



REPORT OF THE AUDITOR GENERAL

To the House of Assembly



UPDATE
ON RECOMMENDATIONS FROM THE
JANUARY 2014 REPORT

2017

Office of the Auditor General Newfoundland and Labrador



The Auditor General reports to the House of Assembly on significant matters which result from the examinations of Government, its departments and agencies of the Crown. The Auditor General is also the independent auditor of the Province's financial statements and the financial statements of many agencies of the Crown and, as such, expresses an opinion as to the fair presentation of their financial statements.

VISION

The Office of the Auditor General is an integral component of Government accountability.

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**AUDITOR
GENERAL**
of Newfoundland and Labrador

October 2017

The Honourable Perry Trimper, M.H.A.
Speaker
House of Assembly

Dear Sir:

I am pleased to provide my 2017 Update on Recommendations from the January 2014 Report. Copies of this Report are also available to Members of the House of Assembly through the Office of the Auditor General website at <http://www.ag.gov.nl.ca/ag/reports.htm>.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Terry Paddon'.

TERRY PADDON, CPA, CA
Auditor General

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**CHAPTER
1
SUMMARY**

Summary

The Office of the Auditor General is committed to promoting accountability and encouraging positive change over the stewardship, management and use of public resources. To this end, each year our Office conducts performance audits of Government departments and Crown agencies. The recommendations resulting from these performance audits are designed to improve processes and overall performance in the management of taxpayers' resources. Therefore, it is important that Government carefully consider these recommendations and take appropriate action.

Monitoring and reporting on the status of implementation of recommendations from prior years' reports promotes accountability by providing the House of Assembly with useful information about how responsive Government has been to our recommendations.

Commencing with our 2015 Update Report, we began monitoring and reporting on the status of implementation of recommendations from each of our Reports on Performance Audits of Departments and Crown Agencies (Reports) once. Monitoring and reporting occurs approximately three years after a Report is published.

This Update Report provides a summary of the progress made as of June 30, 2017.

Overall Results

45 (57%) of the 79 recommendations made in our January 2014 Report have been fully implemented or otherwise resolved. We encourage entities to implement all of our recommendations.

Table 1

Status of implementation of recommendations January 2014 Report

Status	#	%
Fully implemented or otherwise resolved	45	57
Partially implemented	28	35
Not implemented	6	8
Total	79	100

Summary

CHAPTER
2
INTRODUCTION

Introduction

Overview

We conduct performance audits of Government departments and Crown agencies to provide the House of Assembly with an independent, professional assessment of public sector accountability, facilitating informed judgments on the manner in which the public sector discharges its responsibilities. Performance audits may include:

- evaluation of accountability relationships, management practices and control systems;
- determination of compliance with legislation and other authorities; and
- evaluation of program results against established criteria.

Each year, our Office issues a minimum of one Report which contains findings and recommendations resulting from the performance audits carried out of programs and processes in various Government departments and Crown agencies. Our reports are available on our website <http://www.ag.gov.nl.ca/ag/reports.htm>.

Once our Report is finalized, Government departments and Crown agencies determine how they will respond to our recommendations. In most cases, entities appreciate the independent advice given and make the suggested improvements. In some cases, the passage of time or changes in circumstances means that it is no longer appropriate to implement the recommendations as we originally presented them.

Each year, we provide an update on the status of implementation of our recommendations contained in previous Reports to the House of Assembly. This Update Report includes the results of these monitoring activities on our January 2014 Report.

Monitoring Responses to Performance Audits of Government Departments and Crown Agencies

Our objective is to monitor and report on the degree to which recommendations contained in our prior years' reports have been implemented. We will monitor the recommendations in each Report once entities have had a reasonable length of time to respond to the findings.

Commencing with our 2015 Update Report, we began monitoring and reporting on the status of implementation of recommendations from each Report once. Monitoring and reporting commences approximately three years after a Report is published.

Level of Assurance

Our follow-up work consists primarily of enquiry and discussion with management officials at Government departments and Crown agencies, and an examination of selected supporting documentation. These procedures are sufficient to provide a limited, or review level, of assurance that the actions indicated by management officials have been implemented. This is not an audit and, accordingly, we cannot provide a high level of assurance that the actions indicated by management officials have been implemented. The actions taken or planned by the entities may impact our assessment of whether future audits should be conducted.

