

# Chapter 10

## Follow-up on Prior Years' Audit Work

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# Follow-up on Prior Years' Audit Work

## Background

**10.1** Our policy is to track the disposition of our recommendations for a period of four years after they first appear in our Report.

**10.2** We do not prepare an update after the first year as we wish to provide the departments and agencies the opportunity to take action. After years two, three and four we prepare a status report, which shows the success achieved in meeting the recommendations.

**10.3** This process corresponds to one of the performance indicators of our Office which reads as follows:

*We will measure the extent to which the recommendations which appear in our annual Report are accepted and implemented. The disposition of all recommendations will be tracked for a period of four years.*

**10.4** In preparing the information in this chapter, we request written updates from the respective departments and agencies. We follow up on these updates by meeting with appropriate officials in each department or agency to review the action described in the updates.

## Scope

**10.5** This chapter includes an update on our 1998 and 1999 recommendations and for the first time we present an update on our 2000 recommendations. In prior years we disclosed that a number of recommendations from the 1998 and 1999 years had been accepted and implemented. The details of these recommendations are not carried forward to this Report.

**10.6** There are three types of recommendations that will not appear in this update chapter: those that are accepted and implemented in the same year as the recommendation is made; those that require no specific future action on the part of the department or agency; and those that may become irrelevant due to changes in government or government programs.

**10.7** The reason some recommendations do not require future action is that they are directed to a specific situation, time or event. Although the recommendations have a value in future decisions or actions, the

time is past to address the specific situation identified in the audit. While these types of recommendations are not tracked in this chapter, it should be clear that they can have general application to government processes and can result in future improvements.

**10.8** This chapter refers to the original recommendations made by our Office and provides a current update. We do not refer to recommendations in full detail. So in order to fully understand the issues that gave rise to our original recommendations, it may be necessary for the reader to refer to the Auditor General's Report where we first discussed the audit and our findings.

*Summary of the audits covered in this chapter.*

Department/Agency	Audit area	1998	1999	2000
Business New Brunswick	Financial Assistance to Business and Performance Reporting	x		
Health and Wellness	Excellence in Education	x		
Health and Wellness	Hospital Corporation Governance	x		
Family and Community Services	NB Case System	x		
Finance	Consumption Tax		x	
Environment and Local Government	Tire Stewardship		x	
Various Departments	Contract Administration		x	
Various Departments	Leasing of Equipment		x	
New Brunswick Liquor Corporation	Governance		x	
Health and Wellness	Food Safety		x	
Agriculture, Fisheries and Aquaculture	Review of Legislation			x
Environment and Local Government and Health and Wellness	Domestic Well Water Quality			x
Natural Resources and Energy	Private Forest Lands			x
Supply and Services	Land Management Fund			x
Transportation	Engineering Consulting and Road Construction Materials			x
Office of the Comptroller	Provincial Financial Accounting System			x

*The following chart shows the total number of recommendations made for each year. It also shows how many have been implemented and partially implemented.*

Audit year	Recommendations			
	Total	Implemented	Partially Implemented	Percentage
<b>1998</b>	38	21	5	68
<b>1999 *</b>	101	42	18	59
<b>2000</b>	93	24	33	61
<b>Total</b>	232	87	56	61

\* Six recommendations to New Brunswick Liquor Corporation are shown as implemented. However we have not conducted our follow-up work on these recommendations as yet.

**10.9** Responsibilities assigned to departments and agencies can change from time to time, as can their names. For the purposes of this chapter, we refer to the department or agency that is currently responsible for the audit area.

## **1998 recommendations**

**10.10** This is the last year we will be updating the outstanding recommendations from the 1998 Report. It is the third consecutive year in which an update has been presented. The emphasis on our reporting this year will be on the 1998 recommendations that have not been implemented.

### **Department of Business New Brunswick**

#### *Financial assistance to business and performance reporting*

**10.11** In our 1998 Report, we made twenty-two recommendations as a result of an audit of the Department's Financial Services section. This section provides financial assistance to business. We also made seven recommendations designed to help the Department to enhance the effectiveness of its performance reporting.

**10.12** Our updates in 2000 and 2001 indicated that the Department's success in implementing the recommendations had been limited. However, in the past year progress has been made in addressing a number of them. In total, eight of the recommendations have now been implemented. Another eight are expected to be implemented this fall and a further four are expected to be partially implemented this fall. The Department indicates that it is in agreement with the nine recommendations that have not been implemented.

#### Financial assistance to business

**10.13** The Department provided us with a draft copy of its new Policy and Procedures Manual. The Department plans to meet its staff this fall (2002) before issuing the manual for general usage. A number of our recommendations have been considered in the changes made to the manual. With the issuance of the manual the Department will have implemented an additional eight recommendations and partially implemented four. This assessment is based on our review of the draft manual.

