

Chapter 6

Follow up on Prior Years’ Recommendations

Contents

Background	129
Scope	129
Results in brief.	130
Comments on recommendations from 2003	132
Comments on recommendations from 2005 audit of Service New Brunswick	146
General comments on the implementation of recommendations	147

Follow up on Prior Years' Recommendations

Background

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

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

Scope

6.3 Our practice is to track the status of our recommendations for four years after they first appear in the Report of the Auditor General. We do not normally prepare an update after the first year. After years two, three and four we prepare a status report, which shows departments' and agencies' progress, or lack thereof, in implementing our recommendations. In other words, in this Report for the year ended 31 March 2007, we are tracking progress on recommendations from 2003, 2004 and 2005.

6.4 To prepare this chapter, we request written updates on progress from the respective departments and agencies. Our requests were mailed on 28 June 2007. This year two departments did not respond to our request for updates. As at the time of final drafting, 9 November 2007, we had not received responses from the Department of Agriculture, Fisheries and Aquaculture and the Department of Environment for our 2004 audit of Salmon Aquaculture. (On 26 November we did receive a response from the Department of Agriculture, Fisheries and Aquaculture dated 21 November 2007. It was too late in the process for us to do any work on this response.)

6.5 The Department of Environment also did not respond to our request regarding the 2004 audit of the Beverage Container Program. (We received a response on 29 November 2007.)

6.6 We apply the procedures that we consider necessary to review these updates. In some cases we request additional documentation to test the accuracy of the progress updates we have been given. If a department reports that it has implemented a recommendation, we normally do some checking to see if this is the case.

6.7 Our follow-up work does not involve further auditing of the program that was the subject of our original audit. Rather than carry out an audit on these updates, we carry out enough procedures to allow us to conclude the information is plausible in the circumstances.

6.8 Exhibit 6.1 gives an overview of the status of recommendations by department and agency. Exhibit 6.2 shows the results organized by year of the original audit. We devote most of the space in this chapter to the status of recommendations from 2003. This is because these recommendations have reached the end of the four year follow-up cycle. We are providing the Members of the Legislative Assembly and the general public one last look at those recommendations which have not been adopted. Except for one response from Service New Brunswick that we found very difficult to understand, we have not made any comment on our 2004 and 2005 audits, other than that provided by Exhibits 6.1 and 6.2.

Results in brief

6.9 Exhibit 6.1 shows Departments and agencies had implemented 107 (about one-third) of our recommendations from 2003, 2004 and 2005 by the time we drafted our 2007 Report. We rated another 73 (about 25%) as partially implemented.

6.10 Sixty-six recommendations from 2003 have not been fully implemented. We do not intend to follow up on these recommendations in 2008.

6.11 Our review of our 2003 recommendations also revealed a disconcerting number of recommendations that departments did not agree with. One trend that can be seen from the information provided in this chapter is that line departments are diligent in trying to implement our recommendations while central

agencies have been less inclined to implement them over the past four years.

*Exhibit 6.1
Status of recommendations*

Department	Audit area	Year	Recommendations					
			Total	Disagreed	Implemented	Partially implemented	Agreed/Not implemented	No longer applicable
Various	Crown Agency Governance	2003	19	1	0	3	15	0
	NB Salmon Aquaculture	2004	35	3	10	4	18	0
Education	Facilities Maintenance	2005	22	2	8	6	6	0
Environment and Local Government	Beverage Containers Program	2004	12	0	6	3	3	0
Family and Community Services	Child Day Care Facilities	2003	22	0	12	9	1	0
	Nursing Home Services	2004	24	0	8	12	4	0
	Special Care Homes	2005	21	0	3	3	15	0
Finance	Tax Expenditure Programs	2003	6	0	0	1	5	0
Health and Wellness	Accountability of Psychiatric Hospitals and Psychiatric Units	2003	22	1	17	1	3	0
	Prescription Drug Program	2005	8	0	0	3	5	0
Justice	Pre-Arranged Funderal Services	2004	2	0	2	0	0	0
NB Power	Governance	2005	22	1	11	4	6	0
Office of Human Resources	Absenteeism	2003	26	8	14	3	1	0
Post-Secondary Education, Training and Labour	Training and Skills Development	2003	3	0	3	0	0	0
Regional Development Corporation	Provincially Funded Programs	2004	18	3	9	3	1	2
Service New Brunswick	Property Assessment for Taxation Purposes	2005	16	1	2	7	6	0
Supply and Services	Management of Insurable Risks to Public Works Buildings	2003	16	1	2	11	2	0
Total			294	21	107	73	91	2