Introduction

Recommendations identified for monitoring and reporting

In our January 2014 Report, our Office reported on 8 reviews that were completed during 2013, and made 79 recommendations to 11 Government departments and Crown agencies. This Update Report summarizes the results of monitoring activity that has occurred on these 79 recommendations as of June 30, 2017.

For each recommendation, entity officials were asked to advise whether the recommendation had been fully implemented or otherwise resolved, partially implemented or not implemented. In addition, we requested details including an explanation outlining the current status, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

We classified and reported the status of each recommendation in one of three categories:

- **Fully implemented or otherwise resolved.** We classified recommendations in this category when they had been fully implemented, when we were satisfied that the recommendation had been adequately addressed, or the recommendation was no longer applicable.
- **Partially implemented.** We classified recommendations in this category when there had been some implementation action taken by the entity, but there were still issues remaining to be addressed related to the recommendation.
- **Not implemented.** We classified recommendations in this category when there had been no implementation action taken by the entity.

Occasionally, our Office will disagree with an entity's assessment of the extent of implementation of a recommendation. In these cases, the status of a recommendation is reported based upon our Office's assessment of the extent of implementation.

Overall Assessment

Table 2 outlines the status of implementation of the recommendations from our January 2014 Report.

Table 2

Status of implementation of recommendations January 2014 Report

Status	#	%
Fully implemented or otherwise resolved	45	57
Partially implemented	28	35
Not implemented	6	8
Total	79	100

Introduction

Table 3 outlines the status of the recommendations by entity from our January 2014 Report.

Table 3

**Status of implementation of recommendations by entity
January 2014 Report**

Department or Entity	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Eastern Regional Health Authority	10	9	-	19
Executive Council	1	-	-	1
Fisheries and Land Resources	8	1	-	9
Health and Community Services	8	2	-	10
Justice and Public Safety	1	7	-	8
Legislature	1	-	-	1
Multi-Materials Stewardship Board	2	1	-	3
Municipal Affairs and Environment	3	3	-	6
Natural Resources	3	-	1	4
Service NL	1	-	-	1
Transportation and Works	7	5	5	17
Total	45	28	6	79

Introduction

CHAPTER

3

**SUMMARY OF STATUS OF IMPLEMENTATION
OF RECOMMENDATIONS, BY ENTITY,
JANUARY 2014 REPORT**

Summary of Status of Implementation of Recommendations, by Entity January 2014 Report

The following is a summary of the status of recommendations from our Office's January 2014 Report, by entity, based upon monitoring activity that has occurred as of June 30, 2017.

Eastern Regional Health Authority

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.1				
Eastern Regional Health Authority	10	9	-	19
	53%	47%	-	

Executive Council

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.8				
Contracted and Chartered Air Services	1	-	-	1
	100%	-	-	

Fisheries and Land Resources

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.5				
Cranberry Industry Support	7	1	-	8
Part 3.8				
Contracted and Chartered Air Services	1	-	-	1
	89%	11%	-	

Summary of Status of Implementation of Recommendations, by Entity, January 2014 Report

Health and Community Services

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.2				
Fee-For-Service Physicians: Audit Process	8	2	-	10
	80%	20%	-	

Justice and Public Safety

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.3				
Fines Administration	1	7	-	8
	12%	88%	-	

Legislature

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.8				
Contracted and Chartered Air Services	1	-	-	1
	100%	-	-	

**Summary of Status of Implementation of Recommendations, by Entity
January 2014 Report**

Multi-Materials Stewardship Board

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.4				
Waste Management Strategy	2	1	-	3
	67%	33%	-	

Municipal Affairs and Environment

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.4				
Waste Management Strategy	2	3	-	5
Part 3.8				
Contracted and Chartered Air Services	1	-	-	1
	50%	50%	-	

Natural Resources

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.6				
Oil Royalty Monitoring	2	-	1	3
Part 3.8				
Contracted and Chartered Air Services	1	-	-	1
	75%	-	25%	

**Summary of Status of Implementation of Recommendations, by Entity,
January 2014 Report**

Service NL

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.4				
Waste Management Strategy	1	-	-	1
	100%	-	-	100%

Transportation and Works

Annual Report Part	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Part 3.7				
Bridge Inspection and Monitoring	1	4	5	10
Part 3.8				
Contracted and Chartered Air Services	6	1	-	7
	42%	29%	29%	

	Fully implemented or otherwise resolved	Partially implemented	Not implemented	Total
Total Recommendations	45	28	6	79
Percent	57%	35%	8%	

**CHAPTER
4
DETAILS OF RECOMMENDATIONS
JANUARY 2014 REPORT**

Details of Recommendations January 2014 Report

Introduction

This Chapter contains the details of the 79 recommendations contained in our January 2014 Report and the status of each recommendation based upon our monitoring activity as of June 30, 2017. Occasionally, our Office will disagree with an entity's assessment of the extent of implementation of a recommendation. In these cases, which are highlighted by X, the status of a recommendation is reported based upon our Office's assessment of the extent of implementation.

