
2 Follow-up of 2010 and 2011 Performance Audit Recommendations

Summary

Government continues to take too long to implement recommendations from our performance audits. For more than five years, progress made to address identified weaknesses has been inadequate. Only 45% of our 2011 recommendations have been implemented. Overall, only 50% of recommendations from our 2010 and 2011 reports have been implemented. Government departments and agencies are not taking enough action to correct operational deficiencies they know to exist.

The low implementation rate of 45% for 2011 is, in large part, due to very low rates at four entities: the Chief Information Office (20%), and the Departments of Service Nova Scotia and Municipal Relations (33%), Labour and Advanced Education (40%), and Economic and Rural Development and Tourism (43%). This lack of action has practical consequences in the management of programs. It means, for instance, that:

- planned disaster recovery of the provincial data centre may not be adequate;
- critical systems security weaknesses and collision reporting issues at the Registry of Motor Vehicles may still remain;
- fire safety in municipalities and public schools may continue to be at risk; and
- deficient processes, controls and documentation supporting the granting and monitoring of business loans may continue.

Positive steps have been taken to help address the continued poor implementation results. The Public Accounts Committee has accepted our proposals that the Committee formally accept and endorse the recommendations in our audit reports and request that the Government Audit Committee take responsibility for the ongoing monitoring and oversight of implementation. The Public Accounts Committee deferred acceptance of our third proposal of holding an annual hearing with the Audit Committee on the status of implementation of the accepted recommendations. We are encouraged by the Committee's actions and believe that these changes will result in more effective government monitoring and oversight leading to more timely correction of the operational deficiencies identified in our reports.

Details on the status of all performance audit recommendations from 2010 and 2011 can be found on our website at oag-ns.ca.

2 Follow-up of 2010 and 2011 Performance Audit Recommendations

Background

- 2.1 Our Office's strategic priorities include serving the House of Assembly, considering the public interest, and improving government performance. We work towards these priorities by providing legislators with the information they need to hold government accountable. We obtain this information primarily by conducting audits which, over time, will cover the major activities of Government. The results of our audits are detailed in our Reports to the House of Assembly. Each report contains recommendations which provide practical, constructive advice to address issues raised by these audits.
- 2.2 We initially follow up the implementation status of recommendations two years after they are made. We believe two years is sufficient time for auditees to substantially address our recommendations.
- 2.3 This year we reported two follow-up chapters. Chapter 6 of our January 2014 Report provided information on the status of recommendations concerning financial reporting and other financial management issues, as well as how responsive departments and agencies were in implementing related recommendations from our 2010 audits.
- 2.4 This chapter reports the results of follow-up on the implementation status of the recommendations from our 2010 and 2011 performance audits. During this assignment, we reviewed department management's self-assessment of their progress in implementing the outstanding 2010 and 2011 recommendations. We also asked management to provide supporting information for recommendations they assessed as complete. Our review process focused on whether self-assessments and information provided by management were accurate, reliable and complete. This chapter includes summary level information on implementation status. More detailed information, including specific recommendations, can be found on our website at oag-ns.ca.
- 2.5 Our role is to make recommendations to improve government operations, and to report to the House on the status of those recommendations to assist Members in holding government accountable for their implementation. Once recommendations have been accepted, it is government's responsibility to regularly monitor to ensure that appropriate action has been taken to implement the recommendations.



Review Objective and Scope

- 2.6 In February 2014, we completed a review of the status of performance audit recommendations included in Reports of the Auditor General from 2010 and 2011. Our objective was to provide moderate assurance on the implementation status of those recommendations.
- 2.7 We obtained Government's assessment of the recommendations and performed additional procedures on those which government assessed as do not intend to implement or action no longer applicable. We focused on the reasons why Government has chosen not to implement these recommendations. If the rationale appeared reasonable, we removed the recommendation from our statistics and will not conduct further follow-up work on it.
- 2.8 Our review of the implementation status was based on representations by department and agency management which we substantiated through interviews and examination of documentation for those recommendations assessed as complete. We performed sufficient work to satisfy us that the implementation status of complete, as described by management, is plausible in the circumstances. This provides moderate, not high level, assurance. Further information on the difference between high and moderate assurance is available in the Chartered Professional Accountants (CPA) Canada Handbook, Section 5025 – Standards for Assurance Engagements Other than Audits of Financial Statements and Other Historical Financial Information.
- 2.9 Our criteria were based on qualitative characteristics of information as described in the CPA Canada Handbook. We did not perform any procedures, and provide no assurance on recommendations noted in this report other than those we have reported as complete.