*Exhibit 6.2
Status of recommendations by year*

Year	Recommendations					
	Total	Disagreed	Implemented	Partially implemented	Agreed/Not implemented	No longer applicable
2003	114	11	48	28	27	0
2004	91	6	35	22	26	2
2005	89	4	24	23	38	0
Total	294	21	107	73	91	2

Comments on recommendations from 2003

6.12 Sixty-six, or 58% of the 114 recommendations we made in our 2003 Report have not been fully implemented by departments. Of these 66 recommendations, departments have reported to us as part of our follow-up that they disagree with 11 recommendations, they have not implemented 27 and they have partially implemented 28.

6.13 Exhibit 6.3 shows all of the sixty-six recommendations that have not been fully implemented and their current status. Their current status appears under the column titled "our assessment after four years". The term "partial" in this column means we have judged the recommendation as partially implemented. The term "not implemented" means we have determined the department or agency has not made progress with the recommendation, but neither have they disagreed with it in their responses of the last four years.

6.14 These recommendations have reached the end of the four-year follow-up cycle. We believe it is important from an accountability point of view for the Members of the Legislative Assembly and the general public to have one last look at these recommendations which have not been fully implemented. They are in the areas of:

- Absenteeism Management;
- Crown Agency Governance;
- Tax Expenditure Programs;
- Child Day Care Facilities;
- Management of Insurable Risks to Public Works Buildings; and
- Accountability of Psychiatric Hospitals and Psychiatric units.

6.15 We encourage Members of the Legislative Assembly to look at the recommendations from our 2003 Report that departments have not fully implemented, to review the information presented in our 2003 Report, and to use this information when making their enquiries during meetings of the Public Accounts Committee.

6.16 Immediately following Exhibit 6.3, we provide some additional commentary on some of the recommendations from 2003 audits.

Exhibit 6.3

Department	Audit	Recommendations made in 2003 that were not fully implemented	Our assessment after four years
Family and Community Services	Child Day Care Facilities	The Department should ensure compliance with all regulatory requirements prior to approving a day care facility.	partial
		The Department should review the Day Care Regulation -Family Services Act and current practices. Differences should be identified and appropriate changes made to the practices, the Regulation or both.	partial
		The Department should ensure that coordinators have an inspection schedule to guide their work. The inspection schedule should ensure that: all day care facilities are inspected regularly; all required components of inspections are completed; the timing of the inspection is not predictable; inspections are performed before the Certificate expires; and the inspection frequency meets the Department's requirement.	partial
		The inspection schedule should include both routine annual inspections, and spot checks, and non-routine inspections arising from public complaints and follow-up of identified deficiencies.	partial
		The Department should ensure that the required number of inspections and spot checks is performed annually for each approved day care facility.	partial
		The Department should ensure that the inspection form is properly completed for every annual inspection performed at each day care facility.	partial
		The Department should ensure appropriate follow-up is done when inspections are incomplete or when infractions are detected.	partial
		The Department should update the guidance on when to use a Temporary Certificate and monitor their usage to ensure that all the coordinators use Temporary Certificates appropriately.	partial
		The Department should establish goals and targets for the Day Care Services Program, against which they can measure results.	partial
		The Department should report on the effectiveness of the Day Care Services Program both internally and publicly in its annual report.	not implemented
Finance	Tax Expenditure Programs	Government should provide financial information to the Legislative Assembly at the time when legislative approval is sought for a tax expenditure program.	partial
		Government should prepare information for the Legislative Assembly that would facilitate its scrutiny of tax expenditure programs on a regular basis.	not implemented
		Government should establish measurable objectives for all tax expenditure programs.	not implemented
		Government should clearly identify its criteria for defining tax expenditure programs.	not implemented
		Government should commit to a process of regularly monitoring and evaluating the tax expenditure program.	not implemented
		Government should report publicly on the effectiveness of tax expenditure programs. This reporting should be consistent with the Province's annual report policy, particularly with respect to addressing the programs' continuing relevancy and the achievement of planned performance.	not implemented