Part 3.1 Eastern Regional Health Authority

Entity: Eastern Regional Health Authority

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
1. <i>The Authority should revise the Recruitment Authorization policy to require that appropriate funding is available for a position prior to initiating a recruitment action.</i>	√		
2. <i>The Authority should comply with Ministerial directives.</i>	√		
3. <i>The Authority should ensure compensation and recruitment practices are in accordance with Authority and Government policy.</i>	√		
4. <i>The Authority should maintain adequate documentation in competition files.</i>	√		
5. <i>The Authority should calculate employee compensation accurately.</i>	√		
6. <i>The Authority should comply with Government's relocation policy for all employees and ensure that return-in-service agreements are signed and approved.</i>	√		
7. <i>The Authority should ensure compliance with its mileage reimbursement policy.</i>	√		
8. <i>The Authority should amend policies to ensure consistency of Authority policies as compared to Government policies and collective agreements.</i>	√		

Details of Recommendations January 2014 Report

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
9. <i>The Authority should monitor and record employee leave and overtime in accordance with Government and Authority policy, and collective agreements.</i>		√	
10. <i>The Authority should review policies and practices to identify ways in which to cut associated costs.</i>		√	
11. <i>The Authority should strengthen internal controls relating to purchasing and payments.</i>		√	
12. <i>The Authority should complete regular reviews of internal controls to ensure they are operating effectively.</i>		√	
13. <i>The Authority should create a delegation of authority policy that is consistent with Government.</i>		√	
14. <i>The Authority should consider the need for an Internal Audit Department.</i>		√	
15. <i>The Authority should consider the need for an overall review of purchasing.</i>		√	
16. <i>The Authority should comply with the Public Tender Act and Regulations.</i>	√		
17. <i>The Authority should comply with Authority policy, which requires following Government's Consultant Guidelines for the Hiring of External Consultants.</i>	√		
18. <i>The Authority should develop and implement policies and procedures for the identification, recording, controlling and monitoring of capital assets.</i>		√	
19. <i>The Authority should ensure asset purchases and disposals are recorded in a capital asset ledger, and assets are periodically inventoried and reconciled to the financial records.</i>		√	

Details of Recommendations January 2014 Report

Part 3.2 Fee-For-Service Physicians: Audit Process

Entity: Health and Community Services

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
1. <i>The Department should make sufficient use of available reports to ensure that potential issues are investigated for audit identification.</i>	√		
2. <i>The Department should monitor physicians that receive payments in excess of the average in order to identify appropriate claims to audit.</i>	√		
3. <i>The Department should work with the WHSCC to implement a mechanism that would prevent and detect the double billing of services.</i>		√	
4. <i>The Department should ensure that a sufficient number of audits are commenced on annual basis.</i>	√		
5. <i>The Department should ensure that audits are completed in a timely manner.</i>	√		
6. <i>The Department should follow the policies and procedures governing the MCP Fee-For-Services audit function.</i>	√		
7. <i>The Department should work with the Medical Consultants' Committee to ensure that committee meetings are held on a regular basis.</i>	√		
8. <i>The Department should implement policies that would result in the more timely collection of identified recoveries, thus mitigating the risk of uncollectible assessments.</i>		√	
9. <i>The Department should develop formalized policies that outline documentation requirements for audit files.</i>	√		
10. <i>The Department should develop an operational plan, performance measures and reporting requirements to guide their work.</i>	√		

Details of Recommendations January 2014 Report

Part 3.3 Fines Administration

Entity: Justice and Public Safety (formerly Justice)