Significant Observations

Implementation Monitoring and Oversight

Conclusions and summary of observations

For more than five years we have reported poor results in implementation of our recommendations with no improvement in the current year. A change is needed to address inadequacies in the current process to monitor and oversee the implementation of our audit recommendations. The Public Accounts Committee accepted our proposals that it formally accept and endorse the recommendations in our reports that management agrees with, and request that the Government Audit Committee take responsibility for ongoing monitoring and oversight of



implementation. The Public Accounts Committee deferred acceptance of our third proposal of holding an annual hearing with the Audit Committee on the status of implementation of the accepted recommendations. We are encouraged by the Public Accounts Committee's response to our proposals and offered to assist the Committee in how to effectively implement the third proposal. These changes should have a positive impact and contribute to better government administration in the Province.

- 2.10 For more than five years we have reported poor results in implementation of our recommendations. We found no improvement this year, as discussed later in this chapter. Continued poor results indicate there are inadequacies in the current Government process to monitor and oversee implementation progress. We believe the lack of an effective Government monitoring and oversight function is an important contributing factor in the continued poor results.
- 2.11 In Spring 2013, we presented to the Public Accounts Committee, three action steps for consideration to help improve implementation of our recommendations. We proposed that the Public Accounts Committee accept and endorse the recommendations in our reports that Government agreed with. Once accepted, the Public Accounts Committee would ask the Government Audit Committee to assume responsibility for ongoing monitoring and oversight of implementation of our recommendations. This would shift responsibility for action over to the deputy ministers on the Committee to correct any weaknesses or deficiencies identified in our reports. We also proposed the Public Accounts Committee consider holding a hearing at least once annually on the status of implementation of audit recommendations. At this hearing, the Committee would require the submission of an update report from the Audit Committee.
- 2.12 At its February 19, 2014 meeting, the Public Accounts Committee passed a motion accepting the first two action steps we proposed. The Committee deferred acceptance of the third step, needing further consideration as to how it should be implemented. We are encouraged by the Committee's response to our proposals.
- 2.13 By taking these steps, Government administration will be accountable to the House for their actions in addressing program deficiencies identified in our audit reports. We believe such steps should have a substantial impact and contribute to better Government administration in the Province. We offer to assist the Public Accounts Committee in how to effectively implement the third action step of holding annual hearings on implementation status of our audit recommendations.



Implementation Results – 2010 and 2011

Conclusions and summary of observations

Only 45% of the recommendations in our 2011 reports were implemented, with an overall implementation rate of 50% from our 2010 and 2011 reports. The overall response from Government in implementing recommendations is poor. We highlight below the offices or departments with the lowest percentage of implementation for our 2011 reports.

- Chief Information Office (20%, now part of the Department of Internal Services)
- Department of Service Nova Scotia and Municipal Relations (33%, now Service Nova Scotia)
- Department of Labour and Advanced Education (40%, now applies to the Department of Municipal Affairs)
- Department of Economic and Rural Development and Tourism (43%).

The poor responses mean, for example:

- planned disaster recovery of the provincial data centre may not be adequate;
- critical systems security and collision reporting issues at the Registry of Motor Vehicles may not be addressed;
- fire safety risks in municipalities and public schools may not be adequately addressed; and
- significant deficiencies may remain in the processes, controls and documentation supporting the granting and monitoring of business loans.

Government indicated it does not intend to implement two of our recommendations. We disagree with Government's rationale for not implementing these recommendations as the risks they addressed still exist.