Department	Audit	Recommendations made in 2003 that were not fully implemented	Our assessment after four years
Health and Wellness	Accountability of Psychiatric Hospitals and Psychiatric Units	We recommended the Department develop performance targets, with a focus on outcomes, against which it can evaluate the activities of all psychiatric hospitals and all psychiatric units.	partial
		We recommended that each psychiatric services agreement be signed by both the Division and the RHA to ensure mutual agreement and understanding of expectations.	disagreed
		We recommended that the indicators have a clear linkage with organizational goals and pre-established targets and standards.	not implemented
		We recommended the Department report comprehensive performance indicators for psychiatric hospitals and psychiatric units in its annual report.	not implemented
		Once the Minister establishes and implements RHA performance targets, we recommended the Department ensure the RHAs report on their performance in relation to these performance targets in their annual reports.	not implemented
Supply and Services	Management of Insurable Risks to Public Works Buildings	We recommended that the Department of Supply and Services fulfil the obligations it agreed to with DNRE and DOT. If DSS does not have the resources to fulfil these obligations, it should communicate the implications of this to government.	partial
		We recommended that the Department of Supply and Services establish value for each building it is responsible for and update these values on SBGS on a regular basis.	disagreed
		We recommended that the Department of Supply and Services determine the personnel it requires to manage risks in buildings it is responsible for. As part of this process, DSS should determine if it needs to establish a full-time position for a Risk Manager. If DSS establishes that existing resources are inadequate to protect provincial buildings it should present these personnel needs, and the implications of not having appropriate personnel, to government.	partial
		We recommended that the Department of Supply and Services ensure that all staff it relies on to help manage its buildings are appropriately qualified.	not implemented
		We recommended that the Department of Supply and Services develop and document a risk management plan. The plan should identify all significant risks to each of its buildings, including buildings managed by DNRE and DOT, and document what procedures are required to identify risk factors in each building.	partial
		We recommended that the Department of Supply and Services communicate the procedures in the risk management plan to those managing DSS buildings.	not implemented
		We recommended that the Department of Supply and Services reinstate the formalized, documented, building condition audits.	not implemented
		We recommended that the Department of Supply and Services ensure its risk management plan includes establishing and documenting when inspections are to be completed.	partial
		We recommended that the Department document completion of required inspections for buildings it is responsible for. Facilities Management Division personnel should ensure that required procedures have been completed on a timely basis and document that the procedures were completed.	partial
		We recommended that the Department of Supply and Services document its review of internal inspection programs to ensure the reviews are timely and sufficient.	not implemented

Department	Audit	Recommendations made in 2003 that were not fully implemented	Our assessment after four years
Supply and Services	Management of Insurable Risks to Public Works Buildings	We recommended that the Department establish and document a schedule for performance of inspection reviews and determine what the reviews should cover.	partial
		We recommended that the Department document the procedures necessary to ensure inspection programs performed by DNRE and DOT are timely and sufficient.	not implemented
		We recommended that the Department of Supply and Services establish a policy that ensures inspection reports are documented. Inspection results should be forwarded to appropriate personnel in a timely manner.	partial
		We recommended that the Department of Supply and Services have a documented process ensuring that all factors identified in DSS-controlled inspections that could significantly affect building risks are corrected on a timely basis. If resources are not sufficient to do this, DSS should communicate that fact to government.	not implemented
Executive Council Office	Crown Agency Governance	Crown agency boards of directors should be providing responsible departments with selection criteria against which to evaluate candidates for board appointments.	not implemented
		The level of compensation currently provided to board members should be reviewed to ensure it is sufficient to attract the best candidates to directorial positions and to adequately reward board members for their efforts.	not implemented
		Selection of a Crown agency board member should be primarily based on the demonstrated ability of a candidate to contribute to improved outcomes for the organization, and not their membership in a particular stakeholder or demographic group.	not implemented
		Processes should be established to ensure that the expiry dates of board appointments are staggered to ensure continuity on Crown agency boards.	not implemented
		Responsible departments should develop memoranda of understanding with Crown agencies to ensure that there are common understandings of the mandate and performance expectations government has set for the Crown agencies.	not implemented
		As a minimum, government (represented by Board of Management, the Policy and Priorities Committee, or a similar body) should review all Crown agency strategic and business plans on a regular basis to ensure that Crown agency interpretations of legislation, mandate and government expectations are consistent with its own understanding.	not implemented
		Responsible departments should monitor Crown agency compliance with their own enabling legislation and other pertinent Acts to reduce the risk of inappropriate actions being taken.	not implemented
		All Crown agency boards should negotiate and document a memorandum of understanding between their Crown agency and the responsible Minister as to how important aspects of governance are to be handled, the relative responsibilities of key governance players, etc.	not implemented
		All Crown agency boards should be given responsibility for recruiting and hiring the CEOs for their agencies.	not implemented
		They should also review the performance of their CEO on a regular basis.	partial
All Crown agency boards should ensure that ethical standards have been established for their agency and that there is a system in place to monitor compliance with those standards.	partial		