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
1. <i>The Department should ensure an operational plan is in place for the Fines Administration Division with appropriate performance measures and reporting requirements established for all areas of fines administration.</i>		√	
2. <i>The Department should set performance targets and measure the collection effort by staff to help ensure that fines receivable are collected on a timely basis.</i>		√	
3. <i>The Department should take steps to follow up on the disposition of the 54,400 unidentified tickets and accounts with incomplete information and put procedures in place to ensure that all fines imposed can be identified and collected.</i>		√	
4. <i>The Department should ensure that all delinquent accounts are assigned to collection staff for follow up.</i>		√	
5. <i>To improve collections, the Department should consider registering Provincial fines and accounts below \$400 with the Judgment Enforcement Registry to allow collection efforts by the collections officers including payment arrangements and registering accounts with the CRA.</i>		√	
6. <i>To improve collections, the Department should consider attaching fine balances to all possible Governments permits and Licenses.</i>		√	
7. <i>The Department should consider increasing the late payment penalty rates to encourage payment of the required fine within the required timeframe.</i>	√		

Details of Recommendations
January 2014 Report

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
8. <i>The Department should also consider whether the introduction of a Fines Option Program, as outlined in the Provincial Offences Act, to allow debtors of the Province to discharge their fines by a means other than monetary compensation is feasible.</i>		√	

Part 3.4 Waste Management Strategy

**Entities: Municipal Affairs and Environment (formerly Environment and Conservation and Municipal and Intergovernmental Affairs)
Multi-Materials Stewardship Board
Service NL**

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
Municipal Affairs and Environment			
1. <i>The Department of Municipal and Intergovernmental Affairs, the Department of Environment and Conservation and the Multi-Materials Stewardship Board should ensure that they have the proper plans and mechanisms in place to meet the goals stipulated in the Strategy by the targeted 2020 completion date.</i>		√	
2. <i>The Department of Environment and Conversation should ensure that proper budgets are developed for future work plans.</i>		√	
3. <i>The Department of Municipal and Intergovernmental Affairs should ensure that proper support documentation is developed for all projected costs.</i>		√	

Details of Recommendations
January 2014 Report

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
4. <i>The Departments of Municipal and Intergovernmental Affairs, Environment and Conservation and Service NL and the Multi-Materials Stewardship Board should work together to ensure that the Steering Committee meets on a regular basis to promote effective oversight of the implementation of the Strategy.</i>	√		
5. <i>The Departments of Municipal and Intergovernmental Affairs, Environment and Conservation and the Multi-Materials Stewardship Board should ensure that proper reporting is in place for the remainder of the Strategy.</i>	√		
Multi-Materials Stewardship Board			
1. <i>The Department of Municipal and Intergovernmental Affairs, the Department of Environment and Conservation and the Multi-Materials Stewardship Board should ensure that they have the proper plans and mechanisms in place to meet the goals stipulated in the Strategy by the targeted 2020 completion date.</i>		√	
2. <i>The Departments of Municipal and Intergovernmental Affairs, Environment and Conservation and Service NL and the Multi-Materials Stewardship Board should work together to ensure that the Steering Committee meets on a regular basis to promote effective oversight of the implementation of the Strategy.</i>	√		
3. <i>The Departments of Municipal and Intergovernmental Affairs, Environment and Conservation and the Multi-Materials Stewardship Board should ensure that proper reporting is in place for the remainder of the Strategy.</i>	√		

**Details of Recommendations
January 2014 Report**

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
Service NL			
1. <i>The Department of Municipal and Intergovernmental Affairs, Environment and Conservation and Service NL and the Multi-Materials Stewardship Board should work together to ensure that the Steering Committee meets on a regular basis to promote effective oversight of the implementation of the Strategy.</i>	√		

Part 3.5 Cranberry Industry Support

Entity: Fisheries and Land Resources (formerly Natural Resources)

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
1. <i>If similar programs are to be provided in the future, the Department should obtain all required information from applicants and complete all checks and assessments as required by program guidelines.</i>	√		
2. <i>If similar programs are to be provided in the future, the Department should document the discussions and approvals of program guidelines in Committee minutes and approve and sign all minutes of meetings in a timely manner.</i>	√		
3. <i>If similar programs are to be provided in the future, the Department should ensure the minimum requirements as per guidelines are met before payment is disbursed.</i>	√		
4. <i>If similar programs are to be provided in the future, the Department should establish a process to determine that best farm management practices are being followed.</i>	√		

