

Table of Contents

Chapter 1 - Introductory Comments

Overview	3
Risks that need to be managed	3
New Brunswick Credit Union Deposit Insurance Corporation	4
<i>Private Occupational Training Act</i>	5
Wildlife Trust Fund	8
Program evaluation in Health.	8
Prior years' recommendations	9
Acknowledgements	10

Chapter 2 - New Brunswick Credit Union Deposit Insurance Corporation

Background	13
Scope	16
Results in brief	18
Responsibilities of the New Brunswick Credit Union Deposit Insurance Corporation	18
NBCUDIC's authority, independence and resources	19
Monitoring the risks associated with unlimited deposit insurance coverage.	32
Accountability to stakeholders	36
Recommendations	39

Chapter 3 - Department of Post-Secondary Education, Training and Labour

Private Occupational Training Act

Background	49
Scope	53
Results in brief	54
All students should be protected	55
Protection of quality	58
Protection of the financial investment of the student	66
Performance measurement	78

Chapter 4 - Department of Natural Resources - Wildlife Trust Fund

Background	87
Operations of the Fund	88
The nature of our audit.	90
General conclusions on our work	91
Comments and recommendations	92

Table of Contents - Continued

Chapter 5 - Department of Health - Program Evaluation

Background	97
Scope	101
Report recommendations	102
Detailed observations and findings	103
Program evaluation planning	107
Program objectives and targets	110
Evaluation of ongoing program relevance	112
Evaluation of program cost-effectiveness	115
Evaluation of program success	117
Action taken in response to evaluation findings	119
Public reporting of evaluation findings	122

Chapter 6 - Follow up on Prior Years' Recommendations

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

Chapter 7 - Office of the Auditor General

Background	153
Office role and relevance	153
Strategic plan	154
Performance indicators	154
Financial information	158
Staff resources	158

Appendix

Summary of significant audits conducted in departments and Crown agencies over the past ten years	163
--	-----

Chapter 1

Introductory Comments

Contents

Overview	3
Risks that need to be managed.	3
New Brunswick Credit Union Deposit Insurance Corporation	4
<i>Private Occupational Training Act</i>	5
Wildlife Trust Fund	8
Program evaluation in Health	8
Prior years' recommendations	9
Acknowledgements	10

Introductory Comments

Overview

1.1 In this volume of our 2007 Report, we are reporting on four projects: our audit of the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC); our audit of the *Private Occupational Training Act* (POTA); our audit of the Wildlife Trust Fund; and our audit of program evaluation in the Department of Health. We have also included in this volume our follow-up work on some of the recommendations we made in prior years, and a chapter on the operations of the Office of the Auditor General.

1.2 In this first chapter, we provide a summary that is intended to give the reader an overview of the key information contained in each chapter.

Risks that need to be managed

1.3 After reviewing the work contained in this volume, it is possible to identify a number of risks that the Province is facing but not fully managing. These include:

- Lack of crisis planning. It is clear from our audits of both NBCUDIC and POTA that the Province needs to have in place plans that would allow for quick and orderly resolution to situations that might occur that would be beyond the financial capacity of the organizations to handle.
- Overstated mandates. We found in our audit of POTA, as we found in our 2006 audit of the *Pension Benefits Act*, that the mandate described for some programs in annual reports and government communications is not always consistent with legislation. Government shouldn't be in the business of overselling its programs.
- Program relevance. We have found in recent audits that we end up recommending that government review its reasons for having a certain program. We asked this about the Health Levy last year, and this year we are recommending that the Province either give NBCUDIC the authority, independence and resources it needs to fulfill its mandate, or consider dissolving it.

New Brunswick Credit Union Deposit Insurance Corporation

- Resource shortages. NBCUDIC does not have the resources it needs to do its job. The Department of Supply and Services continues to identify priority maintenance needs significantly higher than the funding provided for capital maintenance.

1.4 In chapter 2 of this volume, we report on our audit of the New Brunswick Credit Union Deposit Insurance Corporation. The *Credit Unions Act* puts the ultimate responsibility for insuring deposits held by credit unions on NBCUDIC. We found that the Province has not given NBCUDIC adequate authority, independence or resources to be able to provide that final level of protection, and so it should either be wound up or given the tools it needs to meet its responsibilities.

1.5 In my opinion, NBCUDIC can not adequately insure deposits. The responsibility that has been given to NBCUDIC in legislation is in actual fact a responsibility of the Province and, as we have seen with the recent events at la Caisse populaire de Shippagan, there are no standard procedures for accessing protection funds for the ultimate guarantee.

1.6 NBCUDIC is the third line of defence in the regime for providing 100% protection of eligible deposits in credit unions. The first line of defence is the equity of the individual credit unions, which must be maintained at a prescribed level. The second line of defence is provided by stabilization funds maintained by two stabilization boards. NBCUDIC is the third line of defence to protect approximately \$2.7 billion in deposits. To do this it has \$2.8 million in reserve. We also found that NBCUDIC:

- does not have access to all sources of relevant information that would allow it to minimize its exposure to loss;
- cannot take direct action to prevent or avoid a situation that would affect the safety of deposits;
- board composition means that board members may have a conflict of interest;
- has no control over the filling of positions or setting of priorities of the staff of the Office of the Superintendent of Credit Unions;
- uses a method to assess levies for the purpose of building up a deposit insurance fund that does not take into account all relevant risk factors; and

- does not have a regular operational method to access funds in the event that its deposit insurance fund is inadequate.

1.7 We concluded that the deposit insurance guarantee is actually provided by the Province, not NBCUDIC, and it is therefore hard to understand what purpose NBCUDIC is serving.

1.8 Furthermore, we observed some past events that raise some questions that need to be explored. For example, in 2002, the Superintendent of Credit Unions gave approval to members of la Fédération des caisses populaires acadiennes to establish a 1.5% general allowance for credit risk. This requirement was not extended to other credit unions even though the Superintendent at the time stated that recording a general provision "...ensures a healthy and prudent management of the credit risk. Our department is confident that this procedure is essential..." Also, the Caisse populaire de Shippagan went more than three years between annual general meetings. The position of the Superintendent of Credit Unions was not filled for a four year period, during which the responsibilities were added on to another employee of the Department of Justice.

1.9 The fact that there was an acting Superintendent for four years was a source of frustration for the NBCUDIC board, who recorded in the minutes of the Corporation that the "continual monitoring of the system is in jeopardy." There is now a full time Superintendent in place once again, however NBCUDIC still does not have the resources it needs to fulfill its responsibilities.

1.10 The Province needs to reexamine the purpose and structure of NBCUDIC.

Private Occupational Training Act

1.11 In chapter 3 we report on our audit in the Department of Post-Secondary Education, Training and Labour of the *Private Occupational Training Act*. The Province provides certain protections to students attending registered private occupational training organizations under the *Private Occupational Training Act*. As of 31 March 2007, there were 70 registered private occupational training organizations in New Brunswick.

1.12 In the past ten years, there were eleven closures of occupational training organizations that required compensation to be paid.

1.13 In 2006-2007, there were 3,736 students protected under the Act for a total value of protected tuition of about \$27.9 million.

1.14 We concluded that the Department of Post-Secondary Education, Training and Labour and the New Brunswick Private Occupational Training Corporation are providing financial protection for students. However, they are not fulfilling their stated mandate to provide *effective* consumer protection to students of private occupational training organizations in New Brunswick.

1.15 This audit was a challenge because we found that the stated mandate of the Private Occupational Training Branch was broader than the responsibilities specified in the legislation. The Department felt we should have audited their compliance with the legislation. However, we chose to audit against the stated mandate which was to regulate “the private occupational training industry in order to provide effective consumer protection for students and support a vibrant, healthy private training industry.”

1.16 We took the position that if that is what the Department says its mandate is, both in departmental annual reports and in brochures issued to students, then we wanted to audit against that mandate - specifically are they providing effective consumer protection.

1.17 The Department objected that this approach took us too far into the area of government policy.

1.18 This is not the first time we have found the mandate of a program to be overstated in government’s communications to the public. In our audit of the *Pension Benefits Act* that was included in volume 2 of our 2006 Report, we noted that the responsibilities of the Office of the Superintendent of Pensions had been overstated in the Department’s annual reports for many years until it was changed in 2004-2005.

1.19 For the *Private Occupational Training Act*, we felt that effective consumer protection would mean that any programs not covered would be clearly specified by legislation or regulation, and that there would be clear reasons for those exemptions. This was not the case.

1.20 We feel that the Department needs to reassess the reasons for not providing protection to students of internet based training. While such training may be more difficult to regulate, it is a

growing method of delivery. It is difficult to understand why students of traditional programs should be protected but not students of internet programs. We also believe that the Department's interpretation that religious schools and flight schools are exempt from the Act may not be appropriate and needs to be clarified.

1.21 We found that the Department was taking steps to monitor the quality of programs registered under the *Private Occupational Training Act*. This is happening even though the Department is not mandated by legislation to monitor the quality of the programs. The Department needs to clarify its role and its communications about its quality of education activities, and improvements could be made to some of the monitoring activities it is currently doing.

1.22 Another area of public communication that was not consistent with legislation was in the Department's description of the financial protection provided to students. In its public brochure, the implication is that tuition fees are 100% protected, whereas the Act says that this is only the case if there is sufficient money in the Training Completions Fund.

1.23 We also feel that there should be a formal contingency plan in place in case of a large closure that would deplete the Training Completions Fund. The fund currently has \$1.8 million in place, and the fund has been sufficient to deal with all compensation requests to date. However, a contingency plan would ensure that should there ever be a crisis, the government would be able to react to it in a planned fashion rather than on an ad hoc basis. This is basic risk management.

1.24 The Department could put in place additional procedures to ensure that all private occupational training organizations are submitting the proper amount to the Training Completions Fund. The Department should also be able to earn a higher rate of return on the Fund balance than has been earned in recent years.

1.25 We did find that compensation to students after the closure of a training organization was being offered on a timely basis. This is critical to ensure that students have confidence in the protection they are offered.

1.26 We found that the registration fees charged for training programs and instructors were established in 1969 and not changed since.

Wildlife Trust Fund

1.27 In chapter 4 we report on our audit of the Wildlife Trust Fund. In 2002, the Wildlife Trust Fund was established by Regulation under the *Fish and Wildlife Act*. The Regulation established a Wildlife Council consisting of seventeen members, representing a broad spectrum of wildlife conservation interests.

1.28 In our audit of the Wildlife Trust Fund, we found that grants were being evaluated according to documented requirements of the Fund and that applications that did not meet the requirements were rejected. In fact we found ourselves in the unusual position of suggesting that the evaluation process may be too rigorous for smaller applications, although the Council has informed us that they intend to continue using one process for all applications.

1.29 We did recommend that the Council establish a written policy around what qualifies as a contribution from the applicant. The Wildlife Trust Fund will contribute a maximum of 75% of the cost of a project, and the applicant has to provide the rest. Since the applicant's contribution is often in-kind, it is important for the Council to have a policy about what qualifies as an in-kind contribution.

1.30 The Fund does face a revenue risk however. Since over 85% of its revenue comes from conservation fees charged on the sale of hunting and fishing licenses, and since the number of those licenses sold each year is declining, the primary revenue source of the Fund is declining. The conservation fees declined almost 10% from 2002 until 2006. For the Fund to be able to continue to support a significant number of projects, other revenue sources may have to be identified. Two possible additional revenue sources are penalty clauses in construction contracts and public donations.

Program evaluation in Health

1.31 In chapter 5 we report on our review of program evaluation in the Department of Health. In 2002 we conducted a series of scoping interviews in the Department. At the time many stakeholders indicated that there were deficiencies in the evaluation of programs in the Department. We wanted to assess the adequacy of the systems and practices that have been established to evaluate programs.

1.32 We sent program evaluation surveys to the Department of Health and to three Regional Health Authorities for seven programs administered by the Department. We received 27 completed surveys in response. We also sent an evaluation survey to the Department of

Health for an eighth program, the Provincial Epidemiology Service, but we did not receive a response.

1.33 We found that the Department of Health has no formal documented evaluation plans in place for any of the seven programs we surveyed. There are, however, informal evaluative and performance monitoring processes in place for several of the programs. Also, in 2004, the Department disbanded its Evaluation Unit, greatly reducing the capacity of the Department in the area of program evaluation.

1.34 We also found that for most programs we surveyed, the program data that is captured and summarized is insufficient to allow for the ongoing evaluation of program success in achieving objectives. However, it is apparent from the comments we received that program decision-makers are generally responsive when presented with evidence indicating that their program needs changes or adjustments.

1.35 Our recommendations in this area dealt with setting evaluation guidelines and expectations, receiving regular evaluation reports and improving public reporting about the programs administered by the Department.

Prior years' recommendations

1.36 In chapter 6 we report on our follow-up of prior years' recommendations. 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.

1.37 For the years 1999, 2000 and 2003, less than 50% of our recommendations were implemented even after four years. 2001 and 2002 were better, however even those two years were below 75% implementation after four years. One trend that can be seen from our follow-up work 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.

1.38 One area where progress has been slow was our 2003 audit of Crown agency governance. 15 of the 19 recommendations we made in 2003 still had not been implemented in 2007. However, we

are encouraged by steps taken within the last year by the Executive Council Office to try to address these governance issues.

1.39 We are also disappointed with the lack of progress made on our recommendations concerning tax expenditure programs where five of our six recommendations have not been implemented even after four years.

1.40 One finding that our follow-up work produced that was particularly concerning relates to our audit in the Department of Supply and Services on the Management of Insurable Risks to Public Works Buildings. During the original audit in 2003, the Department had identified \$12 million of high priority capital maintenance needs but at the time the capital maintenance funding was less than \$3 million. This was despite the fact that the 1999 Grant Thornton report had identified underspending on necessary capital projects as a problem four years earlier. It seems that the situation has not improved. According to the Department of Supply and Services, the situation in 2007 is significantly worse. This problem was identified by Grant Thornton in 1999, brought up again by this Office in 2003 and yet it continues to get worse.

1.41 The audits that we do are time consuming for Departments. They have to answer our questions and provide us with supporting documentation. However, in order that we can provide information to the Legislative Assembly on government programs, it is imperative that we receive co-operation. During this past year we encountered some delays receiving information from departments. Neither the Department of Agriculture, Fisheries and Aquaculture nor the Department of the Environment provided us with a response to our follow-up work in time to include it in this Report, and we had trouble getting feedback from the Department of Health on our audit of their program evaluation function.

Acknowledgements

1.42 I wish to acknowledge the hard work of the staff in the Office in completing this volume of our Report.

A handwritten signature in black ink, appearing to read "Michael Ferguson".

Michael Ferguson, CA
Auditor General

Chapter 2

New Brunswick Credit Union Deposit Insurance Corporation

Contents

Background	13
Scope.	16
Results in brief.	18
Responsibilities of the New Brunswick Credit Union Deposit Insurance Corporation.	18
NBCUDIC's authority, independence and resources.	19
Monitoring the risks associated with unlimited deposit insurance coverage	32
Accountability to stakeholders	36
Recommendations.	39

New Brunswick Credit Union Deposit Insurance Corporation

Background

2.1 Credit unions and caisses populaires are an important part of the financial services industry in New Brunswick. There are 56 credit unions and caisses populaires in the Province with over 320,000 members. As of December 31, 2005 credit unions held \$2.7 billion in deposits.¹ This was the latest information available to us at the time of our audit.

2.2 The ultimate responsibility for insuring deposits held by credit unions has been assigned to the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC). The Province of New Brunswick established NBCUDIC in 1994. The authority and purpose of the corporation are stated in the *Credit Unions Act*.

2.3 As part of a number of regulatory amendments announced in November 2005, the deposit guarantee provided by NBCUDIC was increased from \$100,000 to 100% of eligible deposits.

2.4 The 100% guarantee of eligible deposits, plus the fact that there are 320,000 members of credit unions, were the reasons we decided to conduct an audit of the New Brunswick Credit Union Deposit Insurance Corporation.

2.5 The fieldwork for this audit was conducted between May 2006 and July 2006. We had originally intended to include our findings in our 2006 Report; however, new information arose during the preparation of the final report. Subsequent to the completion of our fieldwork, the Province issued a press release announcing that it had set aside a total of \$60 million in funding to NBCUDIC. The details of the government package to credit unions, announced March 26, 2007, indicate that “about \$40 million will be contributed by government via NBCUDIC to

1. Throughout this chapter, the use of the term “credit union” also includes “caisse populaire”.

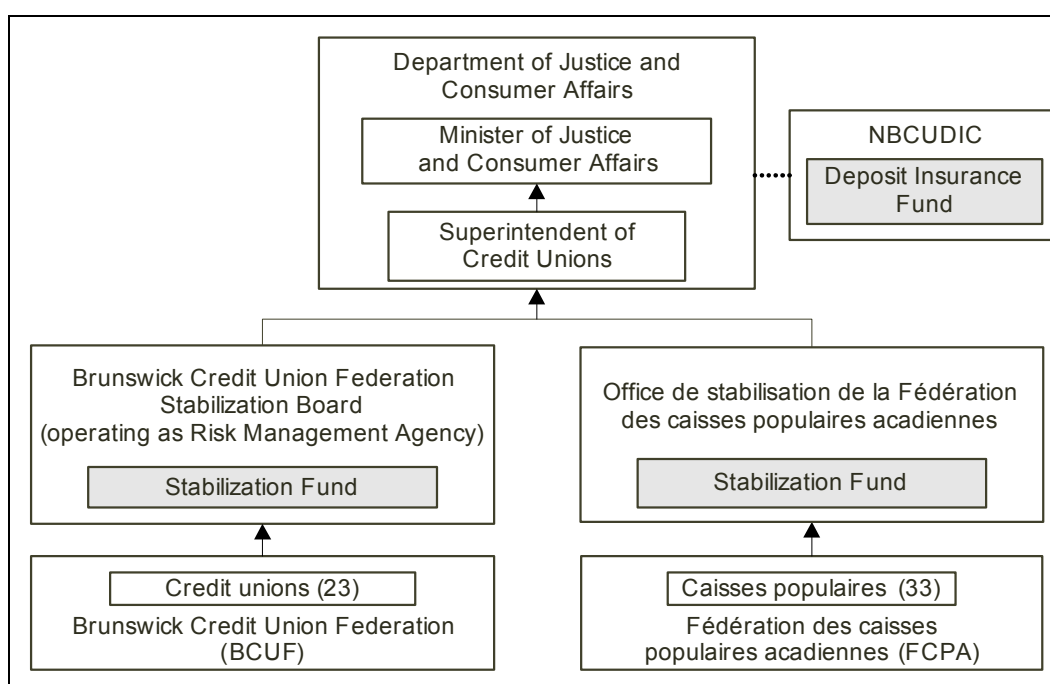
recapitalize la Caisse populaire de Shippagan, in order to facilitate the transfer of the caisse to la Fédération des caisses populaires acadiennes on June 1, 2007”. It goes on to state that “the remaining amount will stay with the corporation to provide for certain guarantees and contingencies related to the transfer, as well as stabilization and deposit protection for the system in general”.

New Brunswick’s credit union system

2.6 Before we report on our findings, we thought it useful to identify the various groups involved in the credit union system. The *Credit Unions Act*, proclaimed in 1994, sets the regulatory framework within which the credit union system operates. Exhibit 2.1 displays the main parties in the system.

Exhibit 2.1

Credit union system in New Brunswick



2.7 In order to carry on business in New Brunswick, all credit unions in the Province must belong to a federation; either the Brunswick Credit Union Federation Limited (BCUF) or the Fédération des caisses populaires acadiennes limitée (FCPA). Of the 56 credit unions and caisse populaires in New Brunswick, 23 are members of the BCUF while 33 belong to the FCPA¹. As stated in section 164 the *Credit Unions Act*, the purposes of a federation are:

1. As of December 31, 2005

- to receive and manage deposits made by member credit unions in relation to liquidity requirements;
- to develop and provide financial, advisory, educational and research services to member credit unions;
- to develop and promote sound business and financial policies and procedures for member credit unions;
- to promote the organization, development and welfare of credit unions in New Brunswick; and
- to encourage cooperation among cooperatives and credit unions.

2.8 Credit unions are also members of the stabilization board established in relation to the federation of which the credit union is a member. There are two stabilization boards in New Brunswick: the Brunswick Credit Union Federation Stabilization Board Limited (which operates under the name of Risk Management Agency) and l'Office de stabilisation de la Fédération des caisses populaires acadiennes limitée. The Act states in section 196 that their purposes are:

- to protect member credit unions against financial losses and insolvency;
 - by promoting the development and implementation of sound business and financial policies and procedures by credit unions;
 - by establishing and implementing loss prevention programs and other controls; and
 - by establishing and maintaining a stabilization fund.
- to provide financial assistance to member credit unions for the purpose of stabilization.

2.9 The business and affairs of a stabilization board are managed by a board of directors consisting of eight individuals: three are elected by the representatives of its member credit unions; two are appointed by the Minister; two are appointed by the board of directors of the federation for which the stabilization board was established; and the Superintendent of Credit Unions. The superintendent is a non-voting member of both stabilization boards.¹

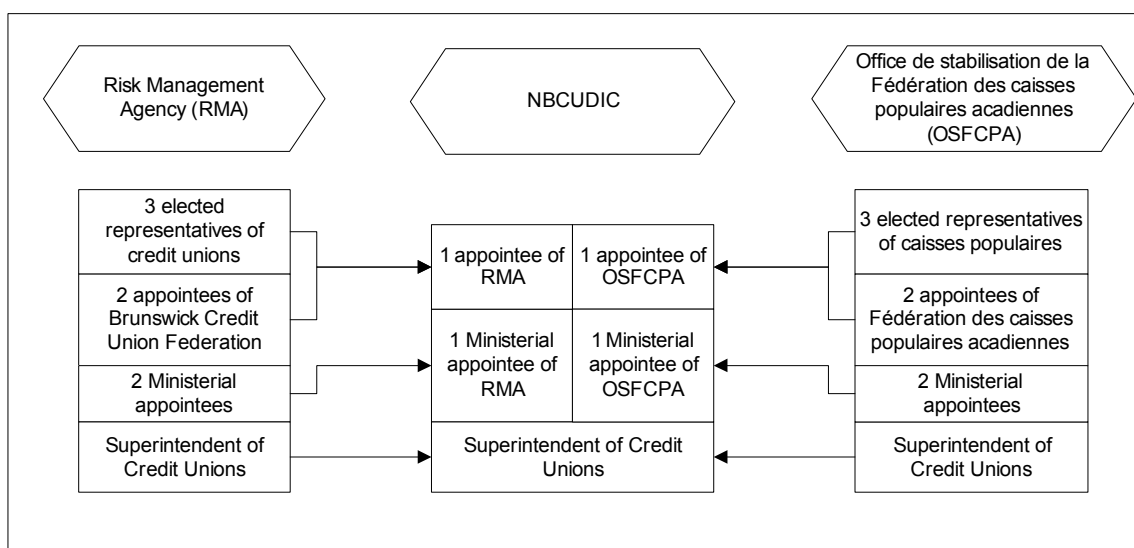
2.10 Each stabilization board has a stabilization fund, accumulated through fees paid by member credit unions. The funds can be used to provide assistance to credit unions for stabilization

1. Per section 203(1) of the *Credit Unions Act*.

purposes¹. The term “stabilization” is not defined in the *Credit Unions Act*; in our opinion, for the purposes of this chapter, it refers to a monitoring and intervention process to ensure that credit unions achieve and maintain certain prescribed financial benchmarks, such as meeting a prescribed level of equity. If a credit union falls below the prescribed level, it may need financial assistance to be “stabilized”; in other words, to attain the prescribed level once again.