**10.14** Four recommendations have not been acted on.

**10.15** **One of the Financial Services coordinators should review all client files to ensure all applicable procedures have been completed prior to sending the proposal to the NBIDB.**

**10.16** **Consideration should be given to increasing the cut-off for assistance applications that must go to the Board of Management for approval from \$100,000 to a higher limit.**

**10.17** **Policies should be added to the departmental policy and procedures manual to cover actions to be taken in cases when monitoring activities have indicated client problems. Such policies would be most effectively applied if there was also a regular**

**monitoring regime in place, as this would allow for the early identification of client problems.**

**10.18 Policies should be documented in the departmental policy and procedures manual to cover actions to be taken when a client has not met the terms of their agreement.**

Performance reporting

**10.19** The seven recommendations concerning performance reporting were made to the Department of Economic Development, Tourism and Culture, a department which no longer exists. However in spite of the organizational changes that have taken place in government, we have continued to emphasize the importance of performance reporting and we have tracked the progress of the new Department in meeting our recommendations.

**10.20** Before this year's Report we were able to report only that there was agreement with the recommendations. During the past year the Department has responded more substantively to the recommendations. The Department has now implemented two of the recommendations.

**10.21** The following five recommendations have not been implemented as yet. The department indicated it plans to take action for each of them.

**10.22 The Department should develop more precise definitions for existing departmental performance indicators relating to jobs created and wealth generation.**

**10.23 The Department should develop performance indicators to report against all strategic objectives. This would allow for an evaluation of the degree of success of the Department in achieving its strategic objectives and therefore its mission.**

**10.24 The Department should show annual targets for all departmental performance indicators that are reported in the departmental annual report. Reporting against these annual targets should allow for a yearly evaluation of the Department's achievement in meeting strategic objectives. Such annual targets could be part of longer-term targets established in the Performance Measurement supplement to the Main Estimates for particular performance indicators.**

**10.25 The Department should comply fully with the provincial annual report policy in future departmental annual reports. Specifically, the following content should be added to the annual report:**

- **a discussion of the continued relevance of key departmental programs;**

- a discussion of the level of client acceptance of key departmental programs;
- an actual versus budget presentation of key financial information; and
- an explanation of any significant variances from budget.

**10.26** Additionally, once departmental strategic objectives have been defined, it would be useful to have performance indicators and narrative descriptions of achievements presented by strategic objective in the annual report. This would make it much easier for a reader to evaluate the degree of success of the Department in achieving its strategic objectives.

**10.27** Once again, these recommendations to the Department of Business New Brunswick have been updated for the final time. We will not publish further information on any action the Department takes in response to the recommendations.

## **Department of Health and Wellness**

### *Excellence in Education*

**10.28** In our 1998 Report, we made one recommendation as a result of our audit of the government's response to the recommendations of the Commission on Excellence in Education.

**10.29** *Excellence in Education* (EIE) was announced in September 1992 with a four-year budget of \$61.7 million. The bulk of the budget went to the Department of Education (\$39.2 million) and the Department of Health and Community Services (\$16.1 million). The Department of Health and Community Services has since become the Department of Health and Wellness.

**10.30** The Department of Health and Wellness developed a rather sophisticated approach for evaluating the Early Childhood Initiatives, the major part of its spending. We were impressed by the thoroughness of the approach and recommended that the results of the evaluation of the Early Childhood Initiatives be tabled in the Legislative Assembly. We made this recommendation because we believed it is important for government to perform post-implementation reviews to determine if intended results were achieved.

**10.31** Unfortunately this recommendation has not been implemented.

## **Department of Health and Wellness**

### *Hospital corporation governance*

**10.32** In our 1998 Report, we made six recommendations to the Department relating to its responsibilities in the area of hospital corporation governance and accountability. Last year we reported that three of the recommendations had been adopted. This year we can report that one further recommendation has been implemented.

**10.33** One of the remaining recommendations was that the Department should provide the hospital corporations, now regional health authorities

(RHAs), with long-range budgets to facilitate strategic and operational planning. Also that RHAs should be given the opportunity to provide input into this long-range budgeting process. Although the Department has taken some action on this, the recommendation has not been fully implemented. RHAs will be required to develop three-year regional health and business plans. However the Act requires the Minister of Health and Wellness to approve financial plans on a yearly basis rather than for the three-year period.

**10.34** The remaining recommendation was that the Minister/Department require the RHAs to develop performance indicators for their strategic objectives and set annual targets for each performance indicator identified. The Minister should approve these performance indicators and targets. The Minister/Department should also consider setting standard performance indicators for all RHAs where considered appropriate. These could be used for comparative purposes.

**10.35** While the RHA legislation recognizes that the Minister may establish performance targets, the Department has no concrete plans to move forward on this or to create standard indicators for the RHAs.

## Department of Family and Community Services

### *NB Case system*

**10.36** One of two recommendations remains outstanding from an audit conducted on the implementation of the Department's automated NBCase system.

**10.37** We recommended that the Department prepare a full-cost analysis of alternative methods of operating and maintaining the NB Case system. We suggested the analysis should be prepared prior to the expiry of the agreement with Andersen Consulting.

**10.38** The Department chose to extend the maintenance contract for two years. A full-cost analysis was not conducted at the time the two-year extension was made. The Department indicated that when the extension is over in 2002 it will have a 'request for proposals' in selecting the supplier for the service.

## 1999 recommendations

### Department of Finance

#### *Consumption Tax*

**10.39** We are updating the recommendations we made in our 1999 Report for the second time. A detailed update was first presented in our 2001 Report.