Department	Audit	Recommendations made in 2003 that were not fully implemented	Our assessment after four years
Executive Council Office	Crown Agency Governance	All Crown agency boards should seriously consider establishing an audit committee to provide additional focus to the board's review of the integrity of the agency's internal control and management information systems.	partial
		All Crown agency boards should prepare a governance statement for the reference of board members that describes: the governance and accountability structure of the Crown agency; governance processes and standards that are being followed; including the requirements made of individual board members; and the roles and responsibilities of government, the board of directors, and management.	not implemented
		The governance statement should be reviewed regularly and updated as necessary.	not implemented
		All Crown agency boards should conduct, as a minimum, regular self-evaluations of their board's effectiveness. They should also consider conducting regular reviews of the performance of individual board members.	not implemented
		The Executive Council Office's coordinating role should be expanded to include providing guidance and support to Crown agencies in some or all of the following areas: setting and periodically updating governance standards for use by all New Brunswick Crown agencies; monitoring compliance with those governance standards; providing guidance to Crown agencies in the application of those governance standards; providing governance training opportunities for Crown agency directors; communicating the shareholder's perspective, government priorities, and emerging issues to Crown agencies; providing independent advice to Cabinet, Ministers, boards and/or CEOs on Crown agency mandates, direction, plans, and performance, as requested; and identifying and coordinating major Crown agency policy issues and projects as required.	disagreed
		The Executive Council Office should be monitoring Crown agency annual reports to ensure that the government annual report policy is being complied with.	not implemented
		The government annual report policy should be amended to include the following two additional requirements: that Crown agency annual reports include, where applicable, reference to the Crown agency's involvement in supporting the success of current government priorities and initiatives; and that Crown agency annual reports should include a statement of governance practices similar to that shown in the 2002 NB Power Corporation annual report.	not implemented
		Periodically, all New Brunswick Crown agency boards of directors should look critically at reporting they receive regularly from management. Specifically, each board should ensure: that reports presented are useful and sufficient to allow the effective discharge of all of the board's roles and responsibilities as Crown agency governors. For example, information used by the board to monitor corporate performance should address both financial and service goals and be clearly linked to approved plans; that information that is not used by the board is deleted from management reporting; and that reports are organized for ease of reference by board members in their deliberations.	not implemented

Department	Audit	Recommendations made in 2003 that were not fully implemented	Our assessment after four years
Office of Human Resources	Absenteeism Management	We recommended that departments ensure that all advanced sick leave is recovered, as per Policy AD 2202 and collective agreements.	disagreed
		We recommended that the Office of Human Resources develop controls to ensure that employees do not get sick leave credits they are not entitled to for the month of commencement of work.	disagreed
		We recommended that departments ensure that sick leave slips are submitted and entered into HRIS in a timely fashion.	disagreed
		We recommended that the Office of Human Resources establish a formalized attendance management program that is well integrated into day-to-day management practice.	disagreed
		We recommended that the Office of Human Resources take the lead in ensuring Deputy Ministers clearly assign responsibility for overall attendance management to an individual or individuals. This individual(s) should be given a clear mandate and senior management should monitor results.	partial
		We recommended that the Office of Human Resources: develop systems that enable supervisors to review reports that would clearly show the development of absences patterns; and ensure that short but frequent absences are appropriately scrutinized and reviewed by management.	disagreed
		We recommended that the Office of Human Resources develop a formalized trigger regarding the number of days absent that would force a review by management and/or Human Resource personnel. Example: If an employee is absent x number of days, a meeting would take place between employee and employer to discuss the situation and possible return to work.	disagreed
		We recommended that the Office of Human Resources evaluate the major causes for absenteeism and consider developing appropriate wellness strategies to minimize absences.	partial
		We recommended that departments identify and manage high-risk areas for absenteeism.	partial
		We recommended that the Office of Human Resources regularly compare absenteeism statistics to other Provinces and private industry, as a step to measure the effectiveness of absenteeism management.	disagreed
		We recommended the Office of Human Resources develop objectives relating to the management of absenteeism that are linked to goals and broadly communicated to all levels of government.	disagreed
		We recommended that the Office of Human Resources report on the effectiveness of absenteeism management in its departmental annual report. Reporting should include descriptions of intended vs. actual results, and strategies to accomplish goals.	not implemented

