develop a comprehensive long-term plan to ensure the Province can continue to provide and maintain social housing. The plan should include an effective funding and financing strategy to address the declining condition of housing stock.	Not Implemented

Environment and Local Government / Executive Council Office

Wastewater Commissions

- 4.23** Our objective in this review was to assess the adequacy of the governance and oversight structures and processes for New Brunswick wastewater commissions. The review focused primarily on the three largest organizations.
- 4.24** Our review found that governance and accountability practices at the Greater Moncton Sewerage Commission were not functioning effectively. In addition, we identified general weaknesses in governance practices applicable to all wastewater commissions.
- 4.25** Our review resulted in seven recommendations, six to Environment and Local Government (ELG) and one addressed to the Executive Council Office (ECO). Four of the six recommendations made to ELG have been implemented while the recommendation made to ECO has not. The status of the three recommendations not implemented is discussed below.
- 4.26** We recommended “the Executive Council Office amend the provincial policy document, ‘An Appointment Policy for New Brunswick Agencies, Boards and Commissions’ to require term limits be placed on all government appointments to agencies, boards, and commissions.”
- 4.27** The final response from ECO to this recommendation in 2015 indicated that this recommendation was not implemented and stated:

“Given that most statutes set out the terms of members appointed by the Lieutenant Governor in Council, this issue is not one that is specifically addressed in the policy document ‘An Appointment Policy for New Brunswick Agencies, Boards and Commissions.’”

The legislative framework for commissions is established under section 15.2 of the Clean Environment Act. In 2012 the department amended this section to reflect the recommendations from the Auditor General’s Report on Water and Wastewater Commissions (2011). The amendments allowed the municipalities and rural communities to appoint their own members and the Minister to appoint for unincorporated areas. Also, that section of the Act states that all members are to be appointed for a 4 year term and can be reappointed for up to 3 consecutive terms (12 years total).

The appointment policy is currently under review and the term limits will be considered as part of this review”.

4.28 Although government amended the *Clean Environment Act* to address some of our recommendations, we continue to believe a provincial policy requiring sound governance practices including term limits across all agencies, boards, and commissions would further enhance effective and consistent application of these practices provincially.

4.29 We also recommended “*the Department of Environment ensure that all wastewater commission boards in the Province are provided with ongoing guidance in the areas of governance and accountability. This guidance could include, but not be limited to, such areas as:*

- *How to prepare board member position profiles and other selection criteria for reference by appointing bodies;*
- *The roles and responsibilities of commission board members;*
- *How to hold management accountable for performance;*
- *Committees of the board;*
- *Commission board members' accountability obligation to commission stakeholders; and*
- *Steps to take when a commission wants to involve itself in areas outside its legislated mandate.”*

4.30 The Department's 2015 response to this recommendation was “*implemented*”. The Department indicated it provides ongoing guidance to wastewater commissions verbally when requested and as needed. There are no records of regular meetings or training sessions with commissions and the Department could provide no clear documentation to support their response.

4.31 The Department did provide profiles it created and used to fill vacancies for wastewater commissions in non-incorporated areas. Although this is a positive step, we concluded this recommendation was not implemented.

4.32 Finally, we recommended that “*necessary steps be taken by the Department of Environment to ensure wastewater commissions comply with the Public Purchasing Act.*”

4.33 The Department has not implemented this recommendation. The Department does not believe the *Procurement Act* applies to the wastewater commissions.

4.34 While ELG did not implement all of the recommendations we made, the changes that have been made appear to have had a significant, positive impact on the governance and oversight of the Greater Moncton Sewerage Commission. Additionally, amendments made to the *Clean Environment Act* have enhanced the governance of all provincial wastewater commissions.