**10.40** Due to the replacement of Consumption Tax with Harmonized Sales Tax, we wanted to ensure that the assessment and collection activities were not scaled back before adequately addressing the unassessed and uncollected taxes receivable. We reviewed the economy and efficiency of the accelerated efforts to identify unassessed provincial sales tax and to collect outstanding sales tax. We also reviewed whether the Department had established and reported satisfactory performance measures for these areas. Nine recommendations resulted from this work.

**10.41** Last year we reported that four of the recommendations had been adopted. We can report that one more recommendation has been adopted now that the Department has taken action on the write-off of uncollectable accounts.

**10.42 Write-offs of uncollectable accounts should be made more promptly to enhance accountability and improve financial reporting.**

**10.43** The Department agrees with the recommendation. During the past year the Department sent over 1,000 accounts to the Board of Management for write off or remission.

**10.44** For three recommendations, either the time for action has passed or the department is not in agreement with the action suggested. These were reported last year. The period of applicability for the ninth recommendation, which follows, has also passed but the Department once again responded favourably to the thrust of the recommendation.

**10.45 Formal objectives for the collection activity should be established. Measurable goals such as cost per dollar collected and percentage collected for the collection program should then be established, monitored, and reported. Results should be used to optimize resources dedicated to this task. These goals should be used to establish work plans for the collectors. Regular performance appraisals for the collectors should be done with reference to these work plans.**

**10.46** With the limited number of active consumption tax accounts remaining, further action by the Department to formalize its processes for the collection of these accounts would not be expected at this point in time. The Department indicated that it agreed with the recommendation and that it is applicable to the collection of property taxes which is now the primary focus of the collectors. Specific objectives are being established for the property tax collectors. We were very pleased to learn of this initiative.

**Department of the  
Environment and Local  
Government**

*Tire stewardship*

**10.47** The environmental dangers associated with the storage or disposal of waste tires are well known. We examined the planning and implementation aspects of the Tire Stewardship Program in New Brunswick. We also examined the operation of the program up to 31 March 1999. Eleven recommendations were presented to the Department of the Environment and Local Government at the conclusion of the audit.

**10.48** In last year's Report we indicated that all but three of the recommendations were implemented. An update on the final three recommendations has been prepared.



**10.49** We recommended the Tire Stewardship Board initiate a study to analyse the issues surrounding the growing liability for accrued processing fees.

**10.50** The accrued processing fees are to be paid when products containing recycled materials are sold. As inventories of recycled materials grow, so does the liability. An effective recycling program would see the balance remaining constant. In our 1999 audit we saw evidence that the liability was growing rapidly.

**10.51** This year we note that the liability reported in the audited financial statements of the Tire Stewardship Board has declined steadily over the past few years. The Department predicts that the inventory of processed tires will be totally dispersed within the year.

**10.52** There were other questions raised in our audit however. For example, we were concerned that the amount of the liability was not consistent with the inventory levels. We also asked why the financial statement liability continued to grow when the number of tires remained fairly constant. As well the Board was actively working on HST requirements, a matter that could reflect on the existing fee. No study was conducted to address these issues.

**10.53** We recommended the Department and the Fire Marshal develop a comprehensive plan that identifies who will inspect Tire Recycling Atlantic Canada Corporation (TRACC) for the various legislated and contractual requirements.

**10.54** The Department indicated that it will continue to inspect the TRACC facility, as required, to ensure compliance with the approval to operate. It also indicated that the Fire Marshal's Office will continue to provide technical support. However, no comprehensive plan has yet been developed. Without a formal commitment in place for inspection, we conclude that the recommendation has not been fully implemented.

**10.55** We recommended that the Department and the Fire Marshal work together to co-ordinate the scheduling, reporting and corrective action of all inspections of TRACC as required.

**10.56** There is evidence of communication between the two parties in the inspection done in May 2001. However, we have seen no evidence of the organization of an established and co-ordinated plan for scheduling, reporting and taking corrective action on inspections.

## **Contract administration**

**10.57** It was readily apparent from our work and our findings in our 1997 and 1998 annual Reports that contracts between the Province and its suppliers are very important. More and more services were being delivered by the private sector and many contracts have lives extending over multiple fiscal years. The objective of this audit was to determine

what systems were in place to ensure contracts were being administered in accordance with negotiated terms and conditions. We examined eight departments in making this assessment.

**10.58** The following general comment continues to be relevant.

**10.59** A registry of contracts should exist at either the responsibility centre or departmental level. This registry should include information on key financial and non-financial undertakings and be organized in a manner which permits effective review and follow-up.

**10.60** As stated last year, based on the limited follow-up, we found that there is a mixture of practices in the departments but some registries were being used. No requirement has been issued that all departments must maintain a registry. Next year will be the last year we are following up on this issue and we plan to initiate a more detailed analysis in preparation for the update.

**10.61** At the time of the audit, we set two further goals for ourselves. We determined the extent to which contract performance was monitored and reported and the extent to which contracts deliver what was agreed. All recommendations to the Department of Supply and Services have been implemented. Some of the recommendations to the Department of Family and Community Services are still outstanding.