2.11 As shown in Exhibit 2.2, the New Brunswick Credit Union Deposit Insurance Corporation is governed by a board of directors made up of two representatives from each stabilization board, in addition to the Superintendent of Credit Unions, who also serves as chair.² The superintendent is appointed by and employed by the Minister of Justice and Consumer Affairs. The Minister is ultimately responsible for the general administration of the *Credit Unions Act* and its regulations.

Exhibit 2.2
Board compositions



Scope

2.12 Our audit objective was:

To assess whether the New Brunswick Credit Union Deposit Insurance Corporation has adequate structures, processes and procedures in place to fulfill its obligation

1. Per sections 201, 202(2) and 202(3) of the *Credit Unions Act*.
2. Per sections 229(1) and 230(1) of the *Credit Unions Act*.

to protect the deposits of members of credit unions and caisses populaires in New Brunswick.

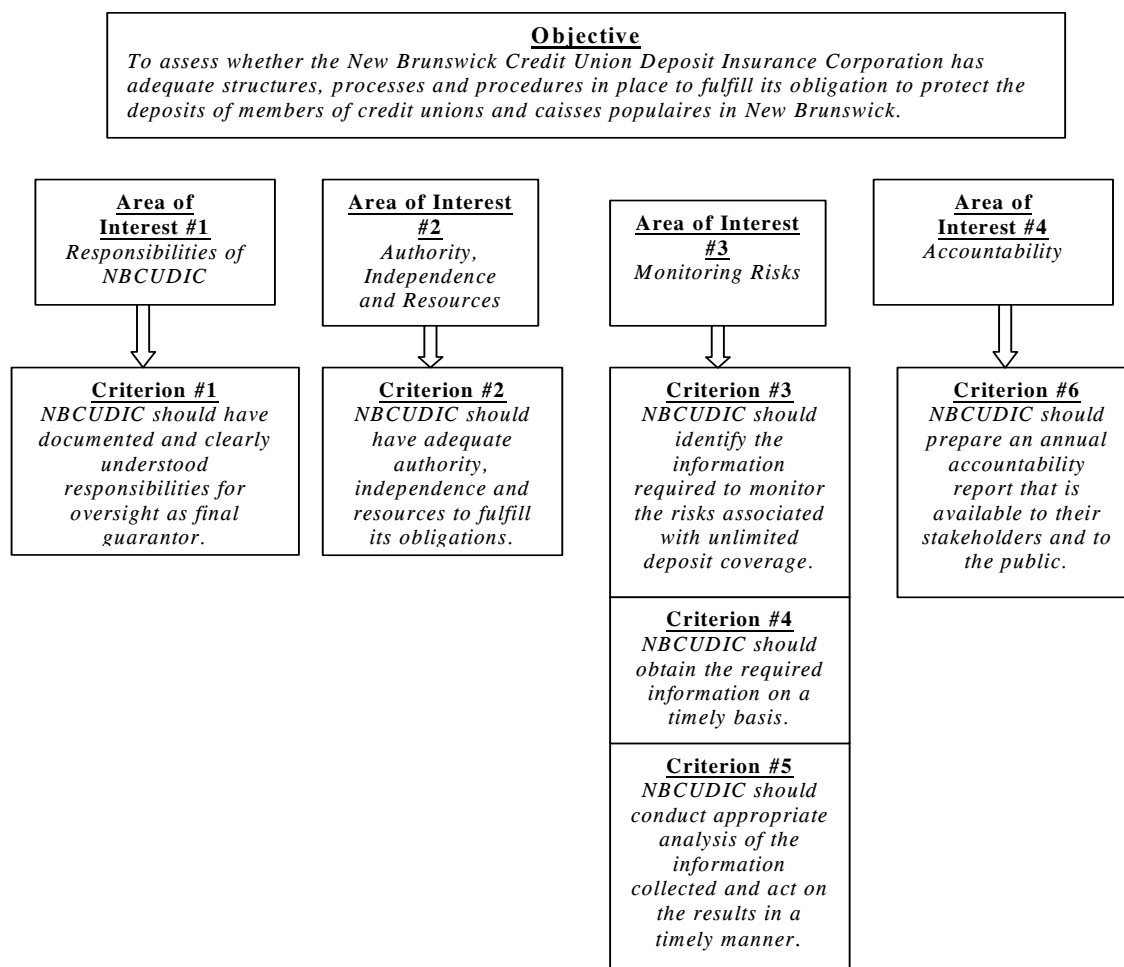
2.13 To further focus our audit efforts, we identified six audit criteria covering the following four areas of interest:

- responsibilities of the New Brunswick Credit Union Deposit Insurance Corporation;
- authority, independence and resources of the corporation;
- information and analysis required by NBCUDIC to adequately monitor its risks; and
- accountability of the corporation.

2.14 A summary of our audit objective and criteria can be found in Exhibit 2.3.

Exhibit 2.3

Summary of Objective and Criteria



2.15 Our audit was performed in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Results in brief

2.16 We found that there are documented responsibilities for NBCUDIC, and that the board understands these responsibilities.

2.17 The board has identified some of the information it feels is needed to fulfill its obligations, and is receiving this information. However, there is a need to share an increased amount of information within the board to ensure directors are in an informed position. Because the board does not have adequate authority and resources, it is difficult for the board to identify further information needed. Even if the board could identify its information needs, it is unclear whether the information could be obtained.

2.18 Improvements to the annual report are needed for NBCUDIC to be adequately accountable to their stakeholders and the public.

2.19 In our opinion, NBCUDIC does not have the adequate authority, independence or resources it needs to fulfill its obligations. We therefore recommend the Province either give NBCUDIC the authority, independence and resources it needs to fulfill its mandate, or consider dissolving NBCUDIC.

Responsibilities of the New Brunswick Credit Union Deposit Insurance Corporation

Responsibilities are documented

2.20 Our first criterion is:

NBCUDIC should have documented and clearly understood responsibilities for oversight as final guarantor.

2.21 As the insurer of the deposits held in New Brunswick credit unions, we believe it is important that NBCUDIC have documented responsibilities and that the board of NBCUDIC clearly understands its responsibilities. We found two sources that identify the purposes of NBCUDIC; the *Credit Unions Act* and the corporation's annual report.

2.22 Section 216 of the Act states that the purposes of NBCUDIC are:

- to provide, for the benefit of persons having deposits with credit unions in New Brunswick, deposit insurance against loss of part or all of such deposits by making payment to the persons to the extent and in the manner authorized by the Act and the regulations; and
- to assist the stabilization boards in providing financial assistance to credit unions for the purpose of stabilization.

2.23 Meanwhile, in its 2005 annual report, NBCUDIC states that its purposes are to:

- establish and maintain a deposit insurance fund;
- provide deposit insurance against the loss of part or of all deposits for the benefit of persons having such deposits with credit unions and caisses populaires in New Brunswick;
- assist the two stabilization boards in providing financial assistance to credit unions and caisses populaires for the purposes of stabilization; and
- minimize the corporation's exposure to loss.

2.24 These purposes articulate the responsibilities of NBCUDIC. The fourth component stated in the annual report, "minimize the corporation's exposure to loss", is not directly indicated in the Act as a responsibility. For the purpose of our analysis, we used NBCUDIC's interpretation of its purposes as described in its 2005 annual report.

2.25 We discussed the responsibilities of NBCUDIC with the members of the board. We concluded that they understand the responsibilities of the corporation.

Conclusion

NBCUDIC's authority, independence and resources

2.26 This criterion is met. We found that there are documented responsibilities for NBCUDIC, and that the board understands these responsibilities.

2.27 Our second criterion is:

*NBCUDIC should have adequate authority,
independence, and resources to fulfill its obligations.*

2.28 We have broken our discussion of this criterion into three components. They are:

- authority
- independence
- resources

Authority

2.29 In order to carry out its purpose, we believe it is important that NBCUDIC have adequate authority.

2.30 We reviewed the Act in its entirety to determine what authority has been granted to the corporation and to the other parties involved in the credit union system. We summarized the authority granted to the various parties, along with any reporting relationships, in Appendix A.

2.31 To ensure that the corporation has the required authority to fulfill its legislated purpose, we compared the authority granted by the Act to NBCUDIC to its purpose as stated in its annual report. Our findings are shown in Exhibit 2.4.

Exhibit 2.4

Comparison of purpose and authority of NBCUDIC

Purpose of New Brunswick Credit Union Deposit Insurance Corporation as per 2005 annual report	Authority of New Brunswick Credit Union Deposit Insurance Corporation under the <i>Credit Unions Act</i>
<ul style="list-style-type: none"> • Establish and maintain a deposit insurance fund. 	<ul style="list-style-type: none"> • Maintain deposit insurance fund. • Determine amount to be levied from credit unions (for deposit insurance fund).
<ul style="list-style-type: none"> • Provide deposit insurance. 	<ul style="list-style-type: none"> • Insure deposits.
<ul style="list-style-type: none"> • Provide assistance to stabilization boards. 	<ul style="list-style-type: none"> • Make loans or advances to stabilization boards, guarantee loans or make investments for deposit insurance fund. • Maintain deposit insurance fund. • Make or cause to be made inspections and examinations of credit unions.
<ul style="list-style-type: none"> • Minimize the corporation's exposure to loss. 	<ul style="list-style-type: none"> • Make or cause to be made inspections and examinations of credit unions. • Maintain deposit insurance fund. • Determine amount to be levied from credit unions (for deposit insurance fund). • Borrow money on the credit of the corporation. • Apply to the Minister for loans and guarantee of loans.

2.32 It appears that NBCUDIC has the authority to fulfill the first three components of its purpose. While it has some ways to deal

with losses once they are known, it has limited authority to minimize its exposure to loss.

NBCUDIC has limited authority to minimize the corporation's exposure to loss

2.33 NBCUDIC's ability to minimize its exposure to loss is limited due to the following factors.

- Even though NBCUDIC has the authority to inspect a credit union, it does not have the authority to take direct action against a credit union that is posing a risk to the system and exposing the corporation to loss. Both the Superintendent and the stabilization boards can take action against a credit union by placing them under supervision or causing them to be placed under supervision, but NBCUDIC cannot.
- The stabilization boards are required to inspect and examine credit unions at least every 18 months, and either have staff or have contracted the services of others to carry out these inspections and examinations. However, NBCUDIC does not have the authority to obtain the results of these inspections and examinations. The results are reported to the Superintendent, the directors and auditor of the credit union, and the directors of the federation, but not NBCUDIC.

2.34 NBCUDIC does have some authority to identify the risks it faces, but its primary method to do so is direct inspection of credit unions, rather than having access to all sources of relevant information. Also, because it cannot take direct action, it does not have adequate authority to minimize the losses it faces. Even if the risks are known, the corporation has limited ability to minimize the loss to a reasonable level.

Independence

2.35 The second component of this criterion is the need for independence. In this section we examine the independence of NBCUDIC board members.

2.36 One example of independence requirements in the credit union sector in Canada can be found in the governance practices of The Credit Union Deposit Guarantee Corporation of Alberta. It has established governance practices consistent with the Guidelines for Improved Corporate Governance in Canada adopted by the Toronto Stock Exchange. Their corporate governance practices on independence require that a majority of board members should be independent of management and free from any business or other

relationships which would be perceived to interfere with the director's ability to act in the best interest of the corporation.

2.37 The *Credit Unions Act* recognizes the need for independence on the stabilization boards. It specifically says that an employee, director or officer of a credit union, federation or another stabilization board cannot be a director of a stabilization board.

Board composition is determined by legislation

2.38 Section 229 of the *Credit Unions Act* describes the composition of the board of directors of NBCUDIC. The composition of the board of NBCUDIC is shown in Exhibit 2.2.

Lack of independence in current board composition requirements

2.39 Independence is not a requirement for appointment to the board of NBCUDIC.

2.40 NBCUDIC's board is made up of four stabilization board members and the superintendent. In their 2005 annual report, NBCUDIC states "each stabilization board exercises significant influence on the activities of the Corporation". This can create conflicts between the members of the board because:

- The stabilization boards and NBCUDIC are both part of the deposit insurance protection program and there could be conflicts about the role and level of financial involvement each should have in any specific situation requiring stabilization.
- NBCUDIC board members representing a stabilization board may be reluctant to share information with the NBCUDIC board about one of their credit unions because in their role as board members of the stabilization board they would normally protect this information.
- The Minister of Justice and Consumer Affairs appoints and employs the superintendent. Since the superintendent is not an employee of the board of NBCUDIC, it is not possible for the board to direct the actions of the superintendent. In fact, the *Credit Unions Act* states that the superintendent shall act under the instructions of the Minister. Based on our discussions with board members, conflicts have occurred in the past when the superintendent gave priority to issues significant to the Minister (employer) at the expense of issues of priority to the board of NBCUDIC.

2.41 NBCUDIC needs more independence at the board level, as well as independence from the Department.

Resources

2.42 The final component of this criterion addresses the need for adequate resources. In this section, we discuss the human resources and financial resources of NBCUDIC.

Human resources

2.43 NBCUDIC has an agreement with the Credit Unions, Cooperatives, and Trust Companies Branch of the Department of Justice and Consumer Affairs to provide the required human resources to the corporation. However, the branch itself operated without a director since November 2001 and has had numerous staff shortages. These vacancies were a source of frustration for the members of the NBCUDIC board. The branch has recently begun recruiting and filling positions.

2.44 When the board of NBCUDIC wishes to act on or pursue an issue, it must rely on the superintendent or his/her staff to move the issue forward towards resolution. We have been told that, in the past, this has created problems in getting work done, due to the superintendent's other responsibilities at the Department. When this occurs, the board is powerless because they cannot direct nor take action against the superintendent since that individual is not their employee, nor can they assign the work to another individual because NBCUDIC itself has no staff.

2.45 Furthermore, from March 2002 to April 2006, there was an acting Superintendent of Credit Unions. During that time, the statutory responsibilities were assigned to the Assistant Deputy Minister of the Justice Services Division of the Department. From our review of board minutes, the board has been very frustrated with staff shortages, and stated on one occasion that the "continual monitoring of the system is in jeopardy."

2.46 Since the only means for the board of NBCUDIC to get work done is to assign the task to a staff person at the branch, it is important that the branch maintain the human resources necessary to fulfill the needs of the corporation.

Financial resources

2.47 NBCUDIC needs access to financial resources because of its 100% guarantee of eligible deposits as well as any role it might play in assisting stabilization boards in providing financial assistance to credit unions. To assess the adequacy of NBCUDIC's financial

resources we considered possible circumstances under which NBCUDIC would be required to exercise its guarantee.

Three levels of protection to safeguard deposits

2.48 NBCUDIC's "Guide to Enhanced Deposit Insurance Protection in New Brunswick Credit Unions" describes deposit protection in New Brunswick. It states that deposits in New Brunswick credit unions are safeguarded by three levels of protection. The guide describes the protection as follows:

1. At the credit union level:

The Act requires that each credit union maintain a minimum level of equity to provide protection against potential financial losses.

2. At the level of the two stabilization boards:

Credit unions and caisses populaires have pooled resources to establish stabilization funds through their respective stabilization boards. This level of protection is unique to these financial institutions. A stabilization fund may be used to provide financial assistance to member credit unions to meet equity requirements or to provide further protection against financial losses.

Under provincial legislation, each stabilization board is administered by an eight-person board of directors, five of whom are appointed or elected by member credit unions and their federation. The other three are appointed by government.

In addition to providing financial assistance, stabilization boards carry out inspections and monitor the financial condition and standards of sound business and financial practices of all credit unions on an ongoing basis.

3. At the NBCUDIC level:

NBCUDIC guarantees the 100% repayment of all eligible deposits held at New Brunswick credit unions, including accrued interest. Deposit insurance is part of a comprehensive protection program in all New Brunswick credit unions.

Explanation of the three levels of protection

Credit union level of equity

2.49 Credit union regulation requires that credit unions maintain a level of equity equal to 5% of total assets, unless a credit union is under supervision. Prior to January 30, 1999 the level of equity required was 2% of total assets. On January 31, 1999 the required

level was increased to 3% of total assets, and finally reached its current level of 5% on January 31, 2004.¹ This 5% equity requirement is based on total assets. It does not take into consideration the risks associated with individual assets. We found evidence in the minutes of NBCUDIC board meetings of discussions about equity requirement methods used in other jurisdictions.

2.50 Exhibit 2.5 compares equity to total assets for credit unions by federation. In this exhibit, we used the figures for total assets and equity of credit unions as reported to the Credit Unions branch in audited financial statements of credit unions. The amounts related to la Caisse populaire de Shippagan have been excluded from the figures of the Brunswick Credit Union Federation because of an adjustment of \$45.7 million made to the caisse's financial statements, which negatively affected its June 1, 2003 opening retained earnings but was not allocated to prior fiscal years.

Exhibit 2.5

Equity and total assets of credit unions by federation

Year	Brunswick Credit Union Federation (excluding la Caisse populaire de Shippagan)			Fédération des caisses populaires acadiennes		
	Equity	Total Assets	Equity/Assets	Equity	Total Assets	Equity/Assets
2001	\$29,318,681	\$455,168,600	6.44%	\$104,034,777	\$1,646,116,896	6.32%
2002	\$33,425,659	\$526,846,173	6.34%	\$106,717,319	\$1,777,755,768	6.00%
2003	\$37,794,657	\$577,572,387	6.54%	\$113,025,312	\$1,896,361,714	5.96%
2004	\$44,617,203	\$619,396,939	7.20%	\$122,925,119	\$2,010,497,285	6.11%
2005	\$47,166,279	\$652,020,840	7.23%	\$131,853,333	\$2,048,434,534	6.44%

2.51 In la Caisse populaire de Shippagan's adjusted financial statements for 2005, total assets were \$239,478,568 with a negative equity of \$25,135,865, for a negative ratio of 10.5%.

2.52 Under section 108(2) of the *Credit Unions Act*, the Superintendent has the authority to specify that financial statements can be prepared using accounting principles that deviate from generally accepted accounting principles. In February 2002, the Superintendent granted the following exceptions to credit unions that are members of FCPA:

1. Per paragraphs 11(1) to 11(6) of New Brunswick Regulation 94-5 of the *Credit Unions Act*.

(...) I give my approval to the two following exceptions in order to establish a general allowance for the credit risk:

- 1. Establish a 1.5% general allowance for the credit risk, spread over a maximum of five years. The credit unions will be able to expense a minimum amount of \$0.20 per \$100 of asset per year during the five years or until the risk assets reach 1.5%, unless special authorization is obtained from the Office de stabilisation;*
- 2. Include in the capitalization calculation the amount posted by a credit union in the general allowance for the credit risk. [Translation]*

2.53 These exceptions, presumably issued under the authority of section 108(2), have been interpreted to allow the FCPA-member credit unions to remove the general provision for credit risk of 1.5% of assets from the regulatory calculation of equity. We understand that this adjustment is intended to result in a consistent method for calculating the equity to asset ratio of all credit unions. Exhibit 2.6 displays the equity to asset ratios using the adjusted figures for assets and equity as provided by l'Office (these figures are not from audited financial statements). The general provision has been added back for the purposes of this calculation. The result is higher ratios than those shown in Exhibit 2.5.

Exhibit 2.6

Equity and assets of credit unions for members of la Fédération des caisses populaires acadiennes (unaudited figures)

Fédération des caisses populaires acadiennes			
Year	Equity	Total Assets	Equity/Assets
2001	\$110,055,000	\$1,663,825,000	6.61%
2002	\$117,721,000	\$1,785,065,000	6.59%
2003	\$131,833,000	\$1,921,316,000	6.86%
2004	\$145,057,000	\$2,025,236,000	7.16%
2005	\$159,445,000	\$2,104,726,000	7.58%

2.54 Since these exceptions apply only to members of FCPA, credit unions who are members of RMA, including la Caisse populaire de Shippagan, have not been required by the Superintendent to establish a general provision. This requirement was not extended to RMA's credit unions, even though the

Superintendent stated that recording a general provision “...ensures a healthy and prudent management of the credit risk. Our department is confident that this procedure is essential, as Canadian financial institutions and the Caisses populaires Desjardins have adopted this procedure several years ago.”[Translation].

2.55 We feel that the Superintendent should review the practice of recording general provisions by all credit unions to ensure consistency and the prudent management of risk. Further, this will eliminate the need to deviate from generally accepted accounting principles for regulatory purposes.

2.56 In November 2005, the Credit Union Regulation was amended to require a credit union under supervision that would require a significant amount of stabilization funding to meet the following equity levels:

- establish a level of equity of 2% within three years;
- establish a level of equity of 3% within five years; and
- establish a level of equity of 5% within ten years.

Stabilization funds

2.57 There are two stabilization funds in New Brunswick. Credit unions pay into the fund through levies paid to their respective stabilization board. The annual amount of the levy, as determined by paragraph 15(1) of regulation 94-5, is based on a percentage of total deposits held by credit unions and amounts previously borrowed from the stabilization board. The Act requires that the levy be collected as long as the value of the fund is less than 1.5% of the total assets held by member credit unions. A stabilization fund may be used to provide financial assistance to member credit unions to meet equity requirements or to provide further protection against financial losses¹. Exhibit 2.7 compares the value of the stabilization fund to assets in member credit unions for each stabilization board. For the purposes of this exhibit, the amounts related to la Caisse populaire de Shippagan have been excluded from the figures of Risk Management Agency because of an adjustment of \$45.7 million made to the caisse’s financial statements, which negatively affected its June 1, 2003 opening retained earnings but was not allocated to prior fiscal years.

1. Per “Your Guide to Enhanced Deposit Insurance Protection in New Brunswick Credit Unions”, published by New Brunswick Credit Union Deposit Insurance Corporation.

Exhibit 2.7

Comparison of stabilization fund to assets

Year	Risk Management Agency			Office de stabilisation de la Fédération des caisses populaires acadiennes		
	Stabilization fund	Credit Union assets	Fund/ Assets	Stabilization fund	Credit Union assets	Fund/ Assets
2001	\$11,226,398	\$455,168,600	2.47%	\$43,675,255	\$1,646,116,896	2.65%
2002	\$12,605,981	\$526,846,173	2.39%	\$48,691,255	\$1,777,755,768	2.74%
2003	\$13,491,616	\$577,572,387	2.34%	\$52,747,018	\$1,896,361,714	2.78%
2004	\$13,642,916	\$619,396,939	2.20%	\$55,721,506	\$2,010,497,285	2.77%
2005	\$11,780,266	\$652,020,840	1.80%	\$58,524,683	\$2,048,434,534	2.86%

2.58 As of December 31, 2005, Risk Management Agency's fund, excluding figures for la Caisse populaire de Shippagan, was valued at \$11,780,266. This amounts to 1.80% of the assets of its member credit unions which were valued at \$652,020,840. At that same date, l'Office de stabilisation de la Fédération des caisses populaires acadiennes had a stabilization fund of \$58,524,683, 2.86% of the assets of its member credit unions.