Transportation and Infrastructure / Finance

Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School

4.35 Our objectives for this audit were:

1. *To determine the process for identifying the two school project as a potential public-private partnership (P3); and*
2. *To assess the business case on which the Department's decision to adopt the P3 approach for the two school project was based.*

4.36 We found for objective one *“there was no formal process to support the identification of this project as a P3 candidate.”*

4.37 We concluded for our second objective that *“not all significant assumptions were supported and documented. We had concerns about the appropriateness of certain assumptions made, and the accuracy of the resulting comparison between the P3 and traditional models.”*

4.38 Since the completion of this audit in 2011, the responsibility for capital infrastructure projects has been moved to the Department of Transportation and Infrastructure (DTI). DTI and the Department of Finance (Finance) provided responses to the recommendations discussed below.

4.39 We provided nine recommendations to DTI and one recommendation to Finance as a result of our audit.

4.40 Senior staff in both DTI and Finance stated no P3 procurements have been undertaken since the audit report was released in 2011. They did indicate one project related to the construction of two nursing homes in Moncton had been evaluated as a possible P3 project but government decided to pursue an “alternate procurement method”, resulting in a long-term service contract. DTI does not believe this method constitutes a P3 in the context of our 2011 report. They provided documentation on the evaluation of this project for our

follow-up review.

- 4.41** Subsequent to our follow-up work we discovered that both the Moncton nursing home project and a Miramichi nursing home project were announced by government as P3 procurements in separate news releases.¹
- 4.42** When we raised this with the Department they reiterated their view that these are not public-private partnerships. The discrepancy between the government announcements versus the position of senior staff in both the departments of DTI and Finance is curious. Regardless of the label put on these major capital construction/service delivery projects (P3 or alternative service delivery) and given the significant participation by the private sector, the 2011 recommendations should be followed.
- 4.43** We intend to revisit the implementation of these recommendations in the next year.
- 4.44** Based on our review, six of those recommendations were fully implemented. The remaining four recommendations were not, and are discussed in the paragraphs that follow.
- 4.45** We recommended *“The Department of Finance should have the government obtain approval of the Legislative Assembly, during the budget process, for future year P3 funding commitments in advance of entering into such contracts.”*
- 4.46** Finance, in their 2015 response, stated *“The Department will ensure approvals, consistent with the budgeting and approval process of the Government of New Brunswick will be obtained.”*
- 4.47** We also recommended *“The Department of Supply and Services should inform the public of key information in the P3 process.”*
- 4.48** DTI, in their 2015 response, said *“There have been no new P3s approved since AG report was issued in 2012. Government directed the [Moncton] Nursing Home project to proceed with the issuance of a RFP to provide nursing services for seniors.”*

¹ www2.gnb.ca/content/gnb/en/news/news_release.2015.05.0407.html
www2.gnb.ca/content/gnb/en/news/news_release.2015.10.0993.html

The project savings did not warrant a lease/P3 option.”

4.49 As the Department has indicated there have been no other P3 projects since our original report was issued in 2011, we have treated these two recommendations as “not determinable” at this time for purposes of this follow up chapter (given the current stage of the nursing home projects).

4.50 Our 2011 report also recommended “*the Department of Supply and Services should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.*”

4.51 Their 2015 response indicated “*DTI reviewed the business case for Nursing home construction and operation. The review included an assessment and comparison of the assumptions.*”

4.52 We reviewed the documentation provided on the nursing home project assessment and business case. Although the documents presented the assumptions and risks considered in the assessment, we were not provided with documentation supporting the development of these assumptions or an assessment of their reasonableness. Consequently we were unable to conclude this recommendation was implemented.

4.53 We further recommend, to “*ensure provincially owned schools are properly maintained over their useful lives, the Department of Supply and Services in cooperation with the Departments of Finance and Education should:*

- 1. develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and*
- 2. implement budgeting measures to protect the long-term funding stream required for sufficient ongoing maintenance of the schools.”*

4.54 DTI responded in 2015, stating that this was partially implemented and “*Finance evaluates the capital requirements to maintain existing infrastructure as part of the Capital Budgeting (sic) process. DTI has developed an Asset Management application for the roofs of provincially owned buildings, including public schools. The model was funded in the 2015-2016 Capital Budget for maintenance schedules to ensure that roofs are replaced at the optimal time over their lifecycle. To help improve planning, DTI will also include asset management liabilities as information to government when*

requesting approval for new construction projects.”