*Family and Community  
Services contracts*

**10.62** We made nine recommendations to the Department. We reported last year that five of these were implemented and three were partially implemented. The Department agreed with the remaining recommendation but as reported last year was unable to comply totally. The status this year is the same.

**10.63** The Department reported this year that a targeted implementation date of 31 March 2003 has been set for the following three partially implemented recommendations.

**10.64** Where a purchase of service contract is implemented, the Department should obtain relevant and complete information that can be used to assess contractor performance.

**10.65** The Department should ensure that the information obtained from contractors for use in assessing performance is reliable.

**10.66** The Department needs to implement a more structured, proactive approach to ensure that services being provided by suppliers meet quality and other standards as specified in its contracts. This would include providing regular feedback to contractors on the satisfaction with their services.

**Leasing of equipment**

**10.67** Leasing, despite its attractiveness from a budget perspective, is often less economical than purchasing outright. This is particularly so in the case of the Province where most leasing companies could not match the Province's low rates of financing. We conducted an audit to ensure that leasing decisions were made with due regard to economy and that they were properly recorded in the books of the Province.

**10.68** Four departments received recommendations but the Department of Education was the main focus of our audit. Nine recommendations were made to the Department and in general there is no disagreement. As reported last year, a total of six recommendations have been accepted by the Department, however we were told that no leasing had taken place since the recommendations were made. We also reported that the time for action had passed for one of the recommendations and no action was planned in response to another.

**10.69** During the past year the Department took action on one recommendation.

**10.70** We recommended that the Department develop a plan to deal with both the educational programming and technology replacement issues associated with the expiry of leases within an academic year.

**10.71** The Department's plan is to buy out all existing computer leases as they expire. There is no plan to lease computers in the future.

**New Brunswick Liquor Corporation***Governance*

**10.72** We believe that promoting accountability is the most important part of our work. We also believe that appropriate accountability processes cannot be established in Crown agencies unless effective governance structures and processes are in place and functioning. We conducted an in-depth review of the governance and accountability structures in place at the New Brunswick Liquor Corporation and reported a total of nineteen recommendations at the conclusion of our work.

**10.73** The Board agreed with only six of the recommendations but they promised to take the necessary action on these. Arrangements had been made with the Corporation for us to conduct our normal follow-up on these recommendations during the past year. However, due to unforeseen circumstances, we have been unable to meet with the staff necessary to allow completion of the follow-up work. Although this makes it impossible to include the results in the 2002 Report, we plan to present our findings in next year's annual Report.

**Department of Health and Wellness***Food safety*

**10.74** Following our theme of safety we conducted an audit of the systems and practices in place that ensure food service establishments in the Province are complying with food safety standards. In total we made thirty-six recommendations to the Department.

**10.75** While the Department's response to our recommendations was generally positive, only four recommendations have been implemented to date. Two of these were implemented in the past year.

**10.76** There are 32 recommendations which have not been implemented. Of this total, 25 are associated with three planned actions by the department: the completion of legislative changes; completion of the Food Program Policy and Guidelines (FPPGs); and development of a quality assurance program.

**10.77** The Department indicated last year that the changes to legislation were expected to be completed in the fall of 2001 and the FPPGs were expected to be implemented in 2002. The Department confirmed this year that they were now expecting the changes to legislation by fall of 2002 and the implementation of the FPPGs by January 2003. The quality assurance work will be completed following the approval of the FPPGs.

**10.78** Following are the two recommendations implemented during the year.

**10.79** **The department should consider the potential benefits of accessing specialized out-of-province training for inspectors.**

**10.80** We examined documentation showing that inspectors have attended out-of-province training in the past year.

**10.81** **Complaints received from the public should be documented upon receipt. They should be investigated within a reasonable period and the results should be documented. The originator of the complaint should be advised within a reasonable period of the findings and the actions taken by the Department.**

**10.82** The Department has implemented a complaint tracking process.

**10.83** The 2000 recommendations are being updated for the first time.

**10.84** Legislators have a responsibility to ensure that legislation they approve is effective in meeting its intended purpose. Legislation is assigned to government departments to administer and it is reasonable to expect the departments to be held accountable for the efficient and effective administration of the legislation.

**10.85** We have reported our concerns, in the past, that legislation was not always complied with. In response to this we conducted a project with the objective of concluding whether appropriate systems and practices were in place:

- to ensure compliance with legislation;

## 2000 recommendations

### Department of Agriculture, Fisheries and Aquaculture

#### *Review of Legislation*

- to measure and report on the effectiveness of the legislation; and
- to ensure that resources committed to the administration of legislation are managed with due regard for economy and efficiency.

**10.86** While we chose one department, Agriculture, Fisheries and Aquaculture (AFA), in which to conduct our audit, our hope was that the results of the audit and the recommendations could be applied to all government departments, not just AFA.

**10.87** We made ten recommendations to the Department at the conclusion of the audit. At this stage none of the recommendations have been fully implemented although two have been partially addressed. For three of the recommendations the Department has asked us to look beyond the AFA for action on the recommendations due to the broad nature of the issues involved. The Department agrees with all of the other recommendations and has begun working towards dealing with the matters raised.