Clerk of the Executive Council – Crown agency governance

6.17 In our 2003 Report, we made 19 recommendations on various aspects of Crown agency governance. They included such things as selecting the right mix of board members, clearly establishing government's performance expectations for its Crown

agencies, and improving the quality of reporting to board members and the public.

6.18 Progress on implementing these recommendations has been slow. In our 2007 update, information we received from the Executive Council indicates that they disagree with one of the nineteen recommendations, they have partially implemented three and they have not implemented fifteen.

6.19 The recommendation they disagree with stated:

The Executive Council Office's coordinating role should be expanded to include providing guidance and support to Crown agencies in some or all of the following areas: setting and periodically updating governance standards for use by all New Brunswick Crown agencies; monitoring compliance with those governance standards; providing guidance to Crown agencies in the application of those governance standards; providing governance training opportunities for Crown agency directors; communicating the shareholder's perspective, governance priorities, and emerging issues to Crown agencies; providing independent advice to Cabinet, Ministers, boards and/or CEOs on Crown agency mandates, direction, plans, and performance as requested; and identifying and coordinating major Crown agency policy issues and projects as required.

6.20 In our 2005 Report, we reported on our audit of NB Power governance and in our 2006 Report we reported on our audit of New Brunswick Investment Management Corporation governance. Those two audits, along with our work as financial statement auditors of a number of Crown corporations, have convinced us that government needs to have or needs access to a governance centre of excellence to provide the type of support we mentioned in our 2003 Report to agencies, boards and Crown corporations. While it is not imperative that this expertise reside in the Executive Council Office, it should be available and we would like to see the Executive Council Office be the lead in putting the support structure in place, even if they are not ultimately responsible for delivering it.

6.21 As part of their update on progress of the 2003 recommendations, the Executive Council informed us:

Since our last correspondence on this topic in June 2006, the implementation of a new policy for making appointments to agencies, boards and commissions (ABC's) has been delayed due to the provincial election held last September as well as the transition period that was required following the subsequent change in government. Despite this delay, it should be noted that work has continued on this file. Indeed, improving the ABC appointments process was a specific commitment made by the new government ... Since the creation of this new ABC appointment process is still in its initial stages, it may be useful to arrange a meeting between yourself and the Deputy Minister responsible for Policies and Priorities Committee.

6.22 One particular issue about agency governance that was a concern to us was an apparent trend in delays in appointing board members. We commented in our 2006 Report that:

The timeliness of board appointments at NBIMC has become a serious concern recently. During March 2006 four long-serving board members were replaced with four new members. The terms of five other members expired on 15 June 2006, although four of them were reappointed on 20 July 2006 for terms of eighteen months each. The appointment situation has caused uncertainty for both the board and corporate staff, causing risk that both governance and management effectiveness could be compromised.

A serious situation was ongoing at the time of our audit field work. Between 15 June and 20 July 2006 the board did not have the membership needed to have a quorum. During that period it was unable to hold board meetings.

6.23 We also found during the course of our financial statement audits significant delays in appointing board members for Efficiency NB, Kings Landing Corporation, and the New Brunswick Legal Aid Services Commission.

6.24 We are pleased to report that recent appointments to the boards of these organizations have resulted in them having sufficient membership on their boards to operate. We are also pleased to report that the meeting between the Deputy Minister

responsible for Policies and Priorities Committee and his staff, and the Auditor General and staff did occur.

6.25 We were also pleased that the *Government's Response to the Final Report of the Commission On Legislative Democracy* issued in June 2007 specifically referred to the importance of some of our recommendations about Crown agency governance. It said:

The Auditor General's 2003 Annual Report is a perfect example of this function. The result of a careful study of Crown Agency governance in New Brunswick, the report gives many useful recommendations, such as requiring the development of "memoranda of understanding" between Crown Agencies and their responsible departments. This measure helps ensure that there is a clear, mutual understanding of the mandate (including performance expectations) that the government has set for the Crown Agency in question.