**Details of Recommendations
January 2014 Report**

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
5. <i>If similar programs are to be provided in the future, the Department should collect and monitor data on the actual cost of acreage development, producer yields and returns.</i>		√	
6. <i>If similar programs are to be provided in the future, the Department should finalize a program evaluation and complete evaluations annually.</i>	√		
7. <i>If similar programs are to be provided in future, the Department should vary the budget annually for changes in targets and objectives and establish production targets based on program demand.</i>	√		
8. <i>If similar programs are to be provided in future, the Department should ensure that all Government initiatives for the industry are consistent and coordinated amongst the various programs with regards to program criteria, producer contributions, terms of funding and monitoring activities.</i>	√		

Part 3.6 Oil Royalty Monitoring

Entity: Natural Resources

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
1. <i>The Department should ensure audits commence earlier in the audit cycle to ensure timely completion.</i>	√		
2. <i>The Department should develop a budget and time keeping system to track and monitor time spent on audits for the purpose of audit planning.</i>			√

Details of Recommendations January 2014 Report

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
3. <i>The Department should continue efforts to maintain a Divisional staff complement that would reduce the need for consulting services.</i>	√		

Part 3.7 Bridge Inspection and Monitoring

Entity: Transportation and Works

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
1. <i>The Department should ensure that inspection information in the bridge management system is complete and accurate to facilitate the Department's ability to effectively monitor all Provincial bridge structures and culverts.</i>		√	
2. <i>The Department should examine life-cycle costing and other analytical tools to assist in determining an optimal plan for bridge rehabilitation and replacement.</i>			√
3. <i>The Department should rank potential bridge rehabilitation and replacement projects contained in long-range plans in order of priority and include realistic costing.</i>	√		
4. <i>The Department should ensure performance measures and reporting requirements are established related to bridge inspections.</i>			√
5. <i>The Department should develop and monitor progress against a schedule for the inspection of Provincial bridges.</i>		√	
6. <i>The Department should work with municipalities and other jurisdictions to</i>			√

**Details of Recommendations
January 2014 Report**

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
<i>ensure that the condition of bridges in municipal and other jurisdictions is adequately monitored and that issues are addressed.</i>			
7. <i>The Department should comply with its bridge inspection policy.</i>		√	
8. <i>The Department should ensure that there are well-defined guidelines for the bridge inspection process.</i>		√	
9. <i>The Department should consider the implementation of an integrated project management system for bridge construction projects.</i>			√
10. <i>The Department should track costs by structure to facilitate related planning, monitoring and bridge rehabilitation and replacement planning.</i>			√

Part 3.8 Contracted and Chartered Air Services

Entity: Transportation and Works

Municipal Affairs and Environment (formerly Environment and Conservation and Fire and Emergency Services)

Executive Council

Fisheries and Land Resources (formerly Forestry and Agrifoods Agency)

Legislature

Natural Resources

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
Transportation and Works			
1. <i>The Department should develop and communicate well defined procedures for the administration of air services as it</i>	√		

Details of Recommendations
January 2014 Report

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
<i>relates to flight authorization, flight reports, invoice processing and all other areas within the air services administration.</i>			
2. <i>The Department should ensure valid approved flight authorizations are provided by Government departments to the Division.</i>	√		
3. <i>The Department should ensure more care is taken to ensure the dispatch log book is accurate and legible.</i>	√		
4. <i>The Department should ensure that Division employees comply with the Conflict of Interest Act, 1995.</i>	√		
5. <i>The Department should ensure that planning for hanger space is complete before purchasing additional waterbombers.</i>	√		
6. <i>The Department should monitor operating and maintenance costs by individual aircraft and should ensure Division staff are properly trained in the use of the system.</i>	√		
7. <i>The Department should review its hourly charge-out rates for air ambulance in order to recover costs associated with its use.</i>		√	
Municipal Affairs and Environment			
1. <i>Government departments should comply with procedures as directed by the Division around the use of contracted and chartered aircraft.</i>	√		
Executive Council			
1. <i>Government departments should comply with procedures as directed by the Division around the use of contracted and chartered aircraft.</i>	√		

**Details of Recommendations
January 2014 Report**

Recommendation	Status		
	Fully implemented or otherwise resolved	Partially implemented	Not implemented
Fisheries and Land Resources			
<i>1. Government departments should comply with procedures as directed by the Division around the use of contracted and chartered aircraft.</i>	√		
Legislature			
<i>1. Government departments should comply with procedures as directed by the Division around the use of contracted and chartered aircraft.</i>	√		
Natural Resources			
<i>1. Government departments should comply with procedures as directed by the Division around the use of contracted and chartered aircraft.</i>	√		