**10.88** For the following three recommendations the Department responded that since we had proposed that the matters be considered for all legislation and departments, it would be appropriate that they be submitted to government for their consideration and appropriate action.

**10.89** We recommended that a clear statement of purpose be included in all proposed new legislation. We further recommended that a statement of purpose be included for existing legislation whenever such legislation is being amended.

**10.90** We recommended that the Department provide the Legislative Assembly with regular ( e.g. every three or four years) written reports on the effectiveness of the legislation it administers in meeting intended purposes.

**10.91** We recommended that the Department develop performance indicators that it can use to evaluate administrative activities undertaken by the Department in support of legislation.

**10.92** One of the recommendations for which there has been no action relates to the *Topsoil Preservation Act* and Regulation. Responsibility for this legislation has been transferred to the Department of Environment and Local Government (ELG) from AFA. ELG reported that they will be needing the assistance of AFA to address the deficiencies.

**Departments of the Environment and Local Government and Health and Wellness**

*Domestic well water quality*

**10.93** Our Office has an ongoing interest in public safety and the environment. In connection with this focus we decided to examine the area of safe drinking water. Water quality from the perspective of individuals with newly drilled domestic wells was examined. The Province has set regulations and safety standards under the *Clean Water Act* that relate to these wells. We concentrated our work on two regulations under this Act, the *Water Well Regulation* and the *Potable Water Regulation*.

**10.94** At the completion of this audit we issued twenty-nine recommendations to the Departments of Health and Wellness and Environment and Local Government. In general the Departments have made good progress to date in implementing the recommendations. The current status of these recommendations shows sixteen having been adopted and eight are now partially adopted. The Departments are in agreement with the other five recommendations but no significant progress has been made towards implementation.

**10.95** Our recommendations to the Departments were divided into six areas. This update on the status of the recommendations follows the same structure. The number of recommendations made in each area is shown below.

- Communication of the well water regulatory requirements (7)
- Monitoring and reporting on compliance with regulations (10)
- Enforcing regulations (6)
- Regular review of regulations (3)
- Measurement and reporting of program effectiveness (2)
- Indicators of performance in protecting water resources (1)

Communication of the well water regulatory requirements

**10.96** During the past two years, four of the seven recommendations made under the communication of regulatory requirements were adopted. There was progress in adopting two of the recommendations and only one has seen no measurable progress in achieving the recommended action. The following were adopted.

**10.97** We recommended that the Department of the Environment and Local Government ensure new staff are adequately trained regarding regulatory responsibilities.

**10.98** We recommended that the Department of Health and Wellness incorporate a requirement for knowledge of departmental regulatory requirements as part of all employee work plans and performance reviews.

**10.99** We recommended that the Department of the Environment and Local Government provide educational material to well contractors and drillers on an ongoing basis regarding their responsibilities under regulation.

**10.100** We recommended that the Department of the Environment and Local Government develop improved procedures for educating domestic new well homeowners on the applicable regulatory requirements. These procedures should be tested after an appropriate implementation period to ensure they are more successful than the current approach.

**10.101** The following recommendations have been partially adopted.

**10.102** We recommended that the Department of the Environment and Local Government incorporate a requirement for knowledge of departmental regulatory requirements as part of all employee work plans and performance reviews.

**10.103** We recommended that the Department of Health and Wellness review procedures in place to ensure staff are aware of departmental regulatory responsibilities.

**10.104** One recommendation has not been acted on as yet.

**10.105** We recommended that the Department of the Environment and Local Government begin to license well diggers and educate them as to their requirements under regulation.

Monitoring and reporting on compliance with regulations

**10.106** Ten recommendations were made related to the monitoring and reporting on compliance. The following six have been adopted.

**10.107** We recommended that the Department of Health and Wellness review the potential issues posed by the apparent confusion in the field over chain of command and supervisory responsibilities. Corrective action should be taken as indicated by the results of such a review.

**10.108** We recommended that the Department of Health and Wellness develop a method for notifying homeowners of their water test results that is understandable and clear. This method should be consistent with the regulation.

**10.109** We recommended that the Department of Health and Wellness develop standardized procedures for communicating with domestic well homeowners.

**10.110** We recommended that the Department of the Environment and Local Government establish a process to monitor the Lab's compliance in communicating test results to the Department of Health and Wellness in accordance with the regulation.

**10.111** We recommended that the Department of the Environment and Local Government develop a timeline for completion and

implementation of the proposed ground water management information system.

**10.112** We recommended that the Department of the Environment and Local Government implement procedures to ensure it has regular monitoring and reporting on compliance by well contractors and drillers.

**10.113** Three recommendations have been partially adopted.

**10.114** We recommended that the Department of Health and Wellness implement procedures for monitoring and reporting the extent to which the communication of test results complies with the *Potable Water Regulation*.

**10.115** We recommended that the Department of Health and Wellness include clear and meaningful descriptions of all parameters and their associated health risks, when mailing test results to homeowners.

**10.116** We recommended that the Department of the Environment and Local Government develop procedures for monitoring and reporting on compliance with key aspects of the *Water Well Regulation* and *Potable Water Regulation* which have been assigned to the Environmental Planning Section.