6.26 Furthermore, the response contained the following commitment about board appointments:

A more transparent and independent process for making appointments to government agencies, boards and commissions (ABCs) will be established. This process will permit all New Brunswickers an opportunity to apply for vacant positions, ensure merit-based appointments to significant ABCs, and set fixed terms for each position.

6.27 While we are pleased with the recent signs that the appointment of board members is being taken seriously, we are concerned that it has taken four years to get to this point and that the majority of our recommendations have not been implemented. Since we will no longer be following the progress of the Executive Council in implementing these recommendations, we encourage the Public Accounts Committee and the Crown Corporations Committee to continue to enquire about progress in these areas as well as to enquire about the current status of board appointments for all government agencies, boards and commissions.

***Department of Family and
Community Services – Child
Day Care Facilities***

6.28 Our interest in pursuing government accountability for safety legislation led to our audit of the Day Care Services Program in 2003. The purpose of the program is to approve and monitor day care facilities to ensure that children who attend are safe and

receive quality care. The program is responsible for the safety of a group who cannot speak for themselves – our children.

6.29 Our audit objective was to determine if the Department of Family and Community Services had appropriate policies and practices to ensure compliance with the Province's legislation and standards for child day care facilities.

6.30 The audit resulted in twenty-two recommendations. In addition to successfully implementing twelve of the recommendations, the Department has made significant progress in implementing nine more. The Department agrees with the one remaining recommendation and plans to implement it.

6.31 The Department took our recommendations seriously and strives for full implementation. We compliment their progress and specifically acknowledge the following achievements:

- The Department developed documented policies and procedures for approving child day care facilities, monitoring the facilities and enforcing the legislation.
- The Department trained staff, as necessary, to help ensure the policies and procedures are understood and followed.
- The Department implemented quality control practices to ensure that the policies and procedures are followed and updated as needed.
- The Department implemented a quality service approach so inspection work can be prioritized. Day care facilities providing high quality service are now visited less often, providing more time for visiting the facilities that do not consistently follow the standards.
- The Department developed performance indicators for the day care services program and plans to report on them in its Annual Report.

***Department of Finance –
Tax Expenditure Programs***

6.32 Not all government programs are offered within the expenditure budget. Tax expenditure programs have the effect of reducing taxes paid by certain taxpayers and as such reduce the tax revenues otherwise due to the Province. A dollar in foregone revenue has the same impact on the Province's surplus or deficit as

a one-dollar increase in direct expenditure. While expenditure programs are subject to annual budget debates and require annual appropriations, the same is not the case for tax expenditure programs. Some examples of tax expenditure programs as they existed at the time of our 2003 audit are listed in the following table.

Tax	Program	Benefits to affected taxpayers
Personal income tax	New Brunswick low income seniors' tax benefit	\$100 per year for seniors in receipt of either a Guaranteed Income Supplement, Allowance for Survivor or Extended Spouse's Allowance
Gasoline and motive fuel tax	Exemptions for aquaculturists, farmers, fishermen and silviculturists	Provides for point of sale tax exemptions on motive fuel and refund of tax on both gasoline and motive fuel
Real property tax	Assessment reduction program	Partial exemptions for qualifying properties owned by charitable and qualifying non-profit organizations
Personal income tax	Political contributions tax credit	Maximum \$500 tax credit <ul style="list-style-type: none"> • 75% of the first \$200 of contributions • 50% of the next \$350 of contributions • 33.33% of the next \$525 of contributions
Corporate income tax	Labour incentive film tax credit	For corporations whose principle business is the production of films, a tax credit equal to a maximum of 40% of eligible salaries paid to New Brunswick residents. Wages in excess of 50% of the total costs of production are not eligible for consideration.

6.33 We are disappointed with the lack of progress made on our recommendations concerning tax expenditure programs. Our 2003 Report contained six recommendations. The Department agrees with but has taken very little or no action to implement the five recommendations listed below.

- Government should prepare information for the Legislative Assembly that would facilitate its scrutiny of tax expenditure programs on a regular basis.
- Government should establish measurable objectives for all tax expenditure programs.

- Government should clearly identify its criteria for defining tax expenditure programs.
- Government should commit to a process of regularly monitoring and evaluating the tax expenditure programs.
- Government should report publicly on the effectiveness of tax expenditure programs. This reporting should be consistent with the Province's annual report policy, particularly with respect to addressing the programs' continuing relevancy and the achievement of planned performance.