2.14 *Do not intend or action no longer appropriate* – There are 301 recommendations made in our reports from 2010 and 2011. Eight recommendations were reported to us or we determined as do not intend to implement or action no longer appropriate. We reviewed the information provided by Government with respect to these recommendations and determined the rationale provided for six recommendations is reasonable. These recommendations have been removed from further analysis and statistics leaving 295 recommendations for the two years. We disagree with Government's rationale for not implementing the remaining two recommendations as the risks which the recommendations addressed still exist, as noted below.

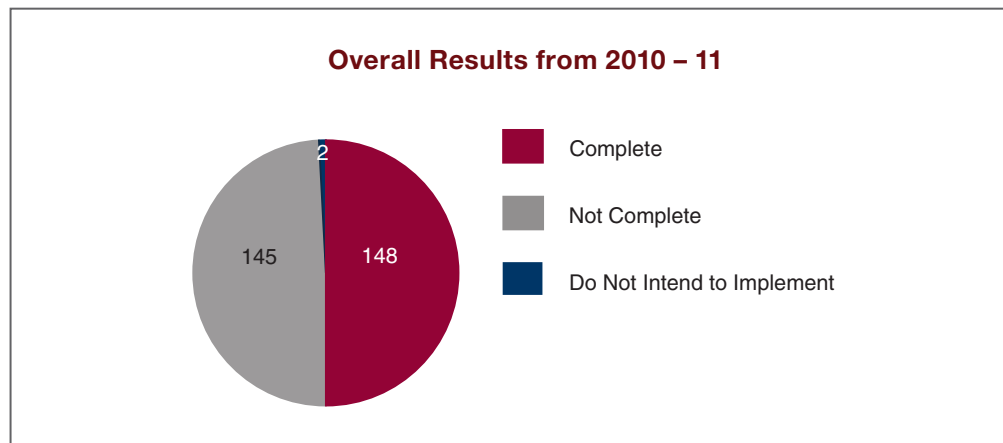
- The Department of Health and Wellness does not intend to include wait list information concerning long term care placement on its

website. This is useful information which should be published and available to all Nova Scotians so they can make more informed decisions concerning when and where to seek placement in a long term care facility.

- The Department of Justice does not intend to take action to address the gap between unsupervised bail and pretrial detention for youth facing criminal charges. The 2006 *Report of the Nunn Commission of Inquiry* recommended the Province establish a bail supervision program in the Halifax Regional Municipality as it provides a greater assurance of compliance with bail conditions. The Department established a youth bail supervision program as a result of a Nunn Commission recommendation, but cancelled it in 2010. Compliance with bail conditions is more likely when there is some mechanism to monitor compliance.

2.15 *Overall analysis* – The following exhibits summarize the implementation status of the 295 recommendations made in 2010 and 2011.

Implementation Status	2010 Reports	2011 Reports	Overall
Complete	55%	45%	50%
Not Complete	45%	54%	49%
Do Not Intend to Implement	0%	1%	1%
No Longer Applicable or Required	0%	0%	0%
	100%	100%	100%

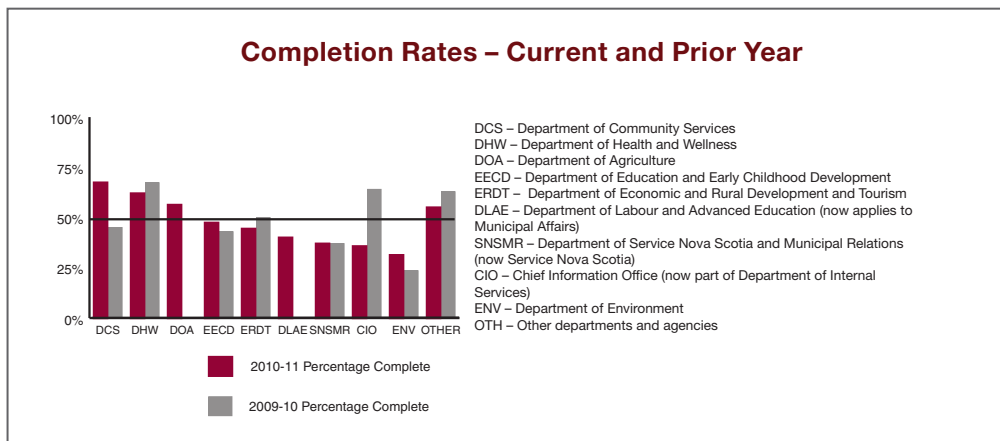


2.16 The overall implementation rate this year is 50%, a decrease from the 62% implementation rate reported in May 2013. Similar to last year’s experience, the overall response from Government in implementing recommendations is poor – 55% from 2010 have been completed and only 45% from 2011. These statistics show a continued lack of action by Government to address deficiencies we have identified.