**10.117** No significant progress has been made on one recommendation.

**10.118** We recommended that the Department of the Environment and Local Government, in conjunction with the Department of Health and Wellness, develop an administration protocol for the *Potable Water Regulation*, clearly delineating various departmental responsibilities regarding domestic wells

Enforcing regulations

**10.119** Five of six recommendations related to the enforcement of the regulations have been adopted.

**10.120** We recommended that the Department of the Environment and Local Government formalize procedures for staff to follow regarding enforcement issues arising from the *Water Well Regulation* and *Potable Water Regulation*.

**10.121** We recommended that the Department of the Environment and Local Government review its documentation procedures in order to develop an effective means of recording key compliance and enforcement information.

**10.122** We recommended that the Department of the Environment and Local Government review procedures that are currently in place



for reporting occurrences to ensure they relate to the applicable regulation. Lack of consistency amongst branches should be addressed.

**10.123** We recommended that the Department of the Environment and Local Government develop a definition for an “occurrence” to be adopted by all branches within the Department.

**10.124** We recommended that the Department of the Environment and Local Government give serious consideration to the concept of “ticketing” for various acts of non compliance under the *Water Well Regulation* and *Potable Water Regulation*. We recommended that obtaining yearly contractor or driller licenses be contingent on payment of all monies owing.

**10.125** One recommendation has been partially implemented.

**10.126** We recommended that the Department of the Environment and Local Government adopt consistent protocol for documenting “occurrences” to be adopted by all branches of the Department.

Other areas

**10.127** For other areas we made a total of six recommendations of which only one has been adopted to date.

**10.128** We recommended that both the Department of the Environment and Local Government, and Department of Health and Wellness, review current procedures in place to ensure regular review of the two regulations.

**10.129** Two recommendations have been partially adopted.

**10.130** We recommended that the Department of the Environment and Local Government review procedures in place for reporting program results for the *Potable Water Regulation* and *Water Well Regulation* to ensure they are accurate and useful to readers. As part of this effort the Department should establish goals or targets that clearly relate to the objectives of the regulations.

**10.131** We recommended that the Department of the Environment and Local Government establish performance measures for the broad suite of programs established to prevent drinking water problems for individuals on domestic well water.

**10.132** There has been no significant progress on the last three recommendations.

**10.133** We recommended that the Department of the Environment and Local Government review its current procedures for sample collection to ensure integrity of testing results.

**10.134** We recommended that the Department of Health and Wellness review procedures in place for dealing with water test results for wells that supply more than family dwellings. Based on the results of this review, amendments to the regulation could be made as appropriate.

**10.135** We recommended the Department of Health and Wellness improve the discussion of its work related to the *Potable Water Regulation* with respect to domestic wells in its annual report. Information should be focused on the degree to which program activities have achieved intended results.

## Department of Natural Resources and Energy

### *Private Forest Lands*

**10.136** New Brunswick is Canada's most forested province with 85% of its land covered with forests. Approximately 50% of this forest land is owned by the Crown. The Crown Lands and Forests Act identifies three distinct categories of non-Crown land which are referred to as "private forest lands". The three categories are; private woodlots (30% of forest lands), freehold lands (18% of forest lands) and private lands consisting of an aggregate of 5,000 (or more) hectares which are owned by one person.

**10.137** We conducted an audit to determine if appropriate systems and practices were in place to encourage the management of private forest lands as the (sustainable) primary source of timber for wood processing facilities in the Province.

**10.138** We made seventeen recommendations to the Department of Natural Resources and Energy. One of these recommendations has been adopted at this time.

**10.139** We recommended that the Province legislate a uniform provincial tracking system for all wood sales in the Province that can identify and monitor the source, destination, type and quantity of wood shipped.

**10.140** The Department has developed a wood tracking system to provide information to both the private woodlot sector and the Department on the volume and destination of wood cut from the private forest lands. This system began keeping records on 15 April 2002. The following four recommendations are partially addressed as a result of the development of this system.

**10.141** The development of a wood supply analysis will also be necessary before action can be taken to adopt the latter two recommendations.

**10.142** We recommended the Department develop an active monitoring program over the export of wood from private forest lands. Appropriate corrective action should be taken as required in

order to encourage the management of private forest lands as the primary source of timber for wood processing facilities in New Brunswick.

**10.143** We recommended that the Department obtain and develop objective and timely information on the sustainable harvest figures for private woodlots.

**10.144** We recommended the Department develop the means to ensure the accuracy of the annual cut figures for all components of private forest lands.

**10.145** We recommended that the Department monitor the difference between the annual allowable cut and the actual cut from private forest lands to ensure that they are harvested at a sustainable rate.

**10.146** The Department has recently completed a three-year business plan. The business plan includes work plans for staff. One of the work plans calls for the preparation of a discussion paper. The Department explained that this discussion paper will be used to address four of the recommendations.