***Department of Health –
Accountability of Psychiatric
Hospitals and Psychiatric
Units***

6.34 The Department has implemented 17 of our 22 recommendations. Of the five remaining recommendations, they disagree with one, have partially implemented one and have not implemented three.

6.35 The one recommendation that they disagreed with was:

We recommended that each psychiatric services agreement be signed by both the Division and the RHA to ensure mutual agreement and understanding of expectations.

***Department of
Post-Secondary Education,
Training and Labour –
Training and Skills
Development***

6.36 The Department implemented all three recommendations we made on this program by 2006, meaning we did not have to conduct any follow-up procedures this year. We are pleased to see the department's proactive approach in adopting our three recommendations.

***Department of Supply and
Services – Management of
Insurable Risks to Public
Works Buildings***

6.37 Our 2003 Report included sixteen recommendations in this area. The Department has implemented two and partially implemented eleven. The Department disagreed with one, and has agreed with, but not implemented two others.

6.38 The one recommendation disagreed with was:

We recommended that the Department of Supply and Services establish value for each building it is responsible for and update these values on SBGS on a regular basis.

6.39 In our final follow-up assessment this year, we were pleased to see the Department (DSS) has improved procedures to identify and document significant risks to its own buildings. However, risk information relating to Department of Transportation and

Department of Natural Resources buildings for which DSS is responsible is still lacking.

6.40 The Department informed us that it still faces significant under funding of identified “high priority” capital maintenance needs. In 2003/04 these totalled over \$12 million, but capital maintenance funding was less than \$3 million. According to the Department of Supply and Services, the situation in 2007 is significantly worse, but the budget for 2007/08 is only \$4.75 million.

***Office of Human
Resources – Absenteeism
Management***

6.41 Our 2003 Report included twenty-six recommendations to the Office of Human Resources about managing absenteeism. We were particularly concerned with the need to identify and manage risks contributing to the use and abuse of sick leave benefits. Due to the large number of employees and significant dollars involved in providing such a benefit, it is important to manage the number and duration of absences.

6.42 Of the twenty-six recommendations we made, the Office of Human Resources disagreed with eight of them. It has implemented fourteen of the eighteen recommendations it accepted. Of the other four recommendations, three have been partially implemented and one has not been implemented.

6.43 The eight recommendations that the Office disagreed with were:

- We recommended that departments ensure that all advanced sick leave is recovered, as per Policy AD 2202 and collective agreements.
- We recommended that the Office of Human Resources develop controls to ensure that employees do not get sick leave credits they are not entitled to for the month of commencement of work.
- We recommended that departments ensure that sick leave slips are submitted and entered into HRIS in a timely fashion.
- We recommended that the Office of Human Resources establish a formalized attendance management program that is well integrated into day-to-day management practice.

- We recommended that the Office of Human Resources: develop systems that enable supervisors to review reports that would clearly show the development of absences patterns; and ensure that short but frequent absences are appropriately scrutinized and reviewed by management.
- We recommended that the Office of Human Resources develop a formalized trigger regarding the number of days absent that would force a review by management and/or Human Resource personnel. Example: If an employee is absent x number of days, a meeting would take place between employee and employer to discuss the situation and possible return to work.
- We recommended that the Office of Human Resources regularly compare absenteeism statistics to other provinces and private industry, as a step to measure the effectiveness of absenteeism management.
- We recommended the Office of Human Resources develop objectives relating to the management of absenteeism that are linked to goals and broadly communicated to all levels of government.

6.44 Since this is the last year we will be following up on our recommendations on absenteeism, we would like to once again recommend to the Office of Human Resources that they consider implementing these eight recommendations.

6.45 We would like to emphasize one recommendation that is still not implemented. We recommended that the Office of Human Resources report on the effectiveness of absenteeism management in its departmental annual report. This year the Office informed us that:

For Part I, the Office of Human Resources reports monthly using the electronic HR Bulletin to the Deputy Ministers and Senior Management. This Bulletin provides current and historical information on both a departmental and corporate level. The Bulletin complements the Employee Self-Service Application which provides information to managers to deal with absenteeism issues.

6.46 While we acknowledge that this is one type of reporting, and it is important to have this type of reporting, it is internal reporting

whereas we were recommending external reporting through the Office's annual report.