2.59 During the course of our work, we were unsure of when, and under what circumstances, a stabilization fund could be accessed. However, the current Superintendent of Credit Unions and the current members of the NBCUDIC board are of the opinion that each stabilization fund is only available to stabilize credit unions that are members of that stabilization board.

2.60 The speed with which a stabilization fund could be accessed would depend on the investments held in the fund. We have not done any work to determine the liquidity of the holdings of the stabilization funds.

Deposit Insurance Fund

2.61 The final level of protection is provided by NBCUDIC's deposit insurance. In November 2005, through regulation 94-5, the Province increased coverage from \$100,000 to 100% of eligible deposits. Previously, regulation 94-5 stated that *the maximum amount (...) shall be an amount equal to the maximum amount insured by the Canada Deposit Insurance Corporation established under the Canada Deposit Insurance Corporation Act (Canada)*. The amended regulation now states that *the maximum amount (...) shall be an amount equal to the amount contained in the deposit accounts of the member.*"

2.62 Section 223 of the *Credit Unions Act* states that NBCUDIC shall maintain a deposit insurance fund. However, neither the Act nor the regulations stipulate the amount to be held in the fund. The stabilization boards are required to pay into the deposit insurance fund based on individual risk assessments of their member credit unions. As at December 31, 2005 NBCUDIC's deposit insurance fund was \$2.8 million - \$2.33 million of which was provided by Risk Management Agency and \$470,000 of which was provided by l'Office de stabilisation de la Fédération des caisses populaires acadiennes in relation to deposits in their member credit unions. Each year, stabilization boards provide a risk rating to the Credit Unions Branch as well as a list of the amount of deposits held by each credit union at December 31. Using a model adopted by the board, the branch determines the amount that must be maintained in the fund by each stabilization board.

2.63 The \$2,800,277 deposit insurance fund is held in two accounts in trust for NBCUDIC. As trustees of the fund, the two stabilization boards invest and manage the fund in accordance with the approved investment policies of NBCUDIC. RMA holds and invests \$2,330,613 while l'Office holds an amount of \$469,664.

2.64 There are inherent weaknesses in the application of this method. For example, despite the fact that Risk Management Agency had its largest credit union, which held 27% of the assets in the RMA system, under supervision, the contribution required from RMA actually decreased in 2005. This resulted in NBCUDIC paying a distribution of \$47,134 to RMA. This illustrates that one of the deficiencies in the current method is that it does not take into account the fact that some credit unions can represent a disproportionate amount of system deposits.

2.65 In addition, the environment in which the model was developed varies from that in which NBCUDIC currently operates. For instance, it was not adjusted when the level of deposit insurance increased from \$100,000 to the current 100% guarantee of eligible deposits. Also, the model was developed based on a system that is much larger than the New Brunswick credit union system.

2.66 Finally, the model does not consider credit unions in unusually high risk situations. As we noted in our management letter resulting from our audit of the December 31, 2005 financial statements of NBCUDIC:

It is evident that the present model does not meet the needs of the corporation as the Brunswick Credit Union Federation Stabilization Board trust fund actually decreased from the prior year, while the risk of payout remains unusually high given the state of la Caisse populaire de Shippagan Limitée. The current methodology creates a general allowance for payout of deposit insurance as opposed to a specific allowance for credit unions presenting an unusually high risk situation.

2.67 We went on to recommend that “..... the Corporation revisit the methodology used to calculate the level of net assets to be maintained in the deposit insurance fund.”

2.68 Subsequent to the completion of our fieldwork, government announced \$60 million in funding to NBCUDIC. It was announced that, of this amount, approximately \$20 million will “.....provide for certain guarantees and contingencies related to the transfer, as well as stabilization and deposit protection for the system in general”. This is a significant contribution to the deposit insurance fund that did not come from the credit union system.

Ad hoc provincial guarantee

2.69 Recently, the events surrounding the supervision of la Caisse populaire de Shippagan have illustrated that the current regulatory system of protections is not complete. These events clearly indicate that the Province has not provided NBCUDIC with a regular operational method to access funds should it ever be required to exercise its deposit guarantee. Therefore, the guarantee of deposits beyond the modest fund held by NBCUDIC is really a guarantee by the Province, a guarantee that is ad hoc in its execution. This ad hoc approach by the Province, combined with the restrictions on authority and human resources mentioned previously, makes it difficult to ensure an orderly resolution to a problem that moved through the first two levels of protection – to the frustration of the participants in the system of protection.

2.70 In their 2005 Annual Report, NBCUDIC states that in 2006 they will take the necessary steps to obtain and maintain a borrowing facility to meet unexpected claims. The annual report also states that this access “is an important element in NBCUDIC’s depositor protection mandate and provides assurance to insured depositors that NBCUDIC can meet its statutory obligations to pay claims if and when a member institution fails”. To date, the borrowing authority has not been put in place.

2.71 In practice, the ultimate protection is not provided by NBCUDIC. We believe that the final guarantor of deposits is the Province and not NBCUDIC, and the Province should acknowledge this obligation.

Summary of weaknesses

2.72 In summary, we have identified the following weaknesses in the authority, independence and resources available to NBCUDIC to fulfill its obligations:

- NBCUDIC does not have access to all sources of relevant information that would allow it to minimize its exposure to loss.
- NBCUDIC cannot take direct action to prevent or avoid a situation that would affect the safety of deposits or otherwise expose the corporation to losses.
- The composition of the board of NBCUDIC as determined by the Act means that board members may have conflicts of interest.
- NBCUDIC has no control over the filling of positions or setting the work priorities of the staff of the Superintendent's office.
- The method to determine the contribution levied by NBCUDIC on the stabilization boards for the purpose of accumulating the deposit insurance fund does not take into account all risk factors.
- The *Credit Unions Act* does not stipulate the amount to be held in the deposit insurance fund.
- The Province has not provided NBCUDIC with a regular operational method to access funds should it ever be required to exercise its deposit guarantee.
- The Province is not clear on its obligation to depositors when NBCUDIC does not possess the funds required for purposes of stabilization or deposit insurance.

Conclusion

2.73 This criterion is not met. NBCUDIC does not have adequate authority, independence or resources it needs to fulfill its obligations.

Monitoring the risks associated with unlimited deposit insurance coverage

2.74 Our next three criteria involve the corporation's need to monitor the risks associated with providing unlimited deposit insurance coverage. They address the need to identify the information required for monitoring; to obtain this information in a timely manner; and to analyze and act on the information as needed.

2.75 An informed board is an important element of good governance, and we will discuss this topic with our next three criteria. They are:

NBCUDIC should identify the information required to monitor the risks associated with unlimited deposit coverage.

NBCUDIC should obtain the required information on a timely basis.

NBCUDIC should conduct appropriate analysis of the information collected and act on the results in a timely manner.

Limited reporting to NBCUDIC

2.76 When we reviewed the *Credit Unions Act*, we noted that even though NBCUDIC is the insurer of deposits, no information flows directly to the board of NBCUDIC. As shown in Appendix A, the majority of information and reporting is made to the stabilization boards and the Superintendent of Credit Unions.

2.77 Because representatives of both stabilization boards and the superintendent, who are the parties privileged with information, come together at board meetings, we expected to find a great deal of information being exchanged at these meetings. To determine what information is being received and what information is being exchanged at meetings, we did the following:

- reviewed the minutes of board meetings held since 2001;
- reviewed a sample of documents provided to board members to determine what information board members received prior to their meetings;
- reviewed a sample of credit union files at the superintendent's office to determine whether required information was being submitted to the superintendent for the years 2002 to 2005; and
- interviewed board members to determine what information is being exchanged at the board.

2.78 When we reviewed the reports provided to board members at meetings, we found that there are reports that are provided consistently at each meeting. They are externally generated reports from the Superintendent of Credit Unions and reports from each of the stabilization boards.

2.79 For the dates we sampled, the report of the superintendent appears to be provided either verbally or in written form. In the case of the reports of the stabilization boards, the content and format of the reports were consistent. The stabilization boards provided written reports, in summary form, of the financial condition of their member credit unions as a whole. These reports include information on the adequacy of system equity, as well as a number of financial indicators, such as financial margins and delinquency. Areas of information that are not included but could be useful to the board include:

- trends in key financial indicators on a system-wide basis;
- major areas of risks or emerging risks;
- established benchmarks for financial indicators; and
- findings from inspections and examinations of credit unions, including best practices.

2.80 When we interviewed the members of the board, it was clear that some of the members do not feel they are kept informed. Specifically, they felt there were instances where needed information was not being shared for the stated reason of confidentiality. The intent of the Act may have been that information would be shared amongst the parties at the board, but this does not appear to be happening. The superintendent is the only member of the board who has access to all information because this individual attends the meetings of both stabilization boards and receives copies of all reports required in the *Credit Unions Act*.

2.81 In our review of the board minutes, we found references to certain issues being discussed; however, the level of detail recorded in the minutes did not provide enough information for us to evaluate the extent of discussions.

2.82 In addition, it became clear from discussions with board members that the lack of adequate authority, independence and resources makes it difficult for the board to identify the information needed to fulfill its purposes.

Reports and inspections

2.83 Since it is our understanding that NBCUDIC relies on the stabilization boards and the superintendent, we reviewed a sample of files at the superintendent's office to determine if the reporting and analytical requirements were being met. NBCUDIC should satisfy itself that its reliance on these parties is appropriate. We tested reports for the period of 2002 to 2005.

2.84 The reporting requirements of the *Credit Unions Act* are summarized in Exhibit 2.8, along with our findings.

Exhibit 2.8

Reporting requirements

Annual reporting requirements of the <i>Credit Unions Act</i>	Findings	Notes
Credit unions must file an information return with the superintendent showing the name and address of the credit union, date of the last annual meeting, names of directors, officers and general manager of the credit union.	<ul style="list-style-type: none"> 65% of the files we sampled had information returns for all three years tested. 35% of the files we sampled were missing 1 or 2 information returns for the three years tested. 	1
Credit unions must file a copy of their financial statements as well as the report of the auditor with the superintendent.	<ul style="list-style-type: none"> 90% of credit unions we sampled had filed copies of their financial statements and auditors report for the three years tested. 	2
Stabilization boards must file a copy of their financial statements as well as the report of the auditor with the superintendent.	<ul style="list-style-type: none"> We found all financial statements and auditors report as required for the three years tested. 	
Stabilization boards must file a report of their inspection and examination of the business and affairs of each member credit union with the superintendent.	<ul style="list-style-type: none"> All credit unions we sampled had been inspected at least once during the three years tested. A report of the inspection was filed. 	

Notes:

- 1) La Caisse Populaire de Shippagan did not hold an annual general meeting between the dates of September 29, 2003 and March 26, 2007.
- 2) We noted that all caisses populaires who are members of l'Office de stabilisation de la Fédération des caisses populaires acadiennes (OSFCPA) had the same year end, while for the nine credit unions of Risk Management Agency (RMA) we tested, we found eight different year ends.

2.85 In addition to reporting requirements, the Act requires certain inspections to take place. Exhibit 2.9 summarizes the requirements and our findings.

Exhibit 2.9
Inspection requirements

Inspection requirements of the <i>Credit Unions Act</i>	Findings	Notes
Superintendent must make annual (or at such other intervals as considered necessary) inspections and examinations of the business and affairs of each federation and stabilization board.	<ul style="list-style-type: none"> We found that there has not been an inspection of a stabilization board or a federation by the superintendent since 1999. 	1
Stabilization boards must make an inspection and examination of the business and affairs of each of its member credit unions at least every 18 months.	<ul style="list-style-type: none"> All credit unions we sampled had been inspected at least once during the three-year period tested. For 10% of the credit unions sampled, the interval between inspections exceeded 18 months. 	2 3 4

Notes:

- 1) This is particularly significant given the reliance placed on the stabilization boards by the system itself (as regulators) and by other parties such as the Superintendent of Credit Unions and NBCUDIC.
- 2) Credit union inspections, required every 18 months, are performed by either RMA (for member credit unions) or Services Unis de Vérification et d'Inspection (SUVI) (for members of OSFCPA). We did note some differences between the inspections reports. Those reports provided by SUVI included a rating similar to that used for calculating the deposit insurance fund. This rating is based on a scale of 1 (unacceptable) to 5 (very good). In addition, each report included a comparison to the rating the credit union had received during the previous inspection, as well as a benchmark rate for the group. The reports provided by RMA included a rating only in those reports for 2005 (prior reports included no rating). Their rating was based on 3 levels: satisfactory, needs improvement or unacceptable. No comparative information on ratings was provided in the report. Per discussions with branch staff, RMA provides the numerical 1-5 rating at a later date.
- 3) Only 25% of the files we tested had copies of the credit union's response to the inspection reports; the majority of files tested were missing one or more of the responses.
- 4) The findings of these inspections and examinations are not reported to the board of NBCUDIC.

Timeliness of information

2.86 Since the only opportunity for the NBCUDIC board to exchange information is during board meetings, we reviewed the number of board meetings the corporation has had in recent years. In 2003, the directors of the board took the extraordinary measure of sending a letter to the chair (the superintendent) to request that a meeting take place. The by-laws of the corporation were subsequently amended to require quarterly meetings of the board. Exhibit 2.10 shows the number of meetings held in recent years. The frequency of meetings has significantly increased since 2001.

Exhibit 2.10

Number of board meetings (including conference calls) held between 2001 and 2005

Year	Number of regular meetings	Number of conference calls	Average number of months between meetings
2001	2	0	6
2002	2	0	6
2003	3	2	2.4
2004	4	3	1.7
2005	5	1	2

No analysis of information is conducted by the board itself

2.87 Based on our findings, no analysis is conducted on the information presented at the board meetings. Although we expected to find some analysis prepared in relation to the increase in deposit insurance coverage, we became aware that the NBCUDIC board did not take part in the decision to increase deposit insurance coverage. Though this major decision to increase deposit insurance from \$100,000 to an unlimited amount occurred in 2005, the value of NBCUDIC's deposit insurance fund only increased by \$37,222. This serves as another indication that the true commitment to guarantee deposits in credit unions lies with government.

Conclusion

2.88 These three criteria are not met.

2.89 The board has identified some of the information it feels is needed to fulfill its obligations, and is receiving this information. However, there is a need to share an increased amount of information within the board to ensure directors are in an informed position. Because the board does not have adequate authority and resources, it is difficult for the board to identify further information needed. Even if the board could identify its information needs, it is unclear whether the information could be obtained.

Accountability to stakeholders

2.90 Our final criterion looks at NBCUDIC's annual accountability reporting:

NBCUDIC should prepare an annual accountability report that is available to their stakeholders and to the public.

2.91 NBCUDIC is accountable to both the Province (Department of Justice and Consumer Affairs) and the public (members of credit unions in New Brunswick). During our audit, we found that

NBCUDIC communicates with its stakeholders in a number of ways:

- annual reports;
- credit union brochure; and
- website.

Annual report

Compliance with annual report policy

2.92 The Province's policy on annual reports states that the objective of an annual report is to be the major accountability document for the Legislative Assembly and the general public, serving as the key link between the objectives and plans of an organization and the results obtained.

2.93 The policy identifies the requirements for annual reports:

- The annual report should include a clear account of goals, objectives and performance indicators.
- The report should show the extent to which a program continues to be relevant.
- The report should show how well the organization performed in achieving its plans.
- The report should show how well a program was accepted by its client groups.
- Actual and budget financial information in summary form and narrative explaining major variances as well as other aspects of financial performance are to be included in all annual reports.
- Annual reports should be written in clear and simple language, avoiding technical terms and phrases as much as possible.

2.94 We tested NBCUDIC's 2005 annual report against the requirements of the annual report policy. Our findings are summarized in Exhibit 2.11.

2.95 Although the corporation states its purpose, we found that there were no objectives, goals or performance indicators in the annual report. Since there are no objectives or goals set for NBCUDIC, there is no discussion of achievement of plans in its annual report. Also missing is a discussion of client acceptance of the deposit insurance program. NBCUDIC is not funded by

government; therefore there is no budget allocation. The corporation is funded by the stabilization boards based on its costs, which are mainly administrative expenses. The annual report does include financial information in their financial statements and summary information on assets of the corporation with a comparison to previous year. The annual report should also include information on other aspects of financial performance. Although some information is provided, additional information should have been included on the risks and implications of the increased level of deposit insurance. In addition, there was no discussion of the situation with la Caisse populaire de Shippagan other than a note to the financial statements.

Exhibit 2.11

Compliance with Annual Report Policy

Requirement	Met?	
	Yes	No
Clear account of goals, objectives and performance indicators		X
Extent of program relevance	X	
Achievement of plans		X
Acceptance by client groups		X
Actual and budget information in summary form	X	
Explanation of major financial variances as well as other aspects of financial performance		X
Clear and simple language	X	

Contradictions in the annual report

2.96 The risk faced by NBCUDIC is not fully reported in the annual report of NBCUDIC. In its 2005 report, we found contradictions between the annual report and the financial statements.

2.97 The annual report states that deposits are well protected, yet note 4 in NBCUDIC's financial statements indicates that funds required to stabilize a large credit union in the province exceed the assets of the stabilization board and the assets of NBCUDIC. It goes on to state that the Province may make a loan to NBCUDIC; however, access to funding from the Province is not automatic.

2.98 In our opinion, the ultimate responsibility for deposit protection rests with the Province. Specifically, the 100% guarantee is a contingency and should be disclosed in the Province's financial statements. Although the outcome cannot be determined, should there be significant financial difficulty in a credit union requiring stabilization or guarantee of deposits, NBCUDIC lacks the

resources and authority to fulfill its obligation. In other jurisdictions such as Alberta and Prince Edward Island, governments have declared that they will ensure the obligations of the deposit insurance organization will be fulfilled in the event of a loss.

Conclusion

2.99 This criterion is not met. Improvements to the annual report are needed for NBCUDIC to be adequately accountable to their stakeholders and the public.

Recommendations

2.100 In our opinion, NBCUDIC does not have the adequate authority, independence or resources it needs to fulfill its obligations. **We therefore recommend the Province either give NBCUDIC the authority, independence and resources it needs to fulfill its mandate, or consider dissolving NBCUDIC.**

2.101 We recommend the Province disclose its obligation for deposit insurance in the notes to the Province's financial statements.

2.102 We recommend the Province amend the *Credit Unions Act* to clearly state the Province's obligation for deposit insurance.

2.103 We recommend the Superintendent review the practice of recording general provisions against accounts receivable by all credit unions to ensure consistency and to eliminate the need to make adjustments for regulatory purposes.

2.104 If the Province decides to strengthen the authority, independence and resources of NBCUDIC, we have the following recommendations.

2.105 We recommend the Department of Justice and Consumer Affairs amend the *Credit Unions Act* to clarify NBCUDIC's ability to access information about credit unions and stabilization boards.

2.106 We recommend the Province review the composition of the NBCUDIC board and make changes to the *Credit Unions Act* to ensure the board can act independently.

2.107 We recommend NBCUDIC and the Credit Unions, Cooperatives, and Trust Companies branch of the Department amend their memorandum of understanding to include specific operating parameters such as length of time to fill positions and establishing work priorities.

2.108 We recommend that NBCUDIC and the Department establish a minimum value for the Deposit Insurance Fund. If the existing balance is determined to be insufficient, a funding plan with appropriate levies should be put in place.

2.109 As we stated in our management letter resulting from our financial audit of NBCUDIC, we recommend that the Corporation revisit the methodology used to calculate the level of net assets to be maintained in the deposit insurance fund.

2.110 We recommend the Province provide NBCUDIC with a specific process to access funds in order for NBCUDIC to fulfill its purposes as stated in the Act.

2.111 Because of NBCUDIC's reliance on the work of the superintendent, NBCUDIC should request the superintendent to carry out more frequent inspections of stabilization boards as required by the *Credit Unions Act*.

2.112 We recommend NBCUDIC review the content of its annual report to comply with government's annual report policy.

NBCUDIC Board response

Authority
(paragraphs 2.29 to 2.34)

2.113 The Board of NBCUDIC provided the following response to our report and recommendations:

The Board supports the conclusion that the Corporation has limited authority to minimize the Corporation's exposure to loss. The Board has overseen the risk-mitigation practices of both the Superintendent of Credit Unions and the stabilization boards by receiving reports from these regulators at regular meetings with the objective of identifying significant concerns that would expose the Corporation to loss. At the same time, the Board is of the opinion that it is not the intention of the legislation for the Corporation to duplicate work performed by the Office of the Superintendent of Credit Unions, stabilization boards, and federations.

The Chair of the Board, the Superintendent, has access to all the information held by the stabilization boards, federations, and credit unions including the results of the inspections and examinations of each of these bodies. The Board believes it is the intent of the legislation for the Superintendent to provide the Corporation with all relevant information required to carry out its mandate. As a result of the shortage of resources in the Office of the

Superintendent, as pointed out in the Auditor General's Report, this did not always occur.

Furthermore, the Board's constitution provides for two Board directors appointed by each stabilization board who have access to all the information in their respective systems. Therefore, although not specifically provided for in the legislation, the Board has access to all pertinent information to carry out its mandate. Regardless, the Board recognizes the need for more formal information sharing and in 2006 took initial steps in developing information sharing agreements.

Credit union level of equity
(Exhibit 2.5)

The Board is of the opinion Exhibit 2.5 by itself and as currently presented without information concerning the Caisse populaire de Shippagan leads the reader to an erroneous conclusion with respect to the system's equity position.

Although the Auditor General's Report provides additional information on the Caisse populaire de Shippagan in the surrounding text, the Board believes the true picture of the relative financial situation of each system is more accurately reflected by incorporating the financial information of the Caisse populaire de Shippagan in Exhibit 2.5 as shown in the Restated Exhibit 2.5 below. In this restated exhibit BCUFL figures include reported and restated audited financial information for this Caisse for all the years presented. A significant prior period adjustment of \$45.7 million is shown to negatively affect BCUFL's 2003 equity.

Restated Exhibit 2.5
Equity and total assets of credit unions by federation
(Including the Caisse populaire de Shippagan)

Year	Brunswick Credit Union Federation Limited (BCUFL)			Fédération des caisses populaires acadiennes (FCPA)		
	Equity	Total Assets	Equity/Assets	Equity	Total Assets	Equity/Assets
2001	\$51,156,169	\$697,265,024	7.34%	\$104,034,777	\$1,646,116,896	6.32%
2002	\$56,438,489	\$804,186,553	7.02%	\$106,717,319	\$1,777,755,768	6.00%
2003	\$16,560,393	\$823,346,042	2.01%	\$113,025,312	\$1,896,361,714	5.96%
2004	\$18,981,367	\$888,987,479	2.14%	\$122,925,119	\$2,010,497,285	6.11%
2005	\$21,077,412	\$891,499,408	2.36%	\$131,853,333	\$2,048,434,534	6.43%

It is the Board's opinion the above Restated Exhibit 2.5 reveals the impact of the significant losses by the Caisse populaire de Shippagan on BCUFL's system and provides an accurate comparative between the two systems.