- 4.55** After reviewing the information made available by DTI regarding the roofing model, we consider the first part of the recommendation to be partially implemented. However, the Department has not implemented an asset management system for provincial buildings.
- 4.56** Further, Finance indicated to us that each year *“requirements to maintain existing infrastructure is evaluated during the capital budget process”* and a multi-year (three year) capital plan is included in the budget speech. They also indicated *“appropriations are not done beyond the budget year in question”*.
- 4.57** The response does not address the *“protection of a long-term funding stream”* or indicate that a change in the budget process has been developed to address *“sufficient ongoing maintenance of the schools”*. We therefore concluded the second part of the recommendation has not been implemented.
- 4.58** We continue to believe that implementation of these four recommendations will help ensure that the P3 model is only used where it would be of benefit to the Province, and that resulting infrastructure is appropriately maintained over its useful life.

Legislative Assembly and Executive Council

Constituency Office Costs for Members of the Legislative Assembly and Executive Council

- 4.59** Our objective for this audit was:

To determine whether payments to Members of Executive Council and/or Members of the Legislative Assembly including allowances, reimbursements and related expenses are adequately supported and in accordance with Acts, Regulations, policies and other guidelines.

- 4.60** We concluded that while there was adequate authority for constituency office expenses, policy and guidelines for consistently approving, recording and reporting constituency office expenses needed improvement. In particular, we had concerns about management practices and operating procedures in place for Ministers' constituency office expenses paid by their departments.

Two important recommendations have not been implemented

- 4.61** We made five recommendations to the Legislative Assembly and/or Executive Council Office. Only three of those recommendations have been implemented to date.
- 4.62** In our original 2011 report chapter, we recommended “*all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. ...*”
- 4.63** The following updates were received in 2015 from the Legislative Assembly and the Executive Council Office.
- The Legislative Assembly continues to work with the Executive Council Office in moving forward with the implementation of this recommendation.*
- In May 2014, consideration was given to this matter. However, practical complexities required attention. Direction was given to the Government House Leader to work with the Speaker of the House and the Legislative Administration Committee to conduct a review respecting policies and procedures by which expenses are paid to Members of the Legislative Assembly and that the matter be brought back to Cabinet.*
- 4.64** We are concerned that four years after this important recommendation was first made, it has still not been implemented. Implementation of our recommendation would help ensure that constituency office cost guidelines are respected by all Members.
- 4.65** We also recommended “*the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.*”
- 4.66** In its 2015 update, the Legislative Assembly responded:
- This recommendation should be achieved once the constituency office expenses of all Members, including Members of the Executive Council, are reimbursed through the Legislative Assembly. As previously noted, the Legislative Assembly is collaborating with officials in the Executive Council Office to effect these changes.*
- 4.67** We understand that the Legislative Assembly has been waiting for the implementation of the previous recommendation to facilitate its implementation of this recommendation. However because full public reporting of Members constituency office costs would provide better accountability in this area, we strongly encourage the

Legislative Assembly to implement this recommendation now.

Department of Social Development

CMHC Social Housing Agreement

4.68 Our objectives for this work were:

1. *To prepare for the Legislative Assembly an analysis of the financial impact to the Province due to the decline of funding under the CMHC Social Housing agreement; and*
2. *To assess whether the Department manages and administers the program in accordance with four key requirements (in clause 6(b)) of the agreement related to managing and administering the portfolio. Those requirements included:*
 - *maintain and enforce the principles and the key elements for each program in the portfolio;*
 - *ensure that only targeted households are eligible to receive the benefit of CMHC funding;*
 - *set standards of housing affordability, suitability and adequacy; and*
 - *comply with all reporting requirements in this Agreement.*

4.69 We concluded there is a need for long term planning with policies and strategies to ensure the Province can provide and maintain social housing needs in New Brunswick once the Social Housing Agreement expires in 2034. Based on our analysis, the impact of the declining funding will be more and more evident in coming years, making it vital for the Department and the Province to find solutions now to address impending challenges.