**10.147** We recommended that the Department revisit the *Crown Lands and Forests Act* and all relevant legislation dealing with private forest lands. We recommended several key components to the review as follows:

- Clarification of the overall mandate and responsibility for private forest lands and a clear communication to departmental staff and representatives of all three private forest land groups.
- Clarification of various definitions in the Act. For example, we recommended that the Act be amended to more clearly define the terms “Private Forest Lands” and each category or type of land included in this definition. We also recommended the legislation clearly define such terms as “proportional supply” and “historic market share”. Further, the Department needs a means of reconciling proportional supply with the concept of “sustainable yield” as it relates to Subsection 29(7.1) of the Act.
- Clearer definition of what “encourage management” means for now and the future. For example, to what extent should the Province encourage and define non-timber objectives and certification efforts on private forest lands?
- A decision as to whether all private forest land legislation should be incorporated into one Act.

- A decision as to whether this private forest land legislation should continue to be incorporated in legislation covering Crown lands; this integration may be necessary due to the important motivational tool of access to Crown wood and the need for a total provincial forest outlook on issues such as disease and fire protection.

**10.148** We recommended that the Department conduct a long term planning exercise to establish appropriate goals and objectives that adequately address the Department's mandate relating to private forest lands.

**10.149** We recommended that the Department review the funding formula for silviculture and provide guidelines as to what are acceptable limits for administrative expenses. The formula should work to ensure that the marketing boards optimize the area treated with the funds provided.

**10.150** We recommended that the Department review the funding formula for the allocation of silviculture funds to marketing boards to ensure that private lands of 5,000 hectares are appropriately considered in the distribution of funds.

**10.151** None of the other recommendations have been adopted but there has been some progress made by the Department towards their future implementation.

**10.152** We recommended that as part of the *Main Estimates* process, the Department formally recognize the importance of its legislated monitoring responsibilities for private forest land by designating a new program component. A title such as "Timber Utilization on Private Forest Lands" may be suitable for such purposes.

**10.153** We recommended that the Department establish a measureable goal or objective to assist it in determining the level of subsidy required for silviculture activity on private woodlots. The goal and the level of subsidy should give due consideration to the funding from all sources.

**10.154** We recommended that the Department adopt some form of contractual commitment for landowners who benefit from the silviculture funding. The commitment should be viewed by the Department as a means of encouraging private forest land to be the primary source of timber for wood processing facilities in the Province.

**10.155** We recommended the Department comply with the monitoring provisions of sections 29(7.1) and 29(7.2) of the Act.

**10.156** We recommended that the Department implement the monitoring provisions of sections 40(1) and 45 of the *Crown Lands and Forests Act*.

**10.157** We recommended that the Department disclose its key goals and objectives for private forest lands in its annual report.

**10.158** We recommended the Department carry out an evaluation of the Forest Products Commission to determine if it has fulfilled the object and duties outlined in the *Forest Products Act*. The results should be tabled in the Legislative Assembly.

**10.159** We recommended that as part of a planning exercise to review its mandate and goals and objectives for private forest lands, the Department should develop appropriate performance indicators for its private forest lands programs. The Department should then revisit its annual report to determine how it might best report on its programs for private forest lands in accordance with the requirements of the government's annual report policy.

## Department of Supply and Services

### *Land Management Fund*

**10.160** The Province owns over 7,000 properties which cover roughly three million hectares of land. The Province also owns an additional 2.1 million hectares of submerged lands. Given the significance of the amount of land the Province owns and uses in delivering its programs and the importance of exercising stewardship over this valuable resource, we decided to carry out work on various land management issues. We chose to focus our audit on the Land Management Fund due to its central role with respect to the Province's land portfolio.

**10.161** Eleven recommendations resulted from our audit, including one that was sent to the Department of Finance. Three have now been adopted. Three recommendations are partially adopted while one is agreed with but significant action has not yet been taken. In four cases the Department disagreed with the recommendations.

**10.162** For each of the three recommendations adopted over the past two years, we had recommended the Department examine the need or feasibility of undertaking a specified action. In each case the Department considered the recommended action before deciding no action was warranted.

**10.163** We recommended the Department consider the need for additional policy guidance to assist in the disposal process for properties which remain in the Fund for an extended period of time. Specifically, the Department should consider what type of criteria justify a sale lower than 80% of appraised value.

**10.164** We also recommended the Department consider the need for policy to indicate when it is necessary to obtain an independent appraisal for either the sale or acquisition of property.

**10.165** We recommended that the Department expand the scope of its preliminary analysis to examine the feasibility of consolidating all provincial property holdings in its planned land inventory system.

**10.166** The Department disagreed with the following recommendations and it plans to take no action.

**10.167** We recommended the Department of Supply and Services request an amendment to the *Public Works Act* to more clearly define the term “properties which have been designated by the Minister for management under the Fund.”

**10.168** We recommended that any new legislation or policy continues to maintain a relationship between sales price and appraised value in determining which properties should be referred to Executive Council.

**10.169** We recommended that the Department of Supply and Services perform an evaluation to determine whether the Fund has achieved, and continues to achieve, its objectives and purposes. This evaluation should be tabled in the Legislative Assembly.

**10.170** We recommended the Department of Supply and Services provide the Board with a status report on surplus properties not to be disposed of in the coming years. The report should state the reasons the properties are being held and explain the strategy for eventual disposition.