**Stabilization funds
(Exhibit 2.7)**

The Board is of the opinion that Exhibit 2.7 by itself and as currently presented without the information concerning the Caisse populaire de Shippagan leads the reader to an erroneous conclusion with respect to the sufficiency of the stabilization funds of the respective systems.

Although the Auditor General's Report provides additional information on the Caisse populaire de Shippagan in the surrounding text, the Board believes the true picture of the relative financial strength of each of the stabilization funds is more accurately reflected by incorporating the financial information of the Caisse populaire de Shippagan into Exhibit 2.7 as shown in the Restated Exhibit 2.7 below.

Restated Exhibit 2.7
Comparison of stabilization fund to assets
(Including the Caisse populaire de Shippagan)

	Brunswick Credit Union Federation Stabilization Board Limited (RMA)			Office de stabilisation de la Fédération des caisses populaires acadiennes (Office)		
Year	Stabilization Fund	Total Credit Union Assets	Fund/ Assets	Stabilization Fund	Total Assets	Fund/ Assets
2001	\$11,226,398	\$697,265,024	1.61%	\$43,675,255	\$1,646,116,896	2.65%
2002	\$12,605,981	\$804,186,553	1.57%	\$48,691,255	\$1,777,755,768	2.74%
2003	\$13,491,616	\$823,346,042	1.64%	\$52,747,018	\$1,896,361,714	2.78%
2004	\$13,642,916	\$888,987,479	1.54%	\$55,721,506	\$2,010,497,285	2.77%
2005	\$11,780,266	\$891,499,408	1.32%*	\$58,524,683	\$2,048,434,534	2.86%

*The 2005 ratio is 1.16% when adjusted for approximately \$1.4 million held by RMA as loans and investments in member credit unions.

Further, the Board believes that the Auditor General's Report should note the value of the RMA stabilization fund as of December 31, 2005 is subject to a significant contingent liability related to RMA's legislated requirement to provide financial assistance to the Caisse populaire de Shippagan in future years.

Provisions against accounts receivable (paragraph 2.103)	<i>The Board is of the opinion that the practice of using a general provision helps to ensure the healthy and prudent management of credit risk in the credit union system. The Board supports the use of a general provision by caisses populaires and would like to see credit unions adopt this practice.</i>
Credit union level of equity (paragraphs 2.49 to 2.56)	<i>The Board believes this section of the audit report should outline the conditions referred to in subsection 11(7) of the Credit Unions Act. Subsection 11(7) permits certain credit unions under supervision to take up to ten years to attain a five percent regulatory equity level under the circumstances whereby a stabilization board would otherwise be required to provide a credit union with financial assistance that is more than twenty-five per cent of the total amount held in its stabilization fund and is greater than ten million dollars.</i>
Minimum value for the Deposit Insurance Fund (paragraph 2.108)	<i>The Board believes this recommendation should go further to require an amendment to be made to the legislation that requires stabilization boards to fully utilize their respective stabilization funds prior to making any request to the Corporation for financial assistance.</i>
Inspections of stabilization boards (paragraph 2.111)	<i>The Board supports the recommendation which states the Corporation should request the Superintendent to carry out more frequent inspections of the stabilization boards. The Board believes this recommendation should be made stronger to require an inspection or examination of the respective stabilization boards at least every eighteen months and that this requirement be included in any amendments to the legislation. Currently, an eighteen month inspection interval is seen in the Credit Unions Act under which stabilization boards are required to perform inspections and examinations of member credit unions at least every eighteen months.</i>
Lack of independence in current board composition (paragraphs 2.39 to 2.41)	<i>The Auditor General's Report fails to identify what conflicts it perceives to exist as a result of the Board's composition. In the Board's opinion, the only potential foreseeable conflict lies in the sequence of funds to be used in the event a credit union has financial difficulties. The Board feels this potential conflict could be remedied if the legislation were amended to require the use of the entire</i>

stabilization fund of the system whose member credit union requires financial assistance prior to any request by that stabilization board for financial assistance from the Corporation or for the use of any of the deposit insurance funds of the Corporation.

The Board, therefore, questions the concerns regarding lack of independence of the Corporation. It is also relevant to note that the current legislation requires the Minister to appoint three (3) of the five (5) directors of the Board, including the Superintendent.

Overall comments

The Board believes the audit report attempted, in its scope, to focus on the role of the Corporation which forms one component of the credit union system of regulation. Rather, the Board is of the opinion that it would be more informative for the Auditor General to review the major components of the system of credit union regulation which also includes the stabilization boards, federations and the Office of the Superintendent. As a result, the Board feels the audit report is not as relevant to the public as it could have been.

The Board is of the opinion the current system of regulation has many controls which are important to the effective functioning of the credit union system. Recent events have confirmed that certain controls within this system failed. The Board is of the opinion that prior to any amendments to the Credit Unions Act a review should be undertaken to determine why these controls did not function as intended.

Finally, the Board believes the audit report references a number of issues that fall outside the Corporation's mandate and that a number of the Auditor General's recommendations should be made directly to the Office of the Superintendent in a separate report. As such, comments have not been provided by the Board on parts of the audit report which, in its opinion, fall outside its mandate.

Further to the Auditor General's recommendations the Board believes the Credit Unions Act should be amended to provide for a stabilization board to be automatically

placed under supervision in the event its capitalization level falls under a specified minimum amount after making adjustments for the shortfalls in the equity of member credit unions.

Departmental response

2.114 The Department of Justice and Consumer Affairs provided the following comments on our report and recommendations:

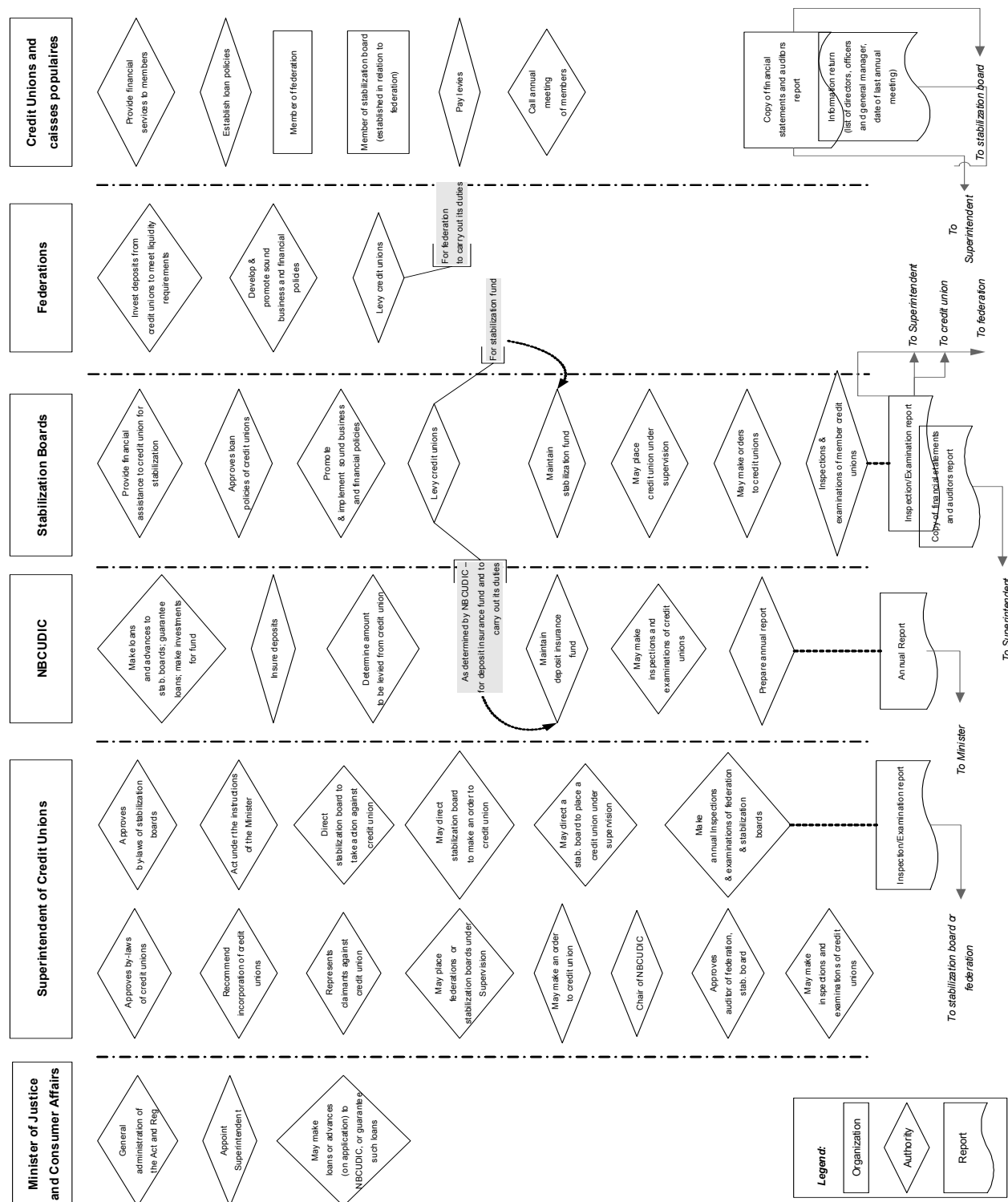
The Department understands that the Board of NBCUDIC has responded to areas of your report and recommendations that fall within its mandate. The Department has reviewed the draft response of NBCUDIC and agrees with the comments contained therein.

The Department shares the concerns expressed by the Board of NBCUDIC that the report does not look at the system of credit union regulation in New Brunswick as a whole, but only one part of the entire system which includes the stabilization boards, federations and the Office of the Superintendent. The Department is of the view that there is a need to review all elements of the system of regulation of credit unions in New Brunswick, including issues related to the mandates, structures and board appointment processes of NBCUDIC, the stabilization boards and the federations and the role and responsibilities of the Office of the Superintendent.

Government has indicated concern with the unlimited deposit insurance protection currently in place. The level and manner of deposit insurance protection is being reviewed by the Department as part of a comprehensive examination of the legislation and regulations governing the credit union system in New Brunswick. A legislative and regulatory proposal will be developed for Government's consideration in the coming months.

This legislative and regulatory proposal will address many of the areas of concern highlighted in your report, in the context of the credit union regulatory system as a whole. The Department will give full consideration and take into account the comments and recommendations in your report and any subsequent reports of the Auditor General related to the credit union system, as well as advice and recommendations from other sources, as we develop this proposal.

Appendix A – Summary of authority and reporting requirements in the Credit Unions Act



Chapter 3

Department of Post-Secondary Education, Training and Labour

Private Occupational Training Act

Contents

Background	49
Scope	53
Results in brief	54
All students should be protected	55
Protection of quality	58
Protection of the financial investment of the student	66
Performance measurement	78

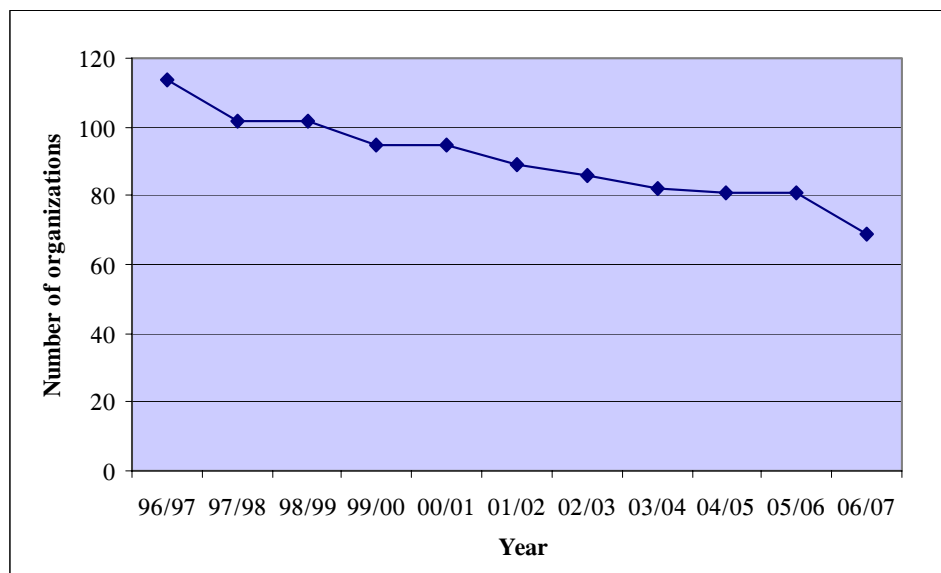
Department of Post-Secondary Education, Training and Labour

Private Occupational Training Act

Background

3.1 The Province provides certain protections to students attending registered private occupational training organizations under the *Private Occupational Training Act* (the Act.) As of 31 March 2007 there were 70 registered private occupational training organizations in New Brunswick.

Exhibit 3.1
Number of organizations registered



3.2 Exhibit 3.1 shows that the number of registered organizations has been declining over the past ten years. There were 114 registered in 1996/97 compared to 70 in 2006/07, a net decline of 44 organizations. Eleven of the organizations that closed in the last ten years did so unexpectedly resulting in the need for compensation pursuant to the Act.

3.3 Exhibit 3.2 shows the tuition fees protected under the Act, the number of students, and the average tuition per student for the last seven years. As seen in the exhibit, enrolment numbers declined significantly between 2001 and 2004 but then remained relatively stable for three years until increasing significantly to 3,736 in 2006/07. The average tuition charged by organizations over the last seven years was relatively stable.

Exhibit 3.2

Tuition fees protected under the Act

Year	Tuition fees protected	Number of students protected	Average tuition per student
2000/01	34,724,000	4722	7,354
2001/02	27,659,800	3832	7,218
2002/03	24,700,900	3568	6,923
2003/04	21,334,100	2901	7,354
2004/05	22,089,500	3178	6,951
2005/06	23,348,300	3077	7,588
2006/07	27,871,584*	3736	7,460

* based on unaudited student protection fees.

3.4 The Act defines a private occupational training organization as “a person or an organization, whether incorporated or not, that provides or undertakes to provide an occupational training program.” An occupational training program is defined as “any course or program of study provided to a person to enhance a person’s employability in an occupation, or to improve that person’s ability to carry out a present or future occupation, and for which tuition fees are paid to a training organization by the person or charged to a third party on the person’s behalf.”

3.5 The Act specifically excludes chartered universities, government owned training organizations such as New Brunswick Community Colleges, employer sponsored training, or any organization exempted by regulation (for example, at the time of the audit, regulation exempted all internet based training, correspondence training and training programs of less than 21 hours

of instruction.) Otherwise, all private training organizations are required by law to register and comply with the Act.

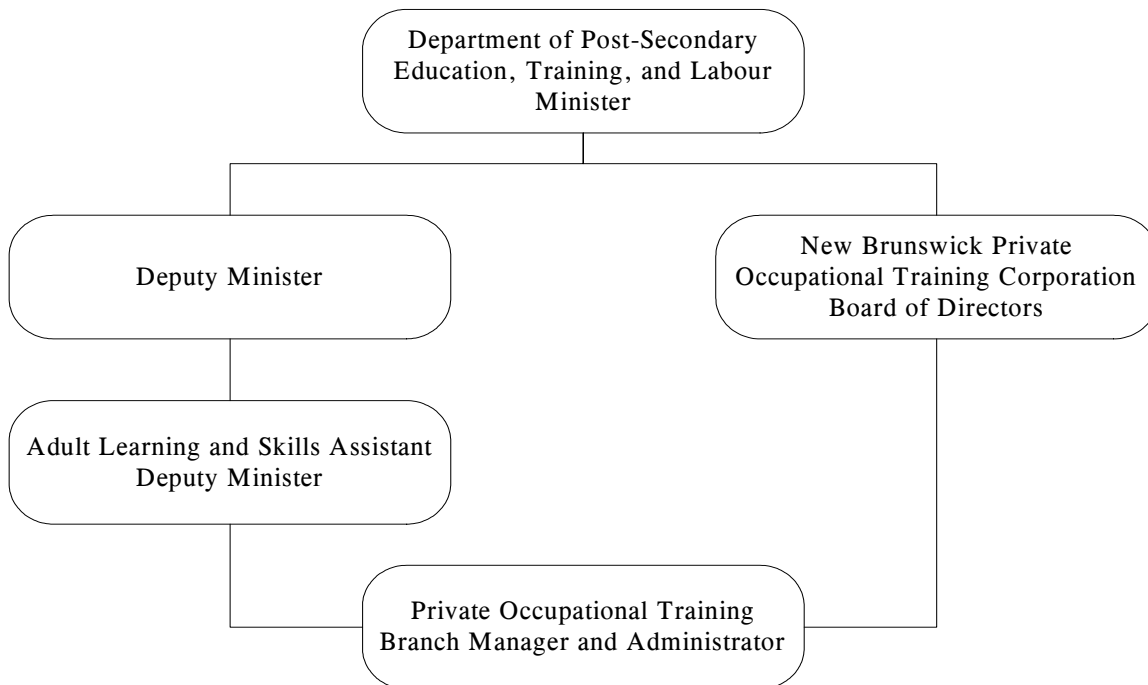
Legislative history

3.6 Regulation of private occupational training organizations is common to all jurisdictions in Canada. Regulation in New Brunswick dates back to 1954 when the *Trade Schools Act* was proclaimed. That Act was repealed and replaced with the *Private Occupational Training Act*. The last significant amendment to the Act occurred in 1996.

Organization

3.7 The Department of Post-Secondary Education, Training and Labour (the Department) is responsible for the administration of the Act. As part of changes to legislation in 1996, the New Brunswick Private Occupational Training Corporation (the Corporation) was incorporated and given certain responsibilities under the Act. Exhibit 3.3 shows the organization of the parties involved.

Exhibit 3.3
Organization chart



3.8 Under the Act, the Minister is responsible to:

- register training organizations, occupational training programs, instructors, agents, representatives and salespersons,
- inspect training organizations for compliance with the Act, and
- take action where non-compliance with the Act is discovered.

3.9 The Minister appoints a Board of Directors of the Corporation of between five and seven members. At least three must be operators of private occupational training organizations. The Minister appoints the chair and vice-chair from among the Board members.

3.10 The Act defines the purposes of the Corporation as follows:

- to act as administrator of the Training Completions Fund;
- to consult with government and the private occupational training sector on matters relating to private occupational training;
- to facilitate voluntary accreditation in the private occupational training sector; and
- to carry out such other purposes as may be prescribed by regulation (at the time of the audit no other purposes were prescribed).

3.11 In administering the Training Completions Fund, the principal activity of the Corporation is to:

- approve applications for tuition compensation from students, and
- invest funds in a prudent manner, as would a trustee.

3.12 Staff of the Private Occupational Training Branch of the Department perform all the day-to-day operations related to the Act. They fulfill duties of the Minister and provide administrative support to the Corporation.

Significance

3.13 We feel that the regulation of the private occupational training industry is of interest to both the Legislative Assembly and the people of New Brunswick. The *Private Occupational Training Act* creates a regulatory service for students which provides certain protections and increases the likelihood that an education, once initiated, will be successfully completed.

3.14 There have been 11 business failures since 1997, whereby organizations have closed prior to fulfilling their complete obligation to students.

Mandate

3.15 The specific mandate of the Private Occupational Training Branch (Branch) of the Department, as stated in departmental annual reports up to and including 2003-2004, was one of regulating “the private occupational training industry in order to provide effective consumer protection for students and support a vibrant, healthy private training industry.” This same wording was used in

subsequent annual reports except the word “effective” before “consumer protection” was removed. Furthermore the brochure, “Private Occupational Training Organizations - Be An Informed Consumer” made available by the Department to students, included the same mandate as the 2003-2004 annual report.

Scope

3.16 Our audit objective was:

To determine whether the Department of Post-Secondary Education, Training and Labour, and the New Brunswick Private Occupational Training Corporation, fulfill their mandate to provide effective consumer protection to students of private occupational training organizations in New Brunswick.

3.17 To focus our audit efforts, we determined that effective consumer protection should include the following criteria:

- a program(s) to protect all students enrolled in a private occupational training organization;
- protection of the quality of the education;
- protection of the financial investment of the student; and
- a performance measurement system to assess the effectiveness of the protection program(s).

3.18 Our audit was performed in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

3.19 During the course of our work the Department expressed concern about two of the criteria. In the first criterion the Department objected to the word “all” stating that some organizations that provide training are exempt either in the General Regulation or by policy. In the second criterion, the Department stated that “*The Private Occupational Training Act* does not provide [the Department] with a mandate to assure the quality of the education provided by privately owned training organizations.”

3.20 In discussing the criteria to be used on an assignment, the CICA standards explain when acknowledgement from users and managers cannot be obtained, “the practitioner should consider the effect, if any, on his or her work and report.”

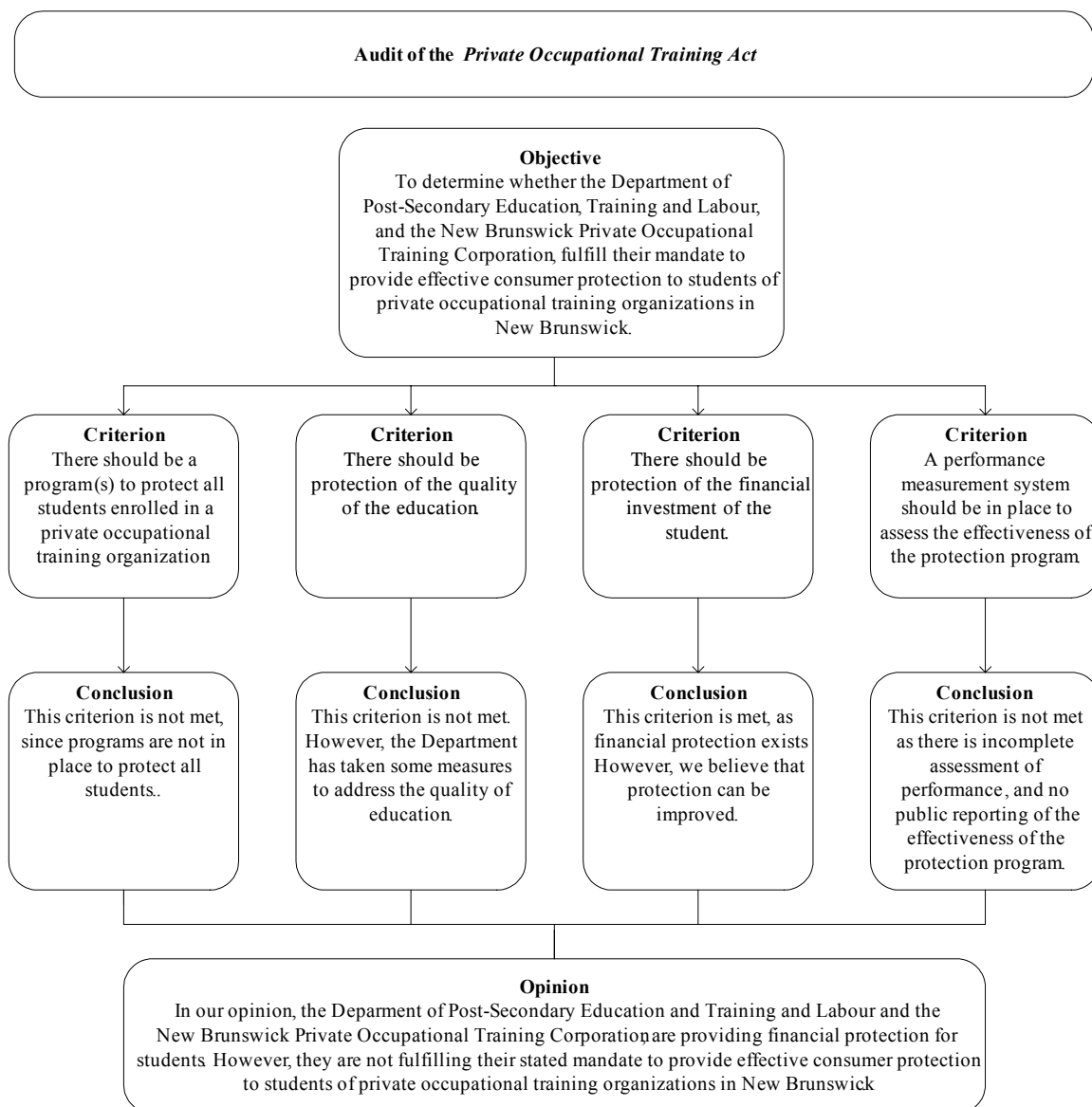
3.21 We have considered the effect and have concluded that these criteria are valid. Our audit was intended to assess the Department's achievement of its mandate not simply its compliance with its legislation.