4.70 We further concluded the Department has met three of the four key requirements we examined with regards to managing and administering the program. The requirement to do a program evaluation every five years was not being met.

4.71 We made two recommendations in our 2011 chapter, only one of which has been implemented.

4.72 We recommended “*the Department develop a comprehensive long-term plan to ensure the Province can continue to provide and maintain social housing. The plan should include an effective funding and financing strategy to address the declining condition of housing stock.*”

4.73 The Department's update for 2015 stated "*Work is continuing on a long term plan for addressing the issues of the devolving nature of the Social Housing Agreement and the declining condition of the housing stock.*"

4.74 We are disappointed this recommendation has not yet been implemented and would stress the importance of establishing a long-term plan to ensure the Department can continue to provide for provincial social housing needs in the future. Given the pending decline of federal support and aging infrastructure, government's ability to meet demands of the program continues to be at risk without a long-term plan.

Opportunities New Brunswick/Executive Council Office Financial Assistance to Atcon Holdings Inc. and Industry (2015)

- 4.75** The objectives of this audit, which was reported in our March 2015 Report, were:
- 1. To determine whether the Government exercised due diligence in granting financial assistance to the Atcon group of companies;*
 - 2. To identify all provincial government organizations that provide financial assistance to industry and determine whether they coordinate their assistance to limit the exposure of the Province;*
 - 3. To determine whether the Department has implemented recommendations made in previous performance audits of financial assistance to industry performed by our Office; and*
 - 4. To determine whether the Department publicly reports on the performance of the financial assistance it provides.*
- 4.76** Given the magnitude of unrecovered Provincial funds (close to \$70 million) relating to Atcon, we believe it is important to comment at an early stage on government's response in implementing our recommendations.
- 4.77** Responsibility for financial assistance to industry now rests with the recently-created Opportunities New Brunswick (ONB). We met with representatives of that organization during September 2015. They indicated they had engaged a private sector consultant in order to review the current lending practices for ONB, in addition to assessing the proposed responses to the Auditor General's recommendations.
- 4.78** To date we have not performed any follow up audit work on the implementation of the Atcon recommendations.
- 4.79** We were pleased to note the new *Opportunities New Brunswick Act*, proclaimed 1 April 2015, included some late changes to address certain of our recommendations, especially those relating to amending security terms against assistance provided to business by ONB.
- 4.80** In general, we are pleased with the initial response from Opportunities New Brunswick and Executive Council Office regarding the 19 recommendations from the March 2015 report. However, it will be necessary to conduct follow up work in future to verify implementation of our recommendations.

**General
Comments on the
Implementation
of our
Recommendations**

4.81 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 4.5 reports government's progress, in implementing our performance audit recommendations since 1999.

Exhibit 4.5 - 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%***	63%****
2012	32	69%***	81%***	-
2013	43	65%***	-	-

* N/A as no follow-up performed in 2010
 ** As self-reported by departments, commissions and agencies with confirmation by our Office in the Department of Justice and Consumer Affairs
 *** As self-reported by departments, commissions and agencies
 **** As self-reported by departments, commissions and agencies and reviewed for accuracy by our Office.

4.82 Over 62% of performance audit recommendations have been implemented for each of the past few years, which is an improvement over historical implementation percentages. However, we are not satisfied with this implementation rate.

4.83 We are committed to continuing to work with departments, commissions 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, commissions and Crown agencies to fully implement, on a timely basis, as many of our performance audit recommendations as possible.