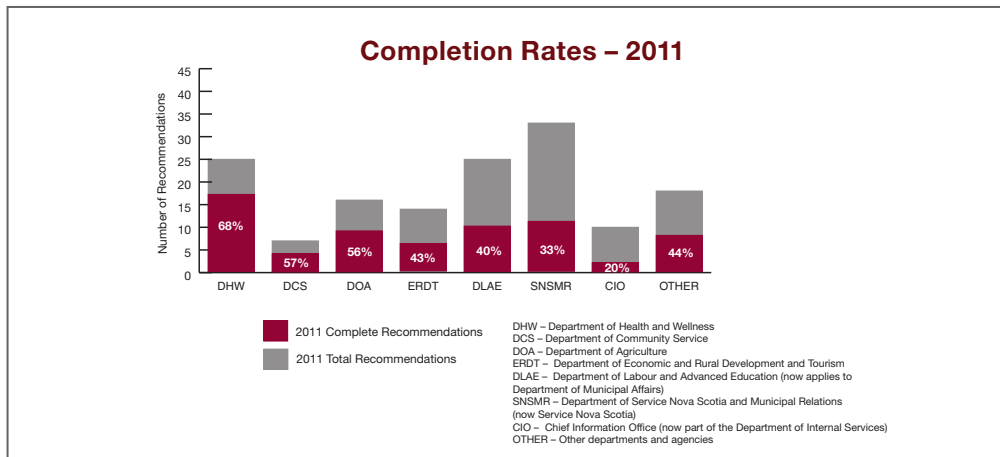


2.17 *Department and agency analysis 2010 and 2011* – The results by department and agency provide an indication of which organizations have made it a priority to address our recommendations. The following graph shows the implementation rate for those organizations to which we have made a significant number of recommendations. Only three departments had rates over 50%. The Department of Community Services had the highest rate, at 67%, followed by the Department of Health and Wellness at 62% and the Department of Agriculture with 56%. The other six departments or offices had rates of implementation less than 50%.

2.18 The following graph compares this year’s 2010-11 implementation rates with last year’s rates for 2009-10.



2.19 *Department and agency analysis 2011* – When we make recommendations as a result of our audits, we seek acknowledgement from departments and agencies that they agree with and intend to implement the recommendations. Almost all published responses included in our reports indicate both agreement and intention to implement our recommendations. We therefore expect to see better implementation rates than we have found to date; we also expect to see substantial implementation within two years. The following graph shows the implementation rate for those organizations in which we conducted audits during 2011.



- 2.20 In 2011, we audited program areas covering financial assistance to businesses, a hospital replacement project, new and replacement long term care facilities, fire marshal services, registry of motor vehicles, information systems, meat inspection program, and protection of persons in care. These audits examined matters of importance to public health, safety and economic well-being, and identified significant deficiencies that need to be addressed. We are disappointed with the overall implementation rate of 45% for our 2011 recommendations. 81 of the 148 recommendations from 2011, involving 13 departments or agencies, remain unimplemented. The following paragraphs outline our concerns with the four departments or agencies with the lowest response and to which a significant number of recommendations were made.
- 2.21 *Chief Information Office* – The Chief Information Office (now part of the Department of Internal Services) implemented 20% (2 of 10) of our 2011 recommendations. Nine of the recommendations were from our audit of disaster preparedness. Among those still not complete, the Office has not established a secondary processing site that can handle all of the critical systems in the event of a disaster to the Provincial data centre. Disaster response testing and training have not been performed. The Office’s progress in addressing our concerns is inadequate and is not meeting expectations for completion.
- 2.22 *Department of Service Nova Scotia and Municipal Relations* – The Department of Service Nova Scotia and Municipal Relations (now Service Nova Scotia) implemented only 33% (11 of 33) of the recommendations we made in 2011. Among the issues at the Registry of Motor Vehicles which were not addressed: the Department has not implemented a process to eliminate the backlog of collision reports for processing. As well, the poor controls over the level of access assigned to users of the information systems have not been improved. The Department needs to complete implementation of recommendations related to this and other important registries. Although we believe that progress to date has been inadequate, we acknowledge that management has recently implemented a more rigorous internal process to monitor implementation status with a plan to substantially complete all of our recommendations by March 2015.
- 2.23 *Department of Labour and Advanced Education* – The Department of Labour and Advanced Education implemented 40% (10 of 25) of the recommendations from our 2011 audit of the Office of the Fire Marshal (now part of the Department of Municipal Affairs). Important recommendations related to the monitoring of municipalities and ensuring that public schools are inspected at the frequency specified in legislation have not been completed. Although we are somewhat disappointed with the Department’s progress, we acknowledge that certain recommendations are dependent upon the support and cooperation of multiple stakeholders, including municipalities, which are more complex and time consuming to implement. Management has