Results in brief

3.22 The following exhibit summarizes our objective, criteria, conclusions and opinion.

Exhibit 3.4

Audit objective, criteria, conclusions and opinion



All students should be protected

3.23 Our first criterion was:

There should be a program(s) to protect all students enrolled in a private occupational training organization.

3.24 We found, through discussion with the Department, that its legislation does not require protection of all students enrolled in private occupational training organizations in New Brunswick. This reality however, is not communicated well in the mandate of the Branch which is “regulating the private occupational training industry in order to provide effective consumer protection for students and support a vibrant, healthy private training industry.” For clarity, the mandate of the Branch should identify which students are protected as opposed to a blanket statement of “protecting students” of private occupational training organizations in New Brunswick. Furthermore, we feel that the Department should be clear on its website and brochures who they intend to protect, and they should indicate which students are not protected.

Recommendation

3.25 We recommended the Department clearly disclose in its mandate which students are protected.

Departmental response

3.26 *The mandate of the Branch will be modified to clarify the extent of protection provided by the Training Completions Fund.*

Exemptions

3.27 Exempting certain organizations from the requirements of the Act does not necessarily negate all of the protection available to students attending those organizations. Although the tuition of students attending exempt organizations is not protected by the Act, the students can be protected in some cases through other regulations to which organizations must adhere.

3.28 In order to determine if there is protection of all students, we felt that it was necessary to review the reasonableness of those organizations exempt from the Act.

3.29 In addition to exempting chartered universities in Canada, public schools under any other Act of the Legislature and any courses offered by government entities, section 2.1 of regulation 84-207 under the Act exempts the following private organizations:

(a) a person or organization that provides only occupational training programs for the employees of that person or organization or for the members of an employees' or an employers' association;

(b) a body corporate that is governed by an Act of the Legislature when that body corporate is providing an occupational training program solely for members of that body corporate or for applicants for membership in that body corporate;

(c) a person or organization that provides only occupational training programs by correspondence;

(d) a person or organization that provides only occupational training programs on the Internet; and

(e) a person or organization that provides only occupational training programs of less than twenty-one hours of instruction.

3.30 We focused our work on three prominent types of private organizations that either are, or that the Department considers, exempt. Included are: New Brunswick internet training programs, religious training programs, and flight schools.

Internet schools

3.31 Through discussion with the Department and document review, we found that internet training programs are exempt under section 2.1(d) of the General Regulation. Regulating these programs would be complex and they were new when the Act was proclaimed in 1996. Since that time, internet training has advanced significantly and some other jurisdictions such as Manitoba and Ontario have brought students enrolled in these programs under the protection of their Acts.

3.32 Of interest is the recent closure of an internet based training organization in New Brunswick that closed without fulfilling its obligation to students. The organization did not provide sufficient refunds to the students affected by the closure. The students were not protected under the *Private Occupational Training Act*. If such protection did exist, there would have been a clear mechanism to assist the students affected by the closure. It should be noted however, that in this case, the Department took steps to offer assistance to affected students.

3.33 Another look at the exemption status of internet training is warranted. The risk to students of internet training organizations seems to be as high, or higher, than the risk to students of traditional training organizations.

Recommendation	3.34 We recommended the Department re-assess the exempt status of internet based private occupational training organizations to determine if they should continue to be exempt from the Act.
Departmental response	3.35 <i>The Private Occupational Training Act (POTA) General Regulation (paragraph 2.1(d)) specifically exempts organizations that provide only occupational training programs on the Internet. In accordance with this exemption the Department has not required internet based training organizations to register. The Department will consider this recommendation when preparing proposed amendments to the legislation for consideration by government.</i>
Religious schools	3.36 Through discussion with the Department, we found that religious organizations were historically interpreted to be exempt from the Act as they were seen as organizations involved in training individuals to work in their own churches or organizations. The organizations were considered by the Department to be exempt under regulation 84-207 section 2.1(a) as shown above. 3.37 We believe it is not clear that religious organizations meet the criteria to be exempt under section 2.1(a). 3.38 We feel that it would be prudent for the Department to revisit its interpretation of whether religious organizations are exempt or whether students attending these schools should be protected under the Act. It is conceivable that students attending these organizations can be subject to lost tuition fees in the event that an organization closes without fulfilling its complete obligation to students.
Recommendation	3.39 We recommended, if religious schools are to continue to be considered exempt, that the Department amend the regulation to clarify their status.
Departmental response	3.40 <i>The Department will consider this recommendation when preparing proposed amendments to the legislation for consideration by government.</i>
Flight schools	3.41 Through discussion with the Department, we found that flight schools have been historically highly regulated by the government of Canada. This was seen by the Department as sufficient regulation to negate the need to be registered under the <i>Private Occupational Training Act</i> .

3.42 We found that the Act does not provide an exemption for flight schools. We feel, therefore, that the Department should apply the provisions of the Act to those schools. If the Department believes that federal government regulation is resulting in effective consumer protection to students of flight schools, then a specific exemption should be included in regulation 84-207.

Recommendation

3.43 We recommended the Department apply the Act to flight schools.

Departmental response

3.44 *The Department will consider this recommendation when preparing proposed amendments to the legislation for consideration by government.*

Pending changes to regulations

3.45 It should be noted that at the time of our audit, the Department was considering changes to the regulations under the *Private Occupational Training Act*. Since these changes were not adopted at the time of the audit, we made our conclusions and recommendations based on the regulations as they existed on 31 March 2007.

Conclusion

3.46 This criterion is not met since programs are not in place to protect all students.

Protection of quality

3.47 Our second criterion was:

There should be protection of the quality of the education.

3.48 The Department does not set curriculum standards for the private occupational training industry. However, some of the Department's activities do promote some aspects of quality.

3.49 The purposes of the activities relating to quality are subject to interpretation. We recognize that activities related to quality contribute to the protection of the financial investment of the students. The better the quality of the training organization, the lower the likelihood of financial failure and related compensation. In our opinion however, the Department's activities go beyond financial protection and extend into quality assurance.

How quality is protected

3.50 We found levels of quality assurance in the following five activities. Some of the activities are not specifically mandated by the Act and Regulations but have been adopted over time by the Branch.

***Funding the New Brunswick
Association of Career
Colleges***

3.51 One purpose of the Corporation as defined in the Act is to facilitate voluntary accreditation in the private occupational training sector. Although the Corporation is not formally involved, the Department is providing funding support for an industry driven quality assurance program through the New Brunswick Association of Career Colleges (NBACC).

3.52 NBACC is affiliated with the National Association of Career Colleges and has a purpose to foster “excellence in the private training sector.” Of the 70 schools registered under the Act as of 31 March 2007, 22 were members of the NBACC. Although only 31% of registered organizations are members of NBACC, approximately two thirds of all students enrolled in private occupational training organizations in New Brunswick attend the 22 member organizations.

3.53 The Department has committed one time support of up to \$132,350 to the Association towards the development of a quality assurance and instructor development program. The grant was given under the Employment Services Program – Labour Market Research and Analysis. In 2006-2007, \$80,000 was paid to the association and a final payment is contingent on the progress of the project.

3.54 It should be noted that only member schools of the NBACC will benefit from this program.

***Control over the registration
process***

3.55 All private occupational training organizations in New Brunswick are required to be registered under the Act.

3.56 As part of this registration process,

- The Department collects course outlines to aid in assisting students who have complaints about courses in which they are enrolled.
- They obtain copies of licenses, or verification of licensing for all instructors who need to be licensed to teach courses. For example, they would verify licenses of all truck driving instructors, as section 90(1) & (2) of the *Motor Vehicle Act* requires truck driving instructors to be licensed.
- They consult with external regulators before registering schools which require external regulation. For example, the Branch would ensure before registering a Cosmetology school that the school was registered under *An Act to Incorporate the*

Cosmetology Association of New Brunswick. Similarly, before registering a school offering a real estate course the Branch would ensure that the school was authorized under the provisions of *An Act to Incorporate The New Brunswick Real Estate Association*.

3.57 The act of registering the organizations, in addition to the above activities, contributes to monitoring the quality of the education delivered by registered organizations.

Processing student complaints

3.58 The Department, although not specifically mandated through the Act and Regulations, has a complaint mechanism for students.

3.59 Students are able to file complaints. The Department requests that all complaints be submitted by a letter and copied to the school in question, before action is taken. The Department will investigate any formally filed complaints.

3.60 In 2006 there were three written complaints submitted to the Department and copied to the school under question. We reviewed correspondence on the three complainants and can conclude that the Branch is responding to complaints.

3.61 The existence of a complaint mechanism contributes to the quality of the education.

Existence and inspection of contracts

3.62 Section 6.2 of the Act requires that students and training organizations enter into contracts before the commencement of training. Section 9.1 of regulation 84-207 requires among other things that the following elements be included in these contracts:

- an outline of the content of the course;
- the competencies expected to be obtained from the course;
- the qualifications of the instructors;
- ratio of students to instructors;
- the equipment available for the program;
- the maximum class size;
- a statement that the course does not guarantee employment;
- a statement to the effect that students should ask potential employers of the value of the course and that the value of the course is determined by employers and not the government of Canada or the Province; and
- a statement that information should be available of the number of previous students who have obtained training related employment

and that information should be reviewed by the prospective student before signing the contract.

3.63 All of the points above contribute to the quality of the education.

3.64 The Private Occupational Training Branch of the Department has an inspection process whereby they inspect organizations for compliance with certain elements of the Act. Part of this inspection process is to ensure that the above mentioned contracts contain all of the elements outlined in Regulations.

3.65 We sampled 11 inspection reports. Included in the sample were 4 of the 20 inspections conducted in the fiscal year 2006/07 and 7 reports from previous years going as far back as 2003/04. In 6 of the 11 cases sampled, the Branch had found issues with the contracts between students and organizations and had discussed these issues with the organization under inspection. There was at least one case in the past where an organization's registration was suspended due to failing to adhere to the Act. That organization did not sign contracts with students.

3.66 The inspection of the elements of the contracts between students and organizations contributes to the quality of the education.

Instructor registration

3.67 The Act requires that instructors be registered. Further to this requirement, where necessary, the branch verifies instructor credentials prior to registration. For example this is done for Cosmetology training. The Branch also consults with the Apprenticeship and Certification Branch to verify credentials of instructors of programs of apprenticeable trades. However, in many other cases the credentials of instructors are not measured.

3.68 Verifying the credentials of instructors contributes to protecting the quality of education. We also note that whether credentials are measured or not, instructor registration can serve as a mechanism to control the quality of instructors, as an unqualified instructor may be less apt to teach if they know that they have to register with the Department and indicate their qualifications before they are eligible to do so.

Weaknesses with respect to quality protection

3.69 The above five activities, as discussed, contribute to protecting the quality of education received at private occupational training organizations. However, we also noted some weaknesses.

Inspections

3.70 We found shortcomings in the inspection's process around issues addressing the quality of education.

3.71 Inspections contribute to the quality of the education by verifying that student/organization contracts exist in accordance with the Act as discussed above.

3.72 We found however, that there was no written policy for the frequency of these inspections. Of the 70 registered schools as of 31 March 2007, at least 20 had been inspected within the past year and at least 2 schools had not been inspected since 2000. The Branch indicated that they want to inspect 100% of organizations in the coming fiscal year. We believe that a risk based approach would be appropriate for determining the number of inspections to complete.

3.73 The organizations that should be inspected annually are those that have the highest risk:

- of violating the Act with respect to contracts, and
- of not remitting fees to the Corporation.

3.74 To determine the organizations with the highest risk of violating contracts, the Corporation could use past inspections and pay closer attention to those organizations that violated the Act in the past. Also, student complaints could be used to identify potential problems with contracts.

3.75 To determine the risk of incomplete fee remittances, analytical review of financial statements could be performed to compare an expected amount of fees to be remitted to actual remittances. Such a review would include an investigation into any differences.

3.76 We also found overall, that there was no policy to guide the scope of inspections. Although a standard inspection form was used for all inspections, the form did not include all possible elements as described in section 7(1) of the Act. For example, inspection of the method of instruction as allowed per section 7(1)(a) of the Act, which would contribute to the quality of the education, is not being done.

3.77 We also found little monitoring of inspection reports. Reports are currently not being reviewed by anyone other than those performing the work.

Recommendation

3.78 We recommended the Department develop a policy to guide it with respect to the frequency, the scope, and the monitoring of inspections.

Department response

3.79 *The Department will develop a policy related to inspection of private occupational training organizations.*

3.80 In addition to the Department's current practice of inspecting all new registrants prior to issuing the initial certificate of registration, an inspection policy could include:

- inspecting all existing organizations at least once every five years; and
- after assessing the risk of each organization annually, inspecting all high risk organizations on an annual basis.

3.81 We also found that there may be potential efficiencies to be gained through improved coordination between the inspection procedures performed by the Private Occupational Training Branch and the Student Financial Services Branch.

3.82 Although both Branches have slightly different goals when performing their inspections, there are commonalities. For example, the Student Financial Services Branch and the Private Occupational Training Branch both look to ensure that contracts are present between students and private training organizations. We realize that Student Financial Services would be concerned only with those students who have student loans and may not inspect all aspects of contracts, but we remain confident that better coordination could lead to efficiencies within the Department as a whole.

Recommendation

3.83 We recommended the Department consider developing a single audit function to carry out the inspection duties of the Private Occupational Training Branch and the Student Financial Services Branch.

Departmental response

3.84 *As a result of government reorganization the Private Occupational Training Branch and the Student Financial Services Branch are both within the Department of Post-Secondary Education, Training and Labour which provides an opportunity to review current inspection processes.*

Advertising

3.85 Paragraph 15(4) of Regulation 84-207 states that no advertisement shall contain any reference or allusion to any department or agency of government.

3.86 The regulation about advertising is intended to protect students from false perceptions about private occupational training organizations.

3.87 We found that the monitoring of advertising has weaknesses.

3.88 We reviewed a sample of ten websites of private occupational trainers to determine if advertising restrictions were being followed. We found that five of the ten websites sampled had advertising violations making reference to a department of the government which could be potentially misleading to current and prospective students.

Recommendation

3.89 We recommended the Department improve its monitoring of the advertising of private occupational training organizations in New Brunswick.

Departmental response

3.90 *The Department has already taken steps to improve the monitoring of advertising by private occupational training organizations.*

Instructor registration

3.91 As mentioned earlier, the Act requires that instructors be registered, but in many cases the credentials of instructors are not measured or monitored as part of the registration process.

3.92 The registration of instructors has the potential to help ensure the quality of education. One potential use of instructor registration is as follows: the Branch could compare instructor qualifications reported by instructors on their registration forms to that which organizations record on their contracts with students. This practice could help to ensure that the courses are delivered by the staff with the qualifications promised in the contracts.

Recommendation

3.93 We recommended the Department clarify the purpose of instructor registration, and look for ways to use this process to ensure the instructors have proper qualifications.

Departmental response

3.94 *Registration of a teacher/instructor is required under the POTA subsection 3(2) "No person shall act as a teacher or instructor of an occupational training program unless that person and the training organization are registered under this Act." The requirement is clearly a simple registration requirement. The absence of intent by government to impose qualification standards on instructors in private occupational training organizations is clear. The intent of the instructor registration process is to ensure continuity of instruction.*

Other observations	3.95 There currently is no guarantee of access by students to their transcripts in the event that a school closes and a guarantee is not required under the Act or Regulations. We note however, that the quality and value of the education of past students can be somewhat diminished if they do not have access to their transcripts.
Recommendation	3.96 We recommended the Department implement procedures to ensure students will be able to access their transcripts in the event of school closures.
Departmental response	3.97 <i>When involved in an unexpected closure of a training organization the Department attempts to acquire all records of current students in order to facilitate securing appropriate completion of their training.</i> 3.98 <i>The Department will consider this recommendation when preparing proposed amendments to the legislation for consideration by government.</i>
Overall observation	3.99 The Department communicates in its brochure, “Private Occupational Training Organizations - Be An Informed Consumer”, and on its website that it is not responsible for the quality of the education offered by private occupational training organizations. However, we observed five activities of the Department that contribute to the quality of education offered by private occupational training organizations.
Recommendation	3.100 We recommended the Department clarify its role and communication with respect to its activities relating to the quality of education delivered by private occupational training organizations. 3.101 Specifically, if these activities are intended to help ensure the protection of the student’s financial investment, the Department should clearly communicate the activities that it undertakes and their purpose.
Departmental response	3.102 <i>The scope of the registration process outlined in the POTA does not include assurance of the quality of education delivered by private occupational training organizations. Recognizing the importance of training organizations delivering quality training programs the Department is working with the New Brunswick Association of Career Colleges to assist them in developing an industry driven quality assurance process.</i>

3.103 *The Department will undertake to communicate, in any material directed toward the public, the limitations of its responsibilities related to the private occupational training organizations registration process.*

Conclusion

3.104 This criterion is not met. The Department informed us that monitoring quality was not part of its mandate. We included this criterion because we felt monitoring quality was part of ensuring effective consumer protection to students and because the Act requires certain activities that could be interpreted as quality assurance activities. We found that the Department has taken some measures to address the quality of education.

Protection of the financial investment of the student

3.105 Our third criterion was:

There should be protection of the financial investment of the student.

3.106 Between 1999 and 2006 there were nine registered private occupational training organizations that closed before fulfilling their full obligation to students. These closures impacted approximately 190 students. Thirty-five of the 190 (~ 18%) have never received the compensation available to them. Three of the 35 refused the compensation granted and the other 32 failed to submit claims for compensation.

3.107 In addition, as reported in the first annual report of the Corporation, there were two school closures between January 1, 1997 and March 31, 1998. The Branch was unable to provide information on these closures due to their file retention schedule.

3.108 Total payments for student compensation from 1997 to 2006 was approximately \$1.3 million disbursed from the Training Completions Fund.

3.109 We chose to examine the following aspects surrounding financial protection.

- scope of the financial protections available;
- how the financial protection is communicated;
- sufficiency of the protections in place;
- the procedures in place to ensure that all student protection fees are submitted;
- how the Training Completions Fund is managed; and
- how funds are disbursed in the event an organization does close.

Scope of financial protection

3.110 In 1996 the Training Completions Fund (the Fund) was established to protect the financial investment of students in the event of an unexpected closure of a Private Occupational Training Organization. The Fund was set up in response to a prominent failure within the Private Occupational Training Industry.

3.111 Each student enrolled in a registered private occupational training organization is required to submit through their school an amount equal to 1 % of their tuition fees to the Fund. (These fees are known as Student Protection Fees.)

3.112 Under section 6.4 of the Act, among other things, the Fund is to be used to:

- finance equivalent training at another organization if a school closes, or
- refund students in the event that their school closes before their training is complete (if equivalent training is unavailable), or
- refund students in the event that their school fails to refund their tuition when required under regulation.

3.113 In addition to the Training Completions Fund, all newly registered private occupational training organizations are required to submit to the Minister security in the form of a bond or letter of credit in an amount determined by the Minister. The bond is to exist for the first two years of operation and can be used, pursuant to paragraph 4(7) of regulation 84-207, to reimburse the Training Completions Fund for any compensation it has granted to students of a training organization in default. The security is the first source of compensation if an organization closes within the first two years of operation.

3.114 A potential third level of protection is found in section 6.5 of the Act. The Minister may loan funds to the Corporation to carry out its purposes as proclaimed in section 6.4 of the Act as shown above.

Communication of the protections

Legislation compared to department information

3.115 The following financial protection is described in the brochure provided by the Department and on the website of the Private Occupational Training Branch of the Department:

“The Student Protection Fee provides you protection, which ensures you completion of training, or a full tuition refund, in the event of failure or closure of the registered private occupational training organization.”

3.116 Section 6.4(9)(b) of the Act states,

if there is insufficient money in the Fund to provide compensation in a case within paragraph (5)(a) or (b), the compensation provided shall

- (i) not exceed the amount of money in the Fund, and*
- (ii) be provided on a pro rata basis.*

3.117 In other words the Act says that the level of tuition insurance is dependent on the amount of money in the fund. There is a contradiction between the Act and the Department's communication that there is 100% protection of tuition fees through either refund or equivalent training available to students in the event of an unexpected closure.

Recommendation

3.118 We recommended the Department ensure that the protection it communicates is consistent with the provisions of the Act.

Departmental response

3.119 *The Department will undertake to communicate, in any written material directed toward the public, the limitations of the protection provided to students.*

Communicating the need to apply for compensation

3.120 The Act outlines the process by which a student can apply for compensation as follows:

6.7(1) A student, or a third party who has paid tuition fees on a student's behalf, may, on a form provided by the Corporation, apply to the Corporation for compensation under paragraph 6.4(5)(a) or (b).

3.121 In order to receive compensation students must submit a claim to the Corporation. In the event a school closes unexpectedly the following actions take place to communicate the need for students to apply for compensation:

- students are met with to discuss the protection available to them;
- claim for compensation forms are distributed or sent to all students involved;
- if necessary, the Student Financial Services and the Employment Programs and Services branches of the Department are contacted to help identify all students affected by the closure;
- follow-up calls are made to students who have not sent in their claims; and

- attempts are made to find new addresses and re-send claim forms when they are returned undelivered.

3.122 Other general means of informing students of the financial protection available (which should motivate students to seek out their refund or equivalent training as the case arises) include the contract between the student and the organization, the Branch website, and the brochure.

3.123 It was noted earlier that 32 of the approximately 190 students eligible for compensation did not apply for compensation.