**10.171** The Department is in agreement with the remaining three recommendations. Although they have not been implemented, there has been progress towards adopting the following two recommendations.

**10.172** We further recommended that once the preliminary analysis stage is complete, the Department set a time line, target date and budget for completion and operation of the new inventory system.

**10.173** We recommended that the Departments of Transportation and Supply and Services work together to develop strategies to identify surplus properties on a more timely basis.

**10.174** There has been no significant action taken on the following.

**10.175** We recommended that adequate information on maintenance costs be accumulated on a property-by-property basis to assist in the decision-making process with respect to holding or selling land.

**Department of  
Transportation*****Engineering consulting and  
road construction materials***

**10.176** One of the recommendations was directed to the Department of Finance and, based on information provided, it has partially implemented this recommendation.

**10.177** We recommended that compliance with policy AD-6204, *Disposal of real property* be actively enforced. Alternatively, if the policy is not appropriate, it should be appropriately revised.

**10.178** In earlier audits in the Department we had reviewed inventory and purchasing systems and the process used to purchase engineering consulting services. We found significant opportunities for improvement, at that time, and made recommendations accordingly. Although many of these recommendations were accepted, some were not. We decided to examine the present day purchasing and inventory operations to see how the Department had improved.

**10.179** Twenty recommendations resulted from this audit. We recently met with the staff of the Department to discuss the status of the recommendations, two years after they were first made. In summary we found that three of these have been implemented, nine are partially implemented and the remaining eight are agreed with but there has been no significant action.

**10.180** Eight recommendations were made for purchasing engineering/consulting services and there is some activity in all of these.

**10.181** The following three recommendations were implemented.

**10.182** We recommended the Department continue to develop the performance measurement system and formally use its results in making the decision as to which engineering consultants to hire.

**10.183** We recommended that the Department ensure the performance measurement system remains consistent between branches.

**10.184** We recommended the Department consider the use of a computer-based system for recording, saving and comparing the qualifications, including past performance, of engineering consultants.

**10.185** The Department has piloted the use of a request for proposals process for acquiring engineering consulting expertise. They are currently evaluating the results of the process while moving ahead with a second pilot. Five of our recommendations relate to this process and we are pleased to see the Department is examining the merits of the recommended changes.

**10.186** Twelve recommendations focussed on road construction materials.

**10.187** Four of these recommendations related to the use of “end result specifications” (ERS) in assuring road construction quality. This process assigns more responsibility for quality to the contractors. In response to these recommendations the Department hired a consultant to assist them in addressing the issue. They are currently assessing the consultant’s report before deciding whether to make the recommended changes.

**10.188** We made four recommendations relating to the management of the Department’s inventory system. There has been some activity in response to the recommendations but none of them have been adopted.

**10.189** For the remaining four recommendations there has been no significant progress.

## Office of the Comptroller

### *Provincial financial accounting system*

**10.190** For a few years the Office of the Comptroller (OC) had been developing and implementing a new financial accounting system. Software called Oracle Financials was being customized by the OC for use by the Province. Because of its significance and the fact that we rely on it to conduct our audit of the Province, we decided to review the system. Our review focussed mainly on system security.

**10.191** We reported six recommendations following our review of this system. The following recommendation has been adopted.

**10.192** We recommended that the OC develop and document an Oracle system access policy. This policy should describe the process to be followed for granting or changing system access. We also recommended the OC inform departments of the process they should follow when requesting system access.

**10.193** Four of the recommendations are partially addressed as a result of actions by the OC.

**10.194** We recommended that the OC continue to verify that there are no conflicts before approving user responsibilities in Oracle. However, the verification method should be modified so that it is easier to identify potential incompatibilities. Also, the OC should ensure the rights of the four users we identified are changed so that they are no longer incompatible.

**10.195** The rights of the four users were changed immediately and some changes were made to the verification process. The OC believes these changes are adequate to ensure potential conflicts are identified.

**10.196** We recommended that the OC review documentation for the Oracle application and ensure there is adequate documentation for



**anything that is unique to its installation and necessary in case of personnel turnover. This includes the unique functions of the Database Administrator, the System Administrator and any other key personnel.**

**10.197** Action has commenced and is continuing towards improving the documentation for the Oracle application.

**10.198** We recommended the OC have a formal sign-off to support system implementation decisions. This sign-off should be supported by documented evidence that adequate internal controls are present in the system and operating effectively.

**10.199** During the time of our audit there was no formal sign-off to support the decision to implement the system. Since January 2001, the OC maintains a binder of documentation and sign-off for change requests and/or new features in Oracle.

**10.200** We recommended that the OC implement some key aspects of traditional system development methodologies and project management practices. In particular, we would like to see a future project plan and budget. We also recommended that the OC track project costs and compare such costs to the budget. This should assist in managing the future work.

**10.201** The OC indicated that some aspects of traditional system development methodologies and project management practices have been implemented.

**10.202** The OC disagreed with the following recommendation.

**10.203** We recommended that the OC review the necessity of having multiple (more than two) users with system administrator rights.

**10.204** The OC continues to have four persons with system administrator rights and believes that using two persons is not practical in its environment.