indicated that progress continues to be made on achieving compliance with the recommendations.

- 2.24 *Department of Economic and Rural Development and Tourism* – The Department of Economic and Rural Development and Tourism implemented 43% (6 of 14) of the recommendations from our 2011 audit of financial assistance through the Industrial Expansion Fund (now the Nova Scotia Jobs Fund). The Department also made no further progress on implementing our recommendations from a related 2010 audit. We identified significant deficiencies in the Department’s processes, controls and documentation supporting the application for and ongoing management of loans. The risk of inconsistent treatment of applicants, incomplete analysis, and poorly informed decisions is greater without a standard loan application and risk assessment process, as well as an appropriate level of documented support from clients. The Department has continued its slow pace in addressing known deficiencies in its programs which is not acceptable.



Appendix 1

Status of Recommendations by Entity, by Chapter

Report and Chapter	Entity	Complete	Not Complete	Do Not Intend to Implement	Total
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Department of Agriculture

November 2011 Chapter 3: Meat Inspection Program	DOA	9	7		16
Recommendations		9 56%	7 44%	0 0%	16 100%

Department of Community Services

November 2010 Chapter 2: Rent Supplement Housing	DCS MRHA WRHA	5 1 3	2		7 1 3
Chapter 3: Services for Persons with Disabilities	DCS	18	10		28
November 2011 Chapter 4: Protection of Persons in Care	DCS	4	3		7
Recommendations		31 67%	15 33%	0 0%	46 100%

Department of Economic and Rural Development and Tourism

June 2010 Chapter 2: Financial Assistance to Businesses Through NSBI and IEF	ERDT	2	2		4
May 2011 Chapter 3: Financial Assistance to Businesses through NSBI and IEF	ERDT	6	8		14
Recommendations		8 44%	10 56%	0 0%	18 100%

Department of Education and Early Childhood Development

February 2010 Chapter 3: Contract Management of Public-Private Partnership Schools	EECD	9	10		19
Recommendations		9 47%	10 53%	0 0%	19 100%

Regional School Boards

February 2010 Chapter 3: Contract Management of Public-Private Partnership Schools	CBVRSB SRSB	1 1			1 1
Recommendations		2 100%	0 0%	0 0%	2 100%

*A list of abbreviations and entity names can be found at the end of this Appendix.



Status of Recommendations by Entity, by Chapter					
Report and Chapter	Entity	Complete	Not Complete	Do Not Intend to Implement	Total
Department of Environment					
June 2010 Chapter 3: Management of Contaminated Sites	ENV	5	11		16
Recommendations		5 31%	11 69%	0 0%	16 100%
Department of Finance and Treasury Board					
May 2011 Chapter 2: Follow-up of 2005, 2006, 2007, and 2008 Recommendations (former Treasury Board Office)	F&TB	1			1
Chapter 4: Colchester Regional Hospital Replacement (former Treasury Board Office)	F&TB		2		2
November 2011 Chapter 2: Disaster Preparedness – Major Government Information Systems (former Department of Finance)	F&TB	1	4		5
Recommendations		2 25%	6 75%	0 0%	8 100%
Department of Health and Wellness					
February 2010 Chapter 2: Electronic Health Records	DHW	3	5		8
June 2010 Chapter 4: Mental Health Services	DHW	9	5		14
May 2011 Chapter 4: Colchester Regional Hospital Replacement	DHW	8	1		9
Chapter 5: Long Term Care – New and Replacement Facilities	DHW	3	3	1	7
November 2011 Chapter 4: Protection of Persons in Care	DHW	6	3		9
Recommendations		29 62%	17 36%	1 2%	47 100%