3.124 This may not only be of concern to the affected students, but also to the Student Financial Services and Employment Programs and Services Branches. Upon closure of an organization, the Private Occupational Training Branch would contact both of the above branches to determine any students affected who had outstanding student loans or who had received Training and Skills Development grants.

3.125 When refunds are issued to students who have outstanding student loans, these refunds are paid to the Receiver General of Canada and attributed to the student's loan account. Similarly, if students have received Training and Skills Development grants, refunds are paid to the Minister of Finance of New Brunswick. In either case, the only way refunds can be paid is if the student applies for compensation. The Act currently does not give authority to disburse funds directly to the Receiver General or the Minister of Finance without an application from the student.

Recommendation

3.126 We recommended the Department implement legislative or regulatory measures so that the Receiver General of Canada and the Minister of Finance of New Brunswick are able to receive refunds directly from the Training Completions Fund, when applicable, without the need for affected students to apply for such compensation.

Departmental response

3.127 *The Department will consider this recommendation when preparing proposed amendments to the legislation for consideration by government.*

3.128 We also found that there was no formal policy with respect to the coordination between the branches to identify which students had outstanding student loans or were grant recipients. It is important that refunds be disbursed appropriately.

Recommendation

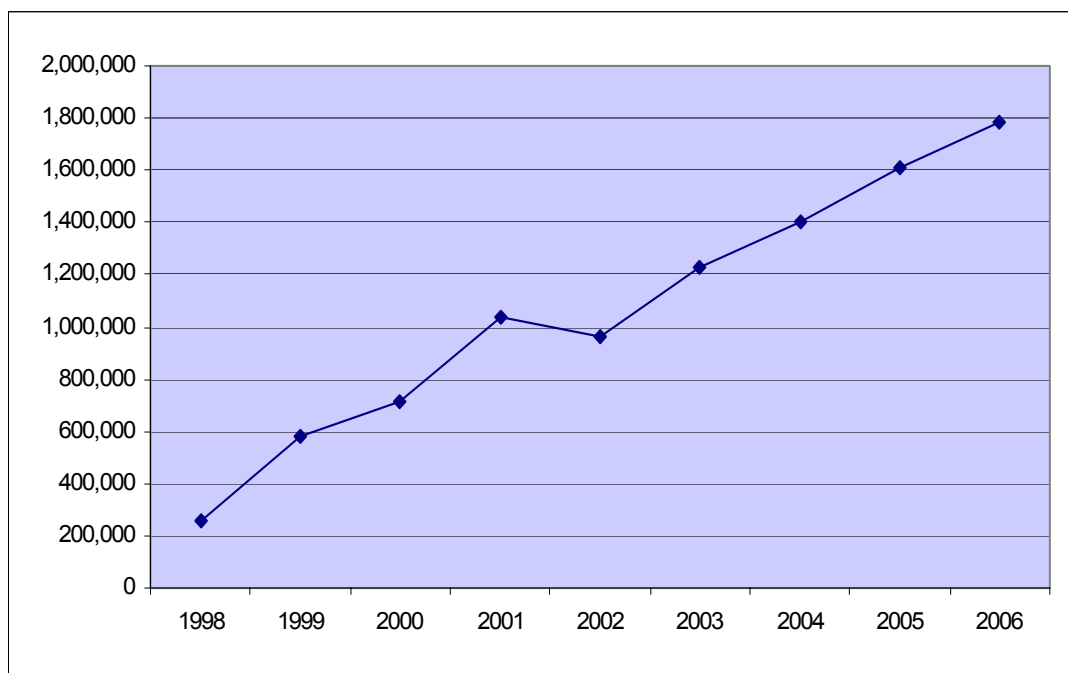
3.129 We recommended the Department develop policy and procedures to guide it in determining which of those students who are owed refunds have outstanding student loans or were grant recipients.

Departmental response

3.130 Existing procedures are in place to determine if students, affected by a closure, have outstanding student loans or were grant recipients. These procedures will be documented.

Sufficiency of the financial protections in place

3.131 Exhibit 3.5 shows the balance of the Training Completions Fund from 1998 to 2006. As of 31 March 2006 the fund had approximately \$1.8 million protecting approximately \$23 million in tuition for the fiscal year 2005/06.

*Exhibit 3.5**Balance of the Training Completions Fund*

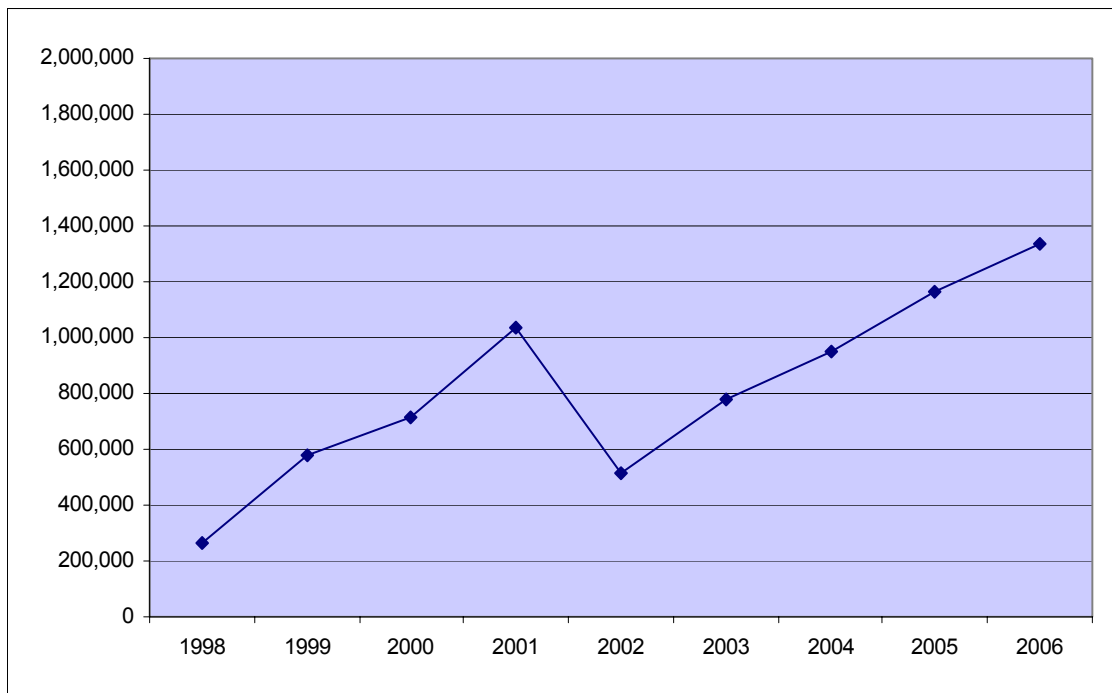
3.132 Since its beginning, there has never been a case where the fund has not been able to provide compensation to students in the event of a school closure.

Grant from the Province

3.133 In 2001-2002 ITI Information Technology Institute Incorporated closed unexpectedly resulting in a disbursement from the fund of over \$800,000. With no external help the fund would have decreased to approximately \$500,000. The Corporation did not

want the Fund to reduce to this level and requested funds from the Province to aid in compensating students. The Province, in turn, issued a grant to the Corporation in the amount of \$448,696. As seen in Exhibit 3.6, if the Corporation had not received this grant, we estimate that the Fund balance would still have increased to \$1.3 million as at 31 March 2006.

Exhibit 3.6
Fund balance if no provincial subsidy



3.134 We feel that the prudent approach, if and when assistance is needed, is to loan funds to the Corporation. Under section 6.5, the Act allows the Minister to loan funds to the Corporation to assist in fulfilling its purposes. If the Province had loaned \$448,696 to the Corporation as opposed to giving a grant of this amount, it appears that they would have been able to recover the full amount from the Fund as the balance of the Fund currently is \$1.8 million.

3.135 It is unclear why the Department felt it was necessary to provide a tax supported grant rather than a loan to the Fund which still had a positive Fund balance.

Security

3.136 Before the creation of the Training Completions Fund in 1996, all registered private occupational training organizations were

required to issue, in an amount determined by the Minister, security to the Department in the form of a bond or letter of credit. The security was to remain for the life of the organization.

3.137 After changes to legislation in 1996, only newly registered organizations are required to submit to the Department security in the form of a bond or letter of credit.

3.138 As mentioned in our discussion of the scope of protections, this security is to remain for the first two years of operation and then will be cancelled. The security is to be used for refunding tuition fees in the event that the organization closes within the first two years without fulfilling its obligations to its current students. Holding the security provides similar protection to that of the Training Completions Fund but compensation would be paid from the training organization's security in the event of a failure, as opposed to from the Training Completions Fund.

3.139 Two years of operations may not be sufficient to judge the ongoing financial and operational viability of an organization. Therefore we question whether the security should remain for a longer period of time.

Recommendation

3.140 We recommended the Department evaluate the viability of extending the security requirement beyond the current two year time period.

Departmental response

3.141 *Subsection 4(1) of the General Regulation requires that training organizations provide security for only the first two years of operation.*

3.142 *The Department will consider this recommendation when preparing proposed amendments to the legislation for consideration by government*

Actuarial services

3.143 In 1996 upon initial set up of the Training Completions Fund an actuary was consulted to help determine the amount needed in the fund. No actuary has been consulted since.

3.144 In the actuary's initial report the following comment was made, "available data is so limited that a rigorous analysis of the arrangement is impossible." We feel that it may be beneficial to consult an actuary once again as there is now more data available given the passage of ten years and the failures of a number of private occupational training organizations.

Recommendation

3.145 We recommended the Department consult an actuary to assess the appropriateness of the 1% levy of tuition fees for the Training Completions Fund.

Departmental response

3.146 *The Department consulted an actuary prior to setting the 1% levy. Since that time, many other provinces that have established a Training Completions Fund, have determined that 1% is a sufficient amount to be required as a student protection fee. The cost of hiring an actuary to produce a second report could not be justified.*

Protection against shortfalls

3.147 If a larger school were to close unexpectedly there could be inadequate funds in the Training Completions Fund to refund or offer equivalent training to students. Since some failures cannot be prevented, the Department needs to have a plan in place to adequately fulfill its responsibility to protect the students' financial investment. We found that no plan currently exists.

3.148 In the past there appeared to be some confusion around when and how government is to get involved in assisting the Corporation. This is reflected in the Actuary's comments at the beginning of the Fund in 1996, and was seen again when the Province provided a grant to the Corporation in 2001.

3.149 In 1996, when the Actuary was initially consulted to help identify an optimal levy for student protection fees the following comments were included in his report.

"... I understand your description of the proposed arrangement, in the event of a deficit the shortfall would be advanced by government, subject to the advance being recouped from future revenues." and

the "... levy of 1% of tuition fees appears reasonable..., assuming that government will act as a guarantor in the event of temporary deficits."

3.150 Neither of the above statements is supported by the Act. The government is not mandated to be the guarantor and it is not required to provide funding if there is a shortfall in the Fund. In the case of a shortfall, the Act says the Minister "may" (not "shall") loan funds to the Corporation.

3.151 In the case of the 2001 grant, the grant was not required by the Act and therefore represented a one time solution rather than a

guaranteed means of supporting the Fund in the event of a large claim.

Recommendation

3.152 We recommended the Corporation have documented procedures to follow in the event of a large claim against the Fund.

3.153 The procedures could include for example:

- the process for a submission to the Minister for a loan to the Corporation (forms, timing for turnaround, names of contacts, etc.) and
- the process for a payout on a pro rata basis from the money available in the Fund.

Departmental response

3.154 *The POTA 6.4(9)(b) outlines the procedure to follow in case of insufficient money in the fund.*

3.155 *The Department will refer this recommendation to the Corporation*

Other jurisdictions

3.156 In review of a sample of other jurisdictions in Canada, we found that none required more than 1 % of tuition to be submitted to their respective Training Completion Funds.

3.157 We noted that Ontario recently made changes to its regulatory regime with respect to its financial protections for students of private occupational training organizations. A review of this work may be beneficial for New Brunswick.

**Completeness of the
Training Completions
Fund revenues**

3.158 Earlier we identified the review and monitoring of student/school contracts as a key element of the inspection process. A second key element is the focus upon the collection of student protection fees from students for the Training Completions Fund.

3.159 We found that the following steps were currently being done by the Department with respect to the completeness of the Training Completions Fund:

- Inspectors examine all student files for smaller schools and a sample of files for larger schools. From the files they compile a list of students to compare to the list provided by the organization when remitting the student protection fees. The Department informed us of at least one case where this resulted in more fees being collected.

- If the Department is informed of a potential problem with respect to the completeness of student protection fees, they will compare student lists from the Student Financial Services and Employment Programs and Services branches to lists submitted by organizations on remittance of the fees.
- The Branch follows-up with the training organization if student protection fees are not remitted for a program that is registered.

Recommendation

3.160 We recommended the Department expand its inspection procedures with respect to the completeness of Training Completion Fund revenues.

3.161 For example, some procedures that could be done with respect to the completeness of Training Completions Fund revenues are:

- The expected amount to be remitted could be calculated based on tuition revenue reported in organization financial statements and compared to actual remittances.
- All schools registered who have not submitted student protection fees could be inspected to ensure no training is taking place and that no tuition fees have been collected.
- Yearly enrolment data for schools could be used to assess the reasonableness of student protection fees remitted.

Departmental response

3.162 *The Department will review its procedures for insuring completeness of Training Completions Fund revenues.*

Fund management

3.163 Exhibit 3.7 shows the estimated rate of return on the invested portion of the Training Completions Fund for the past nine years.

Exhibit 3.7

Rate of return for the Training Completions Fund

	2006	2005	2004	2003	2002	2001	2000	1999	1998
Rate %	2.05	2.50	2.76	1.96	6.07	3.84	4.62	2.53	1.20

3.164 We noted that there is no formal investment policy. Funds are invested in Guaranteed Investment Certificates with five year terms. The Corporation also has an agreement with the financial institution to withdraw funds without penalty from its investments provided that the funds are needed for emergency purposes.

3.165 We feel that the Fund can earn greater than 2% with relatively little added risk. One alternative could be an investment with the Province through the either the Department of Finance or the New Brunswick Investment Management Corporation.

Recommendation

3.166 We recommended the Corporation develop an appropriate investment policy and invest the funds accordingly.

Departmental response

3.167 *The New Brunswick Private Occupational Training Corporation is an entity that was established by the POTA (6.3(2)) to function outside of government. The Department will refer this recommendation to the Corporation.*

Disbursements from the Fund

3.168 There is no formal policy to determine whether the Corporation refunds students their tuition or offers them equivalent training at an alternative educational institution.

Process of determining equivalent training or refund

3.169 It was communicated to us that the first choice of the Corporation is to find equivalent training for students. This choice is seen as the best alternative as it generally results in the least amount of time to get students to a position of having employable skills.

3.170 When the process to find equivalent training is initiated we saw evidence in the minutes of the Corporation that requests for proposals are issued. Requests for proposals are used to assist the board in finding the best equivalent training possible for students given their location and the skills they are seeking.

3.171 If adequate equivalent training is not found then the Corporation will offer a refund to students.

3.172 We found that there was a case where a school closed and three students refused to accept the equivalent training that was offered. In this case the Corporation refused to offer these students refunds. One student opted to take employment and two others did not feel that the equivalent training opportunity was adequate. The Board of the Corporation felt that they had authority under the Act to choose which option, refund or equivalent training, was to be offered to the students.

3.173 We believe in these three cases that the Corporation's approach did not provide protection to the affected students.

Recommendation

3.174 We recommended the Corporation develop a policy to guide it in determining when to provide refunds to students who are subject to unexpected organization closures.

Departmental response

3.175 The Department will refer this recommendation to the Corporation.

Extent of refunds

3.176 Where a refund is issued in the event that equivalent training is not available, the Act under section 6.4(7)(b)(i)(ii) requires that the refund include the tuition fees of the last academic year for which they were paid, and such reasonable accommodation costs paid by the student as may be determined by the Corporation.

3.177 Tuition fees are defined in the Act as “the fees charged by a training organization to a person or to a third party on a person's behalf for an occupational training program, excluding enrolment fees, registration fees, non-refundable deposits and the costs of materials and supplies.”

3.178 In review of a sample of refunds we found that the tuition fees were refunded, but accommodation costs were not. Many students in our sample included accommodation costs on their claims, but were denied compensation for these costs.

3.179 As for tuition fees refunded, we found that there was some confusion as to what should be included in these fees. For instance, in one case the costs of books were refunded. It was not clear whether these costs should have been included in tuition fees but the fact that the school did not include the cost of books in its calculation of student protection fees suggests that these costs were not part of tuition fees and should not have been refunded.

3.180 The Department needs to decide whether tuition fees should include the costs of books and should develop a policy in this regard to enable it to apply the Act on a consistent basis.

3.181 The Department should also determine if it wants to continue to refund reasonable accommodation costs, and, if not, should consider having section 6.4(7)(b)(ii) removed from the Act.

3.182 We found no formal policy developed by the Corporation with respect to the extent of the coverage of refunds and that the Corporation reacts on a case-by-case basis.

Recommendation	3.183 We recommended the Department develop policy to clearly define the extent of refunds in the event that refunds are required.
Departmental response	3.184 <i>The Department will consider this recommendation when preparing proposed amendments to the legislation for consideration by government and in subsequent policy development.</i>
Timeliness of compensation	<p>3.185 We looked at the timeliness of compensation for two of the eleven organizations that closed in the past ten years, and found that in both cases the equivalent training and, or refunds, were offered on a timely basis.</p> <p>3.186 The first case, being the closure of Information Technology Institute Incorporated, resulted in no stoppage of training for those students who were to receive equivalent training. For those students who were to receive refunds, all initial refunds were disbursed within fifteen days of the submission of their claims.</p> <p>3.187 The second case, being the closure of Multihexa, resulted in training being completed in a timely manner. Students initially were to complete their training by January of 2004 and the board of the Corporation reported in March of 2004 that all had completed their training.</p>
Disbursements from the Training Completions Fund	<p>3.188 Before disbursements can be made from the Fund, an invoice from an equivalent training organization or a claim for compensation from a student must be received. All cheques from the Fund require two signatures.</p> <p>3.189 The financial statements including disbursements from the Fund are audited by an external auditor each year. Therefore, we did not test any disbursements from the Fund.</p>
Conclusion	3.190 This criterion is met as financial protection exists. However, we believe that protection can be improved.
Performance measurement	<p>3.191 Our final criterion was:</p> <p><i>A performance measurement system should be in place to assess the effectiveness of the protection program(s).</i></p> <p>3.192 The Department must be held accountable for results. It is important that the Legislature and the public have information</p>

available to assess the effectiveness of programs administered by government.

3.193 The Private Occupational Training Branch's responsibilities for the fiscal year 2005-2006 were reported in the annual report of the Department. However, we found no reporting on the effectiveness of its program. There was no indication of whether or not the Branch met its responsibilities.

3.194 For example there was no reporting on:

- the number of private occupational training organizations registered, and whether or not all were registered;
- the number of school closures, and whether the Fund was used in each case;
- how many students received and did not receive refunds or equivalent training;
- how many student complaints were received and whether all of them were resolved; and
- the results of inspections and the number of inspections performed in the year compared to the number that were planned.

3.195 We found that the Branch had established performance indicators to measure performance against its objective. However, we noted that the indicators established did not encompass all of the stated responsibilities of the program and there was no external reporting of the performance indicators and results.

Recommendation

3.196 We recommended the Department develop a more comprehensive list of performance indicators.

Departmental response

3.197 *The Department will undertake a review of the current performance indicators for this program.*

3.198 We also found that the Branch had established a service guarantee with respect to its responsibilities, but again found no reporting on its performance with respect to the guarantee and found no indication that the Branch is measuring its performance against the guarantee.

3.199 An effective performance measurement system should assist the Branch to use its limited resources in the most economic and efficient manner and result in maximum effectiveness in carrying out its responsibilities.

Recommendation

3.200 We recommended the Department report on the effectiveness of the protection program for students enrolled in private occupational training organizations in New Brunswick through its annual report.

Departmental response

3.201 *The Department will undertake a review of the information contained in the annual report for this program.*

Expenses of the Private Occupational Training Branch

3.202 An appropriate performance management system should also include procedures to measure and evaluate the economy of operations.

3.203 As mentioned earlier in our report, the Private Occupational Training Branch of the Department is responsible for the day-to-day activities required of both the Minister and the Corporation. The associated costs in performing these duties is sustained by the Branch.

3.204 We found no evidence where the economy of operations of the Branch have been measured or evaluated. Therefore, we reviewed the financial resources consumed since 2001 to operate the Private Occupational Training Branch compared to the revenues received during this same period. The information is presented in Exhibit 3.8.

Exhibit 3.8

Private Occupational Training Branch fee revenues and ordinary expenditures 2001-2006.

	2006	2005	2004	2003	2002	2001
Revenue	16,300	16,500	17,000	15,900	18,100	15,521
Expenditures	106,670	108,282	132,064	123,826	116,920	110,296
Excess (deficiency) of revenue over expenditure	(90,370)	(91,782)	(115,064)	(107,926)	(98,820)	(94,775)

3.205 As seen in Exhibit 3.8, historically there has not been enough revenue collected to pay for the operations of the Branch.

3.206 The Branch had budgeted revenue of \$18,000 for 2006-2007. This revenue is generated from registration fees for both training programs and instructors.

3.207 The current registration rates were established in 1969 and have not changed since. The fee structure requires all organizations to submit a fee of \$25 for registration or renewal of registration. Registrations are to be renewed on an annual basis. The \$25 fee

covers the registration of the school and one occupational training program. For each additional training program registered, a fee of \$10 is to be collected to a maximum registration fee of \$250.

3.208 In addition, for registration or renewal of instructors the fee is \$25 per instructor.

3.209 As stated above, staff of the Branch, also perform administrative duties for the Corporation in addition to their departmental duties. A recovery from the Corporation for the cost of administering these duties does not exist. We feel that it would be reasonable for the Branch to recover some of its costs from the Corporation.

Recommendation

3.210 We recommended the Department amend the fee structure of the Branch with the objective of eventually making the Branch self sufficient.

Departmental response

3.211 *The fees for registration of training organizations, training programs and instructors were established by the POTA General Regulation. The Department will consider the recommendation to increase the current fees when preparing proposed amendments to the legislation for consideration by government.*

Conclusion

3.212 This criterion is not met as there is incomplete assessment of performance, and no public reporting of the effectiveness of the protection program.

General comments by the Department

3.213 In addition to addressing the specific recommendations in our report, as set out above, the Deputy Minister of the Department provided the following general comments:

The first observation concerns the inclusion of the New Brunswick Private Occupational Training Corporation (NBPOTC) in the scope of the audit. This concern was expressed by PETL staff at the initial audit meeting of our respective officials. The NBPOTC was established by the Private Occupational Training Act (Act) in 1996. The primary purpose assigned to the Corporation was "to act as administrator of the Training Completions Fund" (the Fund). The Fund is comprised of fees paid by students as a means of insuring that training completion or a refund will be available to them should the training organization that they enroll in close unexpectedly. Because this money is collected from students the

Government of the day determined it was best to establish the Fund outside of Government. Paragraph 6.3(2) of the Act specifically states that “The Corporation is not a Crown Corporation and is not an agent of Her Majesty in right of the Province.” Based on the source of revenue in the Fund and the establishing principle contained in the Act, I have ongoing concerns with the inclusion of the NBPOTC in the scope of this audit.