6.47 As we recommended in 2003, we believe that the Office of Human Resources should provide measures of effectiveness in its annual report to the public. This could include the comparative statistics that are being reported internally, as well as a description of intended results of managing absenteeism, the actual results achieved, a comparison of the intended and actual results and a description of the strategies put in place to achieve the absenteeism management goals. We believe that public accountability will help the Province better manage absenteeism, and will demonstrate due regard for the economy and efficiency of government programs.

**Comments on
recommendations
from 2005 audit of
Service New
Brunswick**

6.48 In 2005 we carried out an audit at Service New Brunswick (SNB) of Property Assessment for Taxation Purposes. Our final recommendation in this audit was that SNB disclose in its annual report operating results for each line of business.

6.49 In 2005 SNB responded:

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

6.50 The 2007 response was virtually identical:

While SNB does follow generally accepted accounting principles (GAAP), the GAAP requirements for segmented reporting do not apply to SNB. This information is available internally to management and our Board of Directors. However, at this time, we consider the cost of providing segmented reporting in audited financial statements would far exceed its value to general readers.

6.51 We are not able to understand why, since this information is available internally, the Corporation is unwilling to disclose it in the annual report to Members of the Legislative Assembly and the general public. It seems perplexing that there would be much additional cost in "providing such a breakdown" given that SNB apparently has the information already. We fail to see how these

costs “would far exceed its value.” Similar to our comments on the Office of Human Resources Absenteeism Management, we believe that public accountability will help SNB better manage its costs, and will demonstrate due regard for the economy and efficiency of government programs.

6.52 Normally when a department or agency disagrees with a recommendation, we stop following up on it. In this case, however, since we do not, in effect, “agree” with the “disagreement”, we intend to pursue this matter in next year’s follow-up.

General comments on the implementation of recommendations

6.53 Our recommendations are intended to improve government programs. We undertake our annual follow-up of our recommendations to determine if the changes we identified are being put in place. We do not have the resources to do extensive investigation into the extent of departmental implementation. We hope that the Public Accounts and Crown Corporations Committees will use our Reports, not just in the year of issue, but in subsequent years to hold departments and Crown corporations accountable for implementing the recommendations.

6.54 The following table reports government’s progress in implementing our recommendations over the past number of years.

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	114	31 %	35 %	42 %
2004	91	30 %	38 %	
2005	89	27 %		
Total	817			

6.55 When we look at the results of our 2007 follow-up work, we see some encouraging signs and some discouraging signs. As we have reported, both the Department of Family and Community Services for the child day care facilities program and the Department of Post-Secondary Education, Training and Labour for the training and skills development program have been diligent in implementing our recommendations. On the other hand, we see a number of audits included in our 2003 Report where very little has

been accomplished in four years. Less than half of all the recommendations included for the years 2003, 2004 and 2005 in Exhibit 6.3 have been implemented.

6.56 Our review of our 2003 recommendations also revealed a disconcerting number of recommendations that departments did not agree with. One trend that can be seen from the information provided in this chapter is that line departments are diligent in trying to implement our recommendations while central agencies have been less inclined to implement them over the past four years.

6.57 Our recommendations are intended to rectify areas of weakness or risk that we have identified or to improve public accountability. In the *Government's Response to the Final Report of the Commission on Legislative Democracy* issued in June 2007, it acknowledges the government's dependence upon our audits. It says in the section entitled Role of the Auditor General that:

Popular assumption seems to hold that there is an adversarial relationship between the Auditor General, an independent Officer of the Legislature, and the executive branch of the government.

In actual fact, the government relies heavily on the Office of the Auditor General to regularly conduct objective reviews of government operations in order to maintain a high level of performance. The government depends on these audits, not only to highlight areas that might require improvement, but even more importantly, to provide informed and objective suggestions as to how these improvements could be most effectively carried out.

6.58 The Response goes on to say:

Given the importance of its ongoing functions, the Government agrees that the role of the Auditor General should be strengthened. This will mean calling upon the expertise of the Office on a more frequent basis to provide advice regarding administrative issues and initiate studies in areas where reform is needed.

6.59 Volume 2 of our 2006 Report contained recommendations about strengthening the role of the Auditor General. One step towards achieving this would be for government to be serious about implementing our recommendations. In the case of most of our

recommendations, four years should be adequate time to make significant progress towards implementation if not complete implementation. Perhaps government should consider issuing a short response to each annual Report of the Auditor General listing its intention to pursue implementation of the recommendations in the Report.