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Status of Recommendations by Entity, by Chapter					
Report and Chapter	Entity	Complete	Not Complete	Do Not Intend to Implement	Total
District Health Authorities					
June 2010 Chapter 4: Mental Health Services	AVH	3	1		4
	CH	3	1		4
	CEHHA	2	2		4
	CHA		1		1
	IWK	2	1		3
	PCHA		1		1
May 2011 Chapter 4: Colchester Regional Hospital Replacement	CEHHA	2	1		3
Recommendations		12 60%	8 40%	0 0%	20 100%
Department of Labour and Advanced Education (now applies to Department of Municipal Affairs)					
May 2011 Chapter 6: Office of the Fire Marshal	LAE	10	15		25
Recommendations		10 40%	15 60%	0 0%	25 100%
Department of Service Nova Scotia and Municipal Relations (now Service Nova Scotia)					
November 2010 Chapter 4: Registry Systems	SNSMR	9	12		21
May 2011 Chapter 7: Registry of Motor Vehicles Chapter 8: Registry of Motor Vehicles Information and Technology	SNSMR	8	13		21
	SNSMR	3	9		12
Recommendations		20 37%	34 63%	0 0%	54 100%
Chief Information Office (now part of the Department of Internal Services)					
November 2010 Chapter 4: Registry Systems	CIO	3	1		4
May 2011 Chapter 8: Registry of Motor Vehicles Information and Technology	CIO		1		1
November 2011 Chapter 2: Disaster Preparedness – Major Government Information Systems	CIO	2	7		9
Recommendations		5 36%	9 64%	0 0%	14 100%

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Status of Recommendations by Entity, by Chapter					
Report and Chapter	Entity	Complete	Not Complete	Do Not Intend to Implement	Total
Department of Energy					
November 2011 Chapter 5: Canada-Nova Scotia Offshore Petroleum Board	ENGY		1		1
Executive Council Office					
June 2010 Chapter 2: Financial Assistance to Businesses Through NSBI and IEF	ECO	1			1
Department of Justice					
November 2011 Chapter 6: Implementation of Nunn Commission of Inquiry Recommendations	DOJ	1		1	2
Nova Scotia Business Inc.					
June 2010 Chapter 2: Financial Assistance to Businesses Through NSBI and IEF	NSBI	1	1		2
May 2011 Chapter 3: Financial Assistance to Businesses through NSBI and IEF	NSBI	3	1		4
Sub-total		4	2		6
Total Recommendations		148 50%	145 49%	2 1%	295 100%

AVH – Annapolis Valley Health CBVRSB – Cape Breton-Victoria Regional School Board CH – Capital Health CEHHA – Colchester East Hants Health Authority CHA – Cumberland Health Authority CIO – Chief Information Office DCS – Department of Community Services DHW – Department of Health and Wellness DOA – Department of Agriculture DOJ – Department of Justice ECO – Executive Council Office EECDD – Department of Education and Early Childhood Development ENGY – Department of Energy	ENV – Department of Environment ERDT – Department of Economic and Rural Development and Tourism F&TB – Department of Finance and Treasury Board IEF – Industrial Expansion Fund IWK – IWK Health Centre LAE – Department of Labour and Advanced Education MRHA – Metropolitan Regional Housing Authority NSBI – Nova Scotia Business Inc. PCHA – Pictou County Health Authority SNSMR – Department of Service Nova Scotia and Municipal Relations SRSB – Strait Regional School Board WRHA – Western Regional Housing Authority
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