In addition, since the Fund was purposefully established outside of Government and based on the distinction that the Fund is comprised of student’s money, and the need to maintain these two premises, the suggestion that investment of moneys from the Fund could be made through the Department of Finance or the New Brunswick Investment Management Corporation appears misplaced.

The second observation relates to those recommendations in the audit report that would require changes to the Act and Regulations in order to be implemented or that relate to provision of levels of student protection clearly not contemplated by the Act. In connection with this point, the audit report states, “This audit was performed in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants...” The definition of value-for-money (performance) audits published by the Office of the Auditor General of Canada states, “Performance audits do not question the merits of government policies. Rather, they examine the government’s management practices, controls, and reporting systems based on its own public administration policies and on best practices.”

In the context of this definition of a performance audit, it appears that the criteria for the POTA audit, subsequently reflected in the audit report, are sufficiently broad to call into question the merits of Government policy and the legislation on which this program is based. More specifically, the criteria that I am referring to are the first and second on the list prepared by your office:

- *there should be a program(s) to protect all students enrolled in a private occupational training organization; and*
- *there should be protection of the quality of the education.*

The first criterion, above, indicates there should be a program to protect all students. The Act provides for a process for student financial protection; however certain types of training are exempted from this process in the Regulations. To meet the audit criterion would require a change in Government policy through a regulatory amendment. PETL would not otherwise have legal authority to provide the student financial protection required to meet the audit criterion. In short, audit report recommendations that would require legislative and/or regulatory amendment appear to question Government policy rather than the efficacy of PETL's implementation of Government policy.

With respect to the second criterion above (protection of the quality of the education), I believe it is apparent by the focus on financial protection of the student, as reflected in the provisions of POTA and also evidenced by Government's budgetary allocations to support the administration of the Act, that Government did not intend to provide protection to students in an area as broad and complex as the quality of educational services being offered by the private sector. The report indicates that PETL has undertaken limited program efforts that may exceed the requirements of the Act and concludes that these efforts contribute to protecting the quality of education. In addition, it is also concluded that published program information may lack specificity concerning the level of student protection afforded by POTA. However, I do not think that these two observations can be construed to support inclusion of such a broad audit criterion.

Chapter 4

Department of Natural Resources

Wildlife Trust Fund

Contents

Background	87
Operations of the Fund	88
The nature of our audit	90
General conclusions on our work	91
Comments and recommendations	92

Department of Natural Resources Wildlife Trust Fund

Background

4.1 In 1995 the government produced a document titled *A Wildlife Policy for New Brunswick*. This policy identified the desirability of an increased role for stakeholders in setting the direction for fish and wildlife management in the Province. The policy also discussed the methods of raising revenue to fund identified activities. The Department of Natural Resources was given the task to coordinate and promote the wildlife policy. The first projects under the new policy were funded in 1998.

4.2 In 2002 the Wildlife Trust Fund was established by Regulation under the *Fish and Wildlife Act*.

4.3 The Regulation established a Wildlife Council consisting of seventeen members who are appointed by the Minister to terms that are not to exceed three years. The Council members are expected to represent the broad spectrum of wildlife conservation interests in the Province.

4.4 The duties and responsibilities of the Council include:

- providing advice to the Minister;
- seeking funding; and
- making recommendations for payments from the fund.

4.5 The purpose of the Wildlife Trust Fund is set out in its business plan:

To support a range of programs through which the public can contribute to, participate in, and learn about the protection and enhancement of New Brunswick's fish, wildlife and their habitats.

Operations of the Fund

Revenue

4.6 A conservation fee is added to all hunting and fishing licenses sold in New Brunswick. The fee ranges from two dollars to thirty dollars, with the most common being five dollars. All such fees, collected from hunters, anglers and trappers, are transferred to the Wildlife Trust Fund. This is the primary revenue source for the fund.

4.7 New Brunswick residents may purchase a conservation license plate for their vehicles. Five dollars of the initial cost of a plate is transferred directly to the Wildlife Trust Fund. In addition, an annual fee of five dollars is added to the cost of vehicle registration and again transferred directly to the Wildlife Trust Fund. The conservation plate gives all New Brunswick residents an opportunity to support wildlife projects.

4.8 Following is a five-year comparison of the fund revenue.

	2006	2005	2004	2003	2002
Interest income	\$33,000	\$28,600	\$36,800	\$33,100	\$45,600
Conservation fee	882,200	900,300	915,400	949,600	964,800
<i>Motor Vehicle Act</i> fees	97,100	85,300	79,100	71,400	61,500
Other	29,700	1,300	20,300	8,100	23,000
Total	\$1,042,000	\$1,015,500	\$1,051,600	\$1,062,200	\$1,094,900

Expenditure

4.9 The trust fund's revenue is used to support fisheries development, wildlife development, trapping, biodiversity conservation and conservation education.

4.10 Following are the total expenditures for the past five years, as reported in Public Accounts.

	2006	2005	2004	2003	2002
Personal services	\$102,900	\$100,200	\$97,900	\$101,000	\$54,700
Other Services	97,800	79,100	88,700	85,100	144,200
Materials and Supplies	22,000	12,800	18,200	8,000	19,800
Property and Equipment	1,600	1,600	0	5,200	13,100
Contributions, Grants, Subsidies	843,100	991,500	837,000	758,200	1,160,700
Total	\$1,067,400	\$1,185,200	\$1,041,800	\$957,500	\$1,392,500

4.11 The following table shows a breakdown of the grants expensed over the five-year period.

	2006	2005	2004	2003	2002
Fisheries development	\$330,800	\$439,900	\$346,500	\$246,100	\$494,200
Wildlife development	54,000	157,800	99,000	113,700	299,400
Trapping	10,400	23,500	20,500	16,100	18,700
Biodiversity conservation	209,500	221,000	175,500	171,100	173,900
Conservation education	238,400	105,700	142,600	99,700	46,000
MRDC	0	43,600	52,900	111,500	128,500
Total	\$843,100	\$991,500	\$837,000	\$758,200	\$1,160,700

4.12 The trust funds are made available to the public through an application process. Application documents are available both at the Wildlife Trust Fund office and on their website. Interested individuals and groups submit their applications to the Wildlife Council, which follows a detailed selection process.

4.13 The projects are eligible for assistance from the fund to a maximum of 75% of the project cost estimated in the application. The remaining portion of the funding must be financed by the applicant. Occasionally the private source may be an in-kind donation by a private company or individual.

4.14 The following two grants are typical of the type of projects supported by the Wildlife Trust Fund:

- a \$20,000 grant to study the status of rainbow trout in New Brunswick watercourses; and
- a \$25,000 grant to deliver a wildlife education program for high schools in the Province.

Annual financial results

4.15 Overall financial results reported in the last five years of the Province's Public Accounts are as follows:

	2006	2005	2004	2003	2002
Revenue	\$ 1,042,000	\$ 1,015,500	\$ 1,051,600	\$ 1,062,200	\$ 1,094,900
Expenditure	1,067,400	1,185,200	1,041,800	957,500	1,392,500
Surplus (deficit)	\$ (25,400)	\$ (169,700)	\$ 9,800	\$ 104,700	\$ (297,600)

4.16 The accumulated surplus for the fund rests at \$1.1 million as at 31 March 2006. The surplus position is the result of four

consecutive years, beginning in 1998, when fund revenues exceeded expenditures. Council staff indicated the majority of this surplus was already committed to projects at 31 March 2006.

4.17 Fund revenue declined each year up to 2006, when there was an increase. The 2006 increase was the result of an increase of revenue from the sale of conservation license plates and other revenues rather than an increase in the fees from the sale of fishing and hunting licenses.

4.18 Conservation fees from the sale of hunting and fishing licenses are the major component of revenue. The following chart shows a consistent decline in revenue from this source, primarily in sales of fishing licenses and deer hunting licenses. Since the conservation fees applied to the sale of these licenses has not changed during this period, the decline can be attributed entirely to fewer licenses being sold.

	2006	2005	2004	2003	2002
Conservation fee-fishing	\$337,853	\$372,433	\$367,395	\$391,219	\$381,654
Conservation fee-moose	136,726	105,776	122,690	125,552	118,907
Conservation fee-deer	303,414	317,750	319,323	323,750	356,416
Conservation fee-bear	76,020	76,404	78,620	76,650	74,940
Conservation fee-other	28,169	27,895	27,325	32,457	32,840
Total	\$882,182	\$900,258	\$915,353	\$949,628	\$964,757

4.19 A report on the activities of the Wildlife Trust Fund is included in the annual report of the Department of Natural Resources. Financial results as well as information on the numbers of projects assessed and funded are disclosed on a five year comparative basis.

The nature of our audit

4.20 Our audit looked at two areas. We examined a sample of the grants issued by the fund and we conducted testing of the conservation revenue fee.

4.21 To examine the grant expenditures of the fund, we chose a sample of twenty files. We examined the grants to determine if they met expectations in nine specific areas. Four of these were taken directly from their grant application form or the corresponding guidelines for the grant application.

4.22 Following is a list of the requirements checked:

- application form was submitted;
- maximum funding allowed was 75 % of total project cost;
- approval by the Council;
- compliance with any Council conditions;
- decision on the application was consistent with Department and Council members' comments;
- departmental follow-up was completed as needed;
- grants were in compliance with the mission of the fund;
- the requirements for issuing grants from the fund were met; and
- the final report was prepared and submitted as required.

4.23 We conducted limited testing of the sale of hunting and fishing licenses in two regions with the objective of understanding how the system operated and, in the small sample, whether it was working as expected. We tracked the amounts collected on behalf of the fund through the sale of licenses to the actual deposit with the fund records.

4.24 A much smaller portion of the revenue is derived from the fee that is added each year to the conservation license plates. However this amount has grown from less than 6 % of revenue in 2002 to more than 9 % in 2006. No detailed testing was conducted on this revenue source.

General conclusions on our work

Grant expenditures

4.25 We found no errors. As part of our random sample of twenty files, we found that nine project applications were not approved because they did not meet the requirements set out by the fund.

4.26 Following are some of the reasons noted for the rejections:

- the application was too vague;
- the financial request seemed exaggerated;
- the financial request exceeded the 75 % maximum; and
- the request was for funding for capital items (capital items do not qualify for funding).

Revenue

4.27 Our limited testing on revenue found the process operating as intended. We did not find any errors in accounting for the conservation fees.

Comments and recommendations

Examination of grant expenditures

4.28 We have the following observations on the process by which the grants are issued.

4.29 The Wildlife Trust Fund requires all grants to follow the same procedures regardless of size. While we found there was strict compliance with these requirements, we suggested that the process would be more efficient if the level of detail required for the grants took into consideration the magnitude of the assistance (e.g. there could be less stringent documentation standards for smaller grants). The following is a summary of the size of the approved projects for the 2006 calendar year.

\$5,000 and less = 25 projects
\$5,001 - \$10,000 = 29 projects
\$10,001 - \$15,000 = 14 projects
\$15,001 - \$20,000 = 10 projects
\$20,001 and above = 10 projects

Recommendation

4.30 We recommended the Council set documentation standards that reflect the size and complexity of the grants.

Wildlife Council response

4.31 The Council indicated they would “continue to administer the financial accounting the same way regardless of the size and complexity of the grant.”

4.32 To qualify for a grant, applicants must demonstrate that they will fund a portion of the total cost. The Wildlife Trust Fund will fund a project up to a maximum of 75% of the total cost; however Council staff indicated that the typical funding levels granted are well below that percentage.

4.33 The applicant’s portion may include in-kind donations. A recent update to the guidelines for the grant application process mentions that the in-kind support may be considered as any part of the applicant’s share. One example of in-kind contribution that we saw was a professional photographer donating his time to a project. The application included a dollar value assigned to the photographer’s time. However we noted the guidelines do not require the applicant to provide an independent appraisal, or even a letter from the donor, assigning value to the donated service.

4.34 Another example we encountered involved the applicant using the services of a federal government employee to cover a

portion of the private contribution. Again there was no independent assessment of the value of the service.

4.35 We also noted that there was no written policy that prevented the use of public funds to cover off the required private contribution.

Recommendation

4.36 We recommended the Council establish a written policy regarding the applicants' contributions to the project that considers the following:

- requiring either a written representation from the in-kind donor or an independent appraisal of the value of significant in-kind donations; and
- assessing the appropriateness of allowing grant recipients to use public funds to cover off the required private funding.

Wildlife Council response

4.37 The Council indicated "a committee will address the issue to develop guidelines."

Declining revenue

4.38 Between 85% and 90% of the revenue of the fund comes from the sale of hunting and fishing licenses. However the number of licenses sold has been declining. The weakening in the supply of revenue from this source could have a negative impact on the fund's ability to continue to fulfill its role in protecting fish, wildlife and their habitats.

Recommendation

4.39 We recommended the Council review the primary revenue source of the fund to determine if it continues to provide the level of funding necessary to meet the objectives of the Wildlife Trust Fund.

Wildlife Council response

4.40 The Council indicated it "will review the issue to create additional revenue."

Increasing donations through the issuance of tax receipts

4.41 One of the potential sources of revenue for the fund is donations from the public. However donations revenue has never been significant. We reviewed this with staff and we learned that there have been opportunities for such donations in the past. Receiving the donations was limited, however, because staff were not issuing income tax receipts to the donors.

4.42 The accepted practice for tax receipted donations was set out by the Office of the Comptroller in a memo dated May 1997. The memo indicates that there are two methods by which tax receipts can be issued for donations received by a department from a third party:

- the department may request the comptroller to issue tax receipts for donations received; and
- departments can issue their own tax receipts for donations received from a third party. The memo requests that the departments notify the comptroller in writing of their intention to issue their own receipts.

Recommendation

4.43 We recommended the Council facilitate the acceptance of donations from the public through the use of official tax receipts.

Wildlife Council response

4.44 The Council indicated it would “facilitate the acceptance of donations from the public.”

Revenue generated from penalty clauses

4.45 The Regulation under the *Fish and Wildlife Act* requires money received by the Province under penalty clauses included in certain contracts to be placed in this fund. Included are construction contracts which could have a detrimental effect on the health or habitat of fish or wildlife.

4.46 When we examined the history of these deposits to the fund, we found that the only revenues resulted from the contract with MRDC to build the Fredericton to Moncton highway.

4.47 We contacted the Departments of Transportation and Environment and we received assurances that there were no other such contracts in existence. We found that fund staff had no procedures in place by which they would become aware of all such contracts if they did exist.

Wildlife Council response

4.48 The Council indicated it would “contact organizations that administer contracts to find out the best way to approach them and develop a clause in contracts to enable us to administer any fines, etc. paid out.”

Chapter 5

Department of Health

Program Evaluation

Contents

Background	97
Scope	101
Report recommendations	102
Detailed observations and findings	103
Program evaluation planning	107
Program objectives and targets	110
Evaluation of ongoing program relevance	112
Evaluation of program cost-effectiveness	115
Evaluation of program success.	117
Action taken in response to evaluation findings	119
Public reporting of evaluation findings	122

Department of Health Program Evaluation

Background

5.1 “*However beautiful the strategy, you should occasionally look at the results.*” – Winston Churchill

Introduction

5.2 The Department of Health (DOH) administers many critical health-related programs that are delivered to New Brunswick residents. The 2006/2007 expenditure budget for DOH was approximately \$1.9 billion, approximately 30% of the total provincial budget of \$6.5 billion. This means that three of every ten dollars spent by the Province go either directly or indirectly into health programs.

5.3 With the 2005 transfer of direct delivery of provincial public health and mental health programs from DOH to the Regional Health Authorities (RHAs), most of the programs administered by DOH are now delivered by the RHAs. DOH funds, coordinates, and monitors these programs pursuant to the *Health Act* and other provincial legislation.

5.4 DOH is also responsible for making critical decisions about the programs under their administration. For example:

- Should a new program be created in response to an identified need?
- Is an existing program still relevant to its target clients and the priorities of government and the department or should it be discontinued or have its focus changed?
- Should a pilot program be extended, expanded or discontinued?
- What level of resources should be committed to a particular program in the coming year?

- Should changes be made to the way a program is being delivered to make it more relevant, cost-effective and/or successful in achieving its objectives?

Value of evaluative information

5.5 In order to make appropriate decisions, DOH needs good information. Some of this information may be available in the form of operating information from management information systems, and anecdotal evidence from those delivering the programs. However, relying on this information alone does not provide a sufficient knowledge base for sound decision-making. Access to objective evaluative information about program relevance, cost-effectiveness and success in achieving objectives is critical. The primary function of program evaluation is to provide such information.

5.6 RHAs are responsible for the direct delivery of most health programs. As such, they also need good information upon which to base the decisions needed to ensure relevant, cost-effective, and successful programs and to discharge their accountability obligation to DOH relating to these programs.

5.7 The information provided in program evaluation reports can aid decision-makers in:

- understanding, verifying, and increasing the impact of services on clients;
- improving delivery mechanisms to be more efficient and therefore less costly;
- verifying if the program is really running as envisaged;
- thinking about how they will recognize that a particular program is successful;
- measuring program results;
- determining the extent to which observed outcomes are as a result of program activities;
- identifying deficiencies in a program that may reduce the program's relevance, cost-effectiveness, and/or success in achieving its objectives;

- comparing different programs in deciding where to increase or reduce funding allocations where there are changes in overall departmental funding; and
- identifying best practices and lessons learned that can be applied to other departmental programs.

5.8 Conversely, there are significant risks associated with a failure to consider evaluative information in making program decisions. These include:

- the risk that a program that is no longer needed continues to be funded and delivered;
- the risk that a program is poorly designed, and therefore completion of prescribed activities has a low probability of achieving desired objectives;
- the risk that a program is not adequately funded to achieve stated objectives;
- the risk that activities are not carried out efficiently, or that alternative activities exist that would result in more efficient achievement of planned objectives; and
- the risk that observed outcomes would have occurred with or without the program being in place.

5.9 Information provided by program evaluation can also be used by senior management, legislators, and the public in holding program administrators and managers to account for the achievement of positive, equitable results with resources provided to them.

5.10 A definition of program evaluation and some related terms are provided in Appendix I of this chapter.

Our review

5.11 In 2002, our Office conducted a series of scoping interviews with DOH management and health stakeholders to identify potential areas for examination by our Office. At that time a number of interviewees, and in particular many stakeholders, indicated that there were serious deficiencies in the evaluation of DOH programs and in program-related decision-making by DOH officials. They indicated that DOH should be employing evidence-based decision-making in establishing and operating health programs.

5.12 Some of the more specific comments we received at that time included the following:

- DOH does not use available data in a systematic way to identify problem areas.
- DOH uses a hit-or-miss approach in designing departmental programs.
- There are no information systems in place for many provincial programs and no performance indicators for these same programs. In such an environment, how do DOH and/or RHAs know if programs are being delivered well or badly? Before DOH states that they need more money for health and wellness programs, perhaps they should know how effective and efficient existing programs are. More emphasis on program evaluation and accountability is needed.
- DOH program evaluations that are completed typically rely on subjective information. Most information is gathered from interviews and questionnaires. The public can be “satisfied” with a program that at the same time may not improve their health status or be cost-effective in comparison with other options. DOH program evaluations should be asking two key questions. 1) Has care been provided cost effectively? 2) Has the treatment received improved your health?
- The program evaluation process for a program/pilot should be established as part of program/pilot design. This would allow for the ongoing evaluation of the efficiency and effectiveness of permanent programs. It would also allow for more accurate evaluations of the success of a pilot program.
- DOH officials make program decisions at central office without proper consultation and changes made often have little effect on service delivery in communities. There appears to be an attempt to make complex decisions simple and it doesn’t work.

5.13 In 2004, our Office began an audit of the program evaluation function at DOH, which was known as the Department of Health and Wellness at that time. However, shortly thereafter as a result of a 2004 budgetary decision, the DOH Evaluation Unit was disbanded, and duties in this area were reassigned to the DOH Internal Audit group. DOH requested that we postpone our audit in the wake of that decision. We noted at the time that as a result of the change, DOH’s

capacity in the area of program evaluation appeared to have been significantly reduced.

5.14 In lieu of our planned work at DOH, our Office completed a survey of program evaluation practices in all government departments. Our findings and observations from that survey were reported in Chapter 6 of the 2004 Report (Volume 2). In paragraph 6.15 of that Chapter, we indicated that we intended to do additional work in the area of program evaluation. And we identified DOH as our planned target for the next phase of that work.

5.15 As we noted in our 2004 Report, our Office has the mandate to assess whether appropriate effectiveness reporting systems are in place for departmental programs. Pursuant to that mandate, our work on this review is focused on the involvement of DOH in ensuring that adequate evaluative information is available for program decision-makers. We have made no attempt to evaluate any of the programs under review.

Scope

5.16 Our objectives for this project were:

To determine whether adequate systems and practices have been established to regularly evaluate programs funded by the Department of Health.

5.17 And, if adequate evaluation systems are found not to exist:

To recommend a practical model that can be applied in the regular evaluation of programs for which the department has been given responsibility.

5.18 In completing this work, we sent program evaluation surveys to DOH and three RHAs for each of seven selected programs that are administered by the Department of Health. We received a total of 27 completed surveys in response.

5.19 We also sent an evaluation survey to the Department of Health for an eighth program, the Provincial Epidemiology Service, that is both administered and delivered by the Department, but received no response.

5.20 Responses to our survey were summarized and key findings, along with our observations and analyses, are presented in this chapter. It should also be noted that we did not attempt to audit or otherwise verify the responses received.

5.21 We also reviewed a number of program evaluation reports prepared for departmental programs that have been evaluated in recent years.

5.22 In performing our work, we referenced findings and research completed pursuant to our 2004 survey of departmental program evaluation practices. We also completed some additional research.

Report recommendations

Introduction

5.23 Program evaluation is not a panacea. However, regular evaluations of programs can provide decision-makers with credible evidence on program relevance, cost-effectiveness, and success in achieving established objectives. This is information to which decision-makers may not otherwise have access. And access to this information will increase the probability that optimal program-related decisions will be made.

5.24 We would like to make the following recommendations relating to our review of program evaluation systems and practices at DOH. Findings and observations supporting these recommendations are discussed in the Detailed Findings and Observations section of this chapter that follows.

5.25 All the recommendations are directed towards the Department of Health. However, it is our hope that Regional Health Authorities may also be able to make use of information presented in this chapter in order to improve the health programs they deliver.

Evaluation guidelines, planning, and resourcing

5.26 We recommend DOH set appropriate formal program evaluation guidelines that specify standard departmental approaches to program evaluation for reference by the evaluators of departmentally-administered programs.

5.27 We recommend DOH ensure that appropriate formal documented evaluation plans have been developed for all programs under its administration.

5.28 We recommend DOH ensure that appropriate provincial performance expectations are set for each program they administer and that those performance expectations (i.e. objectives, performance indicators and targets) are communicated to the RHAs.

Evaluation coordination and monitoring

5.29 We recommend DOH act as the provincial coordinator for evaluative work on departmentally-administered programs.

5.30 We recommend DOH monitor evaluative work to ensure that evaluation plans are being carried out as intended.

Accountability and reporting

5.31 We recommend DOH ensure that it receives regular reports from RHAs for each program it administers covering the continued relevance, cost-effectiveness, and success of that program in achieving provincial performance expectations. Further, DOH should ensure that pertinent comparative information is shared among all RHAs.

5.32 We recommend that all program evaluation reports prepared for DOH-administered programs be widely distributed among program managers in the department and in the RHAs.

5.33 We recommend DOH improve program reporting in its annual report by providing information on the continued relevance and success of each program it administers. It should also consider including program cost-effectiveness information in departmental annual reports.

Detailed observations and findings

5.34 Observations and findings included in this chapter are primarily derived from our review and analysis of the information provided by DOH and RHA representatives in response to our program evaluation survey. As such, these observations and findings should not be construed as representing or addressing the situation for any of the individual programs or services surveyed. Rather they are intended to present an overall picture of the state of program evaluation for programs administered by DOH.

5.35 In cases where specific programs are mentioned, we have done so either:

- to identify best practices that we believe should be considered in order to improve evaluative practices for programs that are not already employing those practices; or
- to make pertinent observations gleaned from the departmental program evaluation reports we reviewed.

Areas selected for review

5.36 We chose seven areas we felt were most important in looking at program evaluation in the Department of Health. Those areas are detailed in column one of the table that follows. Column one also shows the review criterion, or statement of principle, for each of these areas. The review criteria were developed by our Office and reviewed with senior representatives of the Department of Health.

5.37 The criteria shown in the following table established the framework for our review. And it is against these criteria that we analyzed program evaluation at the Department of Health. Our findings for each criterion are summarized in the second column of the table and discussed in more detail in the sections that follow.

Review Area and Criterion	Summary of Findings
<p>Program evaluation planning - The Department should ensure that an appropriate evaluation plan is in place for each program.</p>	<p>DOH has no formal documented evaluation plans in place for any of the seven programs we surveyed. There are, however, informal evaluative and performance monitoring processes in place for several of the programs.</p> <p>DOH has not established formal departmental evaluation guidelines for reference by the evaluators of health programs.</p> <p>The Evaluation Unit of the DOH Planning Branch was disbanded in 2004, greatly reducing the capacity of DOH in the area of program evaluations.</p> <p>Survey respondents identified four primary limitations on the ability of the DOH and RHAs to improve program evaluation practices. They included:</p> <ul style="list-style-type: none"> • a lack of financial resources/time for evaluations; • a departmental emphasis on direct service delivery over administrative activities; • a lack of appropriate data capture systems leading to insufficient program data being captured; and • a lack of qualified evaluation staff.
<p>Program objectives and targets - There should be clearly stated objectives and targets for each departmental program.</p>	<p>Survey responses indicated that program objectives had been set for all programs. However, in a few cases, the DOH version of program objectives varied significantly from the objectives being pursued by the RHAs.</p> <p>While provincial performance indicators and targets have been set for some of the programs we surveyed, there are a number of programs for which this has not been done.</p>
<p>Evaluation of ongoing program relevance - The continued relevance of ongoing programs should be evaluated regularly.</p>	<p>Most of the programs we surveyed undergo some informal relevance evaluation periodically.</p>

Review Area and Criterion	Summary of Findings
Evaluation of program cost-effectiveness - The cost-effectiveness of ongoing programs should be evaluated regularly.	Evaluations of cost-effectiveness are done for approximately one-half of the programs we surveyed.
Evaluation of program success - Appropriate program data should be captured and summarized to allow for the ongoing evaluation of success in achieving program objectives. (i.e. There should be performance reporting against pre-established targets.)	<p>For most programs we surveyed, the program data that is captured and summarized is insufficient to allow for the ongoing evaluation of program success in achieving objectives. There appears to be a lot of reliance on anecdotal evidence in determining program success, although there is some use of balanced scorecards and other more objective methods.</p> <p>There is very little consideration given the extent to which program results can be linked to program activities (i.e. attribution of results) in evaluating program success.</p>
Action taken in response to evaluation findings - Appropriate action should be taken in response to findings from evaluations.	<p>It is apparent from comments received in response to our survey that program decision-makers are generally responsive when presented with evidence indicating that their program needs changes or adjustments.</p> <p>Many respondents indicated that they lack critical information about the continued relevance, cost-effectiveness and/or success of their programs upon which to base decisions.</p> <p>DOH makes most key program decisions. Aside from day-to-day operating decisions about a program, RHAs have limited decision-making power relating to programs they deliver.</p>
Public reporting of evaluation findings - The Department should report on the continued relevance, cost-effectiveness, and success in achieving objectives of programs it funds to the Legislative Assembly and the general public.	<p>The provincial Administration Manual indicates that the annual report is the means through which the department should discharge its accountability obligation.</p> <p>Government policy requires departments to present information on the continued relevance and success of programs in achieving their objectives.</p> <p>In only one case was information presented in the annual report that would allow the reader to make any judgment on the continued relevance of the program.</p> <p>The annual report presented no performance indicators or performance targets for any of the programs we surveyed, nor did it report any actual results that could be considered indicative of program success in achieving planned outcomes.</p>

5.38 The following programs and services were those that were selected for survey, and for which we received completed surveys from the Department of Health and Regional Health Authorities.

- Public Health - Early Childhood Initiatives (ECI) - 3.5 Year Old Health Clinic
- Hospital Services - Diagnostic Imaging Services
- Hospital Services - Laboratory Services
- Physician Recruitment and Retention Program
- Mental Health – Child and Adolescent Services Program
- New Brunswick Extra-Mural Program
- Public Health - Healthy Learners in School Program

Program/Service	Start Date	DOH Budget (in millions)	Highest Expenditure Item	Full-Time Equivalent Staff
ECI – 3.5 Year Old Health Clinic	1994	Not available	Salaries	Not available
Diagnostic Imaging	Unknown	\$106.9	Salaries (63 %)	688
Laboratory Services	Unknown	\$70.1	Salaries (65 %)	751
Physician Recruitment and Retention	2000	\$2.9	Incentives to physicians (46 %)	0
Child and Adolescent Services	1989	\$6.9	Salaries (76 %)	100
NB Extra-Mural Program	1981	\$54.3	Salaries (76 %)	669
Healthy Learners in School	2000	Not available	Salaries	17

Note - All information was taken from DOH survey responses.

Conclusion

5.39 Based upon our review, we have concluded that adequate systems and practices have not been established to regularly evaluate programs funded by the Department of Health.

5.40 Due to the time required to work through the survey process for this review and the significant improvements needed in program evaluation process at the Department of Health, we have stopped short of recommending a practical program evaluation model for adoption by DOH at this time. However, implementation of the recommendations provided above would establish a workable framework within which DOH could develop an effective evaluation system.

Program evaluation planning

Department of Health involvement in evaluation planning

5.41 When asked to provide their overall rating of the state of program evaluation for their program, respondents' average ratings for the seven surveyed programs were:

- “Excellent” for one program;
- “At an acceptable level” for four programs; and
- “Needs improvement” for two programs.

5.42 Survey responses indicated that DOH has no formal documented evaluation plans in place for any of the seven programs we surveyed. There are, however, informal evaluative and performance monitoring processes in place for several of the programs, particularly around operating issues with one region accumulating information in a balanced scorecard . One survey respondent made the following comment: *“Ongoing routine evaluation of service and wait times occur however we do not have a formal evaluation plan.”*

5.43 We also noted that there have been at least two formal program evaluations in the past few years relating to surveyed programs: one covering Diagnostic Imaging; and a second covering the entire Early Childhood Initiatives program, of which the 3.5 Year Old Health Clinic is a part, that was just completed in mid-2006. There was also an evaluation of the Healthy Learners in High School pilot program. These evaluations were performed in response to requests from DOH decision-makers for information.

5.44 While recognizing that formal evaluation plans do not exist for their programs, most survey respondents agreed that a number of players should be responsible for developing and maintaining an evaluation plan for their program. Those most commonly mentioned included:

- RHA program management;
- RHA administrative staff;
- DOH program management; and
- DOH staff monitoring the program.

5.45 We believe that, while RHAs should be involved in developing and/or executing an evaluation plan for each health program they deliver, DOH needs to take a leadership role to ensure that appropriate evaluation standards are met. It is DOH who is responsible under the *Health Act* for administering health programs in the Province, and therefore it is also DOH who is accountable for the performance of those programs. Consequently DOH has a vested

interest, as the program decision-maker, in ensuring that it gets the best evaluative information possible.

5.46 Unfortunately, the elimination of the Evaluation Unit of the DOH Planning Branch in 2004 greatly reduced the capacity of DOH to involve itself in program evaluation in any meaningful way. A departmental representative indicated to us at the time that it was the expectation of the department that the RHAs would take over the evaluation function and DOH would simply monitor program performance. Further, DOH would not assume any sort of coordinating role related to any regional evaluations completed. We are not aware of additional resources being assigned to RHAs in recognition of this new role.

5.47 There have been few DOH-led evaluations since the Evaluation Unit was disbanded.

5.48 RHA responses to our survey indicate that they believe the role of DOH should be, as a minimum, to set standards for and coordinate program evaluations. One respondent went much further stating *“The programs are developed by the provincial government and should be evaluated by the provincial government. The design of any program should include evaluation tools from the start.”*

***Survey respondents
suggestions for improvement
in program evaluation***

5.49 Respondents to our survey provided a number of suggestions to improve the evaluation of their programs. Note that while some of these suggestions may already be in place for certain of the programs we surveyed, the list provides some improvements that could be made to programs not currently employing these practices. Suggestions we received included:

- better provincial program standards;
- provision for inter-jurisdictional comparisons;
- better collaboration/sharing of information between regions (e.g. comparatives) and provincially standardized regional benchmarks and indicators;
- better evaluation methodology that allows improved assessment of cost effectiveness and outcome success;
- establishment of an evaluation methodology to be applied to the program as part of the program design process;

- better provincial benchmarks and indicators (especially related to expected program outcomes);
- regular evaluations performed by those responsible for establishing the program (i.e. the Province);
- better data collection systems; and
- development of a provincial evaluation guide.

5.50 In particular, one respondent provided the following comment about how evaluative practices could be improved.

That evaluation be ongoing, that all stakeholders (participatory) be included as possible, that new knowledge/research/best practices/evidence be integrated in a timely manner, that formal evaluations be conducted every 3 years, that various formats for evaluation be used, that evaluation findings be communicated in a transparent and timely manner to stakeholders, that ongoing evaluation be resourced as an integral part of program implementation and not seen as an “add on”, and that evaluation be valued as an essential accountability mechanism.

5.51 Several of these suggestions would be implemented by preparing evaluation plans for DOH-administered programs. We also agree that DOH should prepare a provincial evaluation guide for reference by DOH, RHA, and private sector evaluators. Suggestions related to the availability of data and departmental standard-setting for individual programs are discussed later in this chapter.

Limitations currently preventing the improvement of the program evaluation function

5.52 Respondents went on to identify four primary limitations on the ability of the DOH and RHAs to improve program evaluation practices. They include:

- a lack of financial resources/time for evaluations;
- a departmental emphasis on direct service delivery over administrative activities;
- a lack of appropriate data capture systems leading to insufficient program data being captured; and
- a lack of qualified evaluation staff.

5.53 All four bullet points are closely related. In recent years, given the limitations on available resources, budget allocations within

DOH have focused heavily on direct service delivery and proportionally reduced funding for administrative activities. (i.e. bullet points 2 through 4).

5.54 One respondent commented, *“If there was more resource allocation for [our program] more effort could be placed on program development and evaluation; presently, service delivery and operational issues dominate the resources.”*

5.55 Unfortunately, this means that assigned resources are not sufficient to properly evaluate DOH-administered programs. So, decision-makers do not have access to sufficient evaluative information as to whether programs are relevant, cost-effective, or successful in achieving the objectives they were set up to accomplish.

5.56 We believe that, given current resource levels, DOH and the RHAs do not have the capacity to develop evaluation plans or otherwise improve the current state of evaluation for the programs they administer and deliver. We drew this same conclusion about provincial departments in general in our 2004 Report.

Program objectives and targets

Consistency of program objectives

5.57 In order to evaluate the success of a program, it is critical that clear program objectives be established up front. Survey responses indicated that program objectives had been set for all programs. However, in a few cases, the DOH version of program objectives varied significantly from the RHA versions.

5.58 Uncertainty around the objectives of health programs were also noted in one of the program evaluation reports we reviewed, that prepared for the New Brunswick Critical Care Nursing Program in 2004. In it the evaluator indicated that there was uncertainty among interviewees as to whom the program was targeted towards, experienced nurses or new nurses. It further noted that this had caused conflict within and between RHAs. The evaluator also indicated that there was uncertainty as to the roles and responsibilities of staff responsible for delivering the program.

5.59 DOH needs to take a leadership role in ensuring that there is a common understanding of the objectives of each of the programs it administers between itself and the RHAs. This is especially important given the recent devolution of the delivery of all public health and mental health programs to the RHAs, as this means that DOH no longer delivers most of the programs for which it is accountable.

Lack of performance indicators and targets

5.60 While provincial performance indicators and targets have been set for some of the programs we surveyed, there are a number of programs for which this has not been done. We also noted that in some cases outcomes that are specified are not clear and measurable.

5.61 Again we feel this is an area where DOH needs to take a leadership role. DOH needs to ensure that appropriate provincial performance expectations are set for each program they administer and that those performance expectations (i.e. program objectives, performance indicators and targets) are communicated to the RHAs. Further, DOH needs to ensure that RHAs report actual performance against those indicators and targets to allow DOH to evaluate program success and follow-up to ensure that problems are addressed.

Best practices

5.62 We noted two best practices in the areas of program objectives and targets from survey responses we received.

- The Extra Mural Program is provincially managed, although day to day delivery is handled by RHAs. RHAs look to the program goals and objectives prepared provincially for guidance. DOH has also established performance targets and expected outcomes for this program. The establishment of common goals and performance expectations for all regions facilitates comparisons between regions, the development of data systems, and the sharing of information and best practices between regions. Among other things, this means the administrative costs associated with the program are lower than those for programs that are managed separately in each RHA, because it does not require each RHA to establish its own program goals and performance expectations. Reporting against performance expectations also aids decision-makers in evaluating the success of the program.
- The Healthy Learners in School Program is administered and delivered cooperatively by the Department of Health and the Department of Education. The program guidelines for that program clearly state program goals and targets. The guidelines also included a full logic model for the program, which describes the connection between resources allocated to the program, activities undertaken, and the planned outcomes of the program. All survey respondents were familiar with these guidelines and referenced them in their responses. We feel that the guidelines for this program provide a good working reference to all organizations involved in delivery and/or

administration of the program and as such could serve as a best practice model for other departmental programs.

5.63 Responses also indicated that comprehensive service standards or guidelines have been developed by the department for most programs we surveyed.

Evaluation of ongoing program relevance

Evaluation of Relevance for Health Programs

5.64 Most of the programs we surveyed undergo some informal relevance evaluation periodically, through a combination of discussion at meetings between provincial and regional representatives, the monitoring of results, the review of statistical data, the review of published research or other means. In addition program relevance was one of the issues looked at as part of the recent Early Childhood Initiatives evaluation which included reviewing the 3.5 Year Old Health Clinic. We also noted a best practice in the evaluation of relevance in the Extra Mural Program:

The relevance of the program is evaluated by the Provincial Director of EMP and Regional EMP Directors through the use of statistical data collected via PtCT and HFUMS, feedback from frontline professionals, client survey information, and discussion and ongoing collaboration with RHA (intramural services) and community partners.

5.65 In the evaluation report for the Healthy Learners in High School pilot project prepared in 2002, the evaluator indicated a number of actions that had been taken by regional administrators that facilitated the successful implementation of the pilot. They included the following actions relating to the relevance of the pilot project:

- needs assessment work was completed prior to implementation; and
- many districts attempted to obtain the support of external partner groups and school/community buy-in to the project early in the process.

5.66 However, in the same evaluation report, the evaluator indicated that there were problems with the program model and its application. There was discontent about perceived lack of flexibility to adapt the program to the specific needs of individual schools, and the introduction of more bureaucracy around the pilot. The evaluator went on to indicate that DOH should consider allowing hybrid

approaches that would better meet the needs of individual schools while maintaining program objectives.

5.67 The evaluation report for the Critical Care Nursing Program also recommended that the program be made more flexible in order to accommodate program clients, thereby improving its relevance. Furthermore, the overall conclusion in the report spoke directly to program relevance, indicating that the program needed to continue indefinitely because it was addressing a real need for more critical care nurses.

5.68 The evaluation of relevance takes a slightly different form for hospital services such as laboratory services and diagnostic imaging that are required to be maintained under the *Hospital Services Act*. Survey respondents indicated that these services are perpetually relevant given that both services are required by current medical science. For those services, one respondent commented, “... *what is regularly evaluated may be the relevance of one particular exam or procedure, the availability and relevance of newly developed modality, exam or procedure, or the adoption of new technology to improve efficiency and productivity.*”

***Department of Health
involvement in the evaluation
of program relevance***

5.69 Most survey respondents agreed that a number of players should be responsible for evaluating relevance for their program or service. Those most commonly mentioned included:

- RHA administrative staff;
- DOH monitoring staff;
- RHA program management;
- DOH program management;
- DOH senior management; and
- DOH planning branch.

5.70 One respondent stated, “*The program should be evaluated by those who fund and are accountable for the Program as well as the users and partners.*” Another noted, “*The RHAs are given a budget to provide the community with the most efficient and effective service within their resources. They have surveyed community needs and have the expertise required for evidence based decision making which will meet those needs.*”

5.71 We agree that input is needed from those administering the day-to-day operations of the program, those delivering the program, and even the clients of the program in evaluating continued program relevance. However, based on arguments advanced earlier in this

chapter around accountability, we feel that ultimate responsibility for ensuring that program relevance is evaluated on a regular basis should rest with DOH.

5.72 At least one survey respondent supported this opinion stating: *“From my point of view, there is no one in the regions in charge of evaluating the relevance and the effectiveness of the programs. It’s done at the provincial level through the Health Minister’s Planning and Evaluation.”*

***Survey respondents
suggestions for improvement
in the evaluation of program
relevance***

5.73 Respondents to our survey provided a number of suggestions specifically intended to improve the evaluation of relevance for their program. Again, please note that while some of these suggestions may already be in place for certain of the programs we surveyed, the list provides some improvements that could be made to programs not currently employing these practices. Suggestions we received included:

- more information relating to the program’s target population, including follow up information on current and past clients;
- improved electronic data collection at point of care;
- a report that indicates the impact of the service on patient outcomes (whether positive or negative);
- national and/or provincial standards for the program or service;
- improved communication between regions to improve consistency of delivery;
- increased coordination of information from various health technology assessment services; and
- a workload measurement tool.

5.74 One respondent noted, *“a formal evaluation, improved electronic data collection system, and increased opportunities for networking”* would be useful in evaluating the relevance of the program.

5.75 These suggestions seem to highlight the need for:

- better data collection systems;
- better dissemination of collected information;

Evaluation of program cost-effectiveness

Evaluation of cost-effectiveness for health programs

- better provincial standards; and
- improved communication between regions.

5.76 Respondents for approximately half of the surveyed programs indicated that evaluations of cost-effectiveness are done. The formal program evaluation of Laboratory Services covered some aspects of cost-effectiveness. We also noted three responses that identify some best practices in the evaluation of program cost-effectiveness among survey responses we received.

- Related to the Mental Health – Child and Adolescent Services Program, a respondent stated, *“The Department supports evidence-based best practices for their clients and examines alternate service delivery methods within that context, with the realization that increased funding may not be possible. ... Non-productive activities are identified on an ongoing basis at the Program Manager and Regional Director levels, as well as the level of Provincial Director of Child and Adolescent Services. Cost per CMHC client is analyzed on a year-over-year basis at the Provincial level, as well as intra-regionally.”*
- Related to Hospital Services – Diagnostic Imaging, a respondent indicated, *“... we’re constantly evaluating cost through the budgeting process to establish the best test first approach and also look at productivity and cost per procedure.”*
- Related to Hospital Services – Laboratory Services, a respondent said, *“[We] Constantly evaluate less expensive testing that will give the same or similar clinical information. Done with guidance from laboratory physicians and physicians. Also annual budgeting process and comparisons with provincial and federal benchmarking for cost per test, cost per unit (e.g. CIHI report).”* Another respondent stated, *“[Evaluation of cost-effectiveness] is part of the role and responsibilities of Senior laboratory management staff. Including Program Director and Medical Director. Prior to implementation of a new test-methodology and/or service, a complete analysis is done with regards to cost-effectiveness and clinical priorities. The analysis is based on clinical relevance, TAT, cost, volumes, customer service, etc. Data used included MIS, workload stats, literature reviews, etc. The VP Health Information is ultimately responsible.”*

***Department of Health
involvement in the evaluation
of program cost-effectiveness***

5.77 Most survey respondents agreed that a number of players should be responsible for evaluating cost-effectiveness for their program or service. Those most commonly mentioned included:

- RHA administrative staff;
- RHA program management;
- DOH staff monitoring the program; and
- DOH program management.

5.78 One respondent further stated, “*Given that [the RHA] is granted a global budget it is the responsibility of [the RHA] to ensure the effective utilization of same.*”

5.79 We agree that most of the evaluative work in this area has to be done by those delivering the program, that is to say the RHAs. Given their need to work within budgets while still delivering effective programs, cost-effectiveness information is valuable to RHAs. But where this information indicates that major changes are needed in program delivery, it can also be a source of valuable information for DOH decision-makers.

5.80 Regardless of who does the evaluative work, however, we believe that DOH should take a leadership role in ensuring that cost-effectiveness evaluations are done periodically for all programs under their administration.

***Survey respondents
suggestions for improvement
in the evaluation of
cost-effectiveness***

5.81 Respondents to our survey provided a number of suggestions specifically intended to improve the evaluation of cost-effectiveness for their program. Again, please note that while some of these suggestions may already be in place for certain of the programs we surveyed, the list provides some improvements that could be made to programs not currently employing these practices. Suggestions we received included:

- more data on outcomes;
- information on funds saved and/or other impacts from program interventions;
- improved workload measurement system;
- better data collection at point of care;
- provincial benchmarking;
- data on appropriateness of exams requested;
- better sharing of cost information between DOH and RHAs;
- comparative cost data from other RHAs; and
- comparative cost data from other provinces.

Evaluation of program success

Evaluation of program success for health programs

5.82 Once again, many of the survey respondents' suggestions for improvement related to the need for better information than is currently available to decision-makers, and better provincial standards for program performance and evaluative practices in general. One respondent summed it up by stating, *"It is difficult to measure cost effectiveness of a program when information required is not available...."*

5.83 For example, the program evaluation report for the Critical Care Nursing Program indicated that it was impossible to evaluate program cost-efficiency in terms of dollars per nurse educated because of a lack of financial data upon which to base that analysis.

5.84 Evaluation of program success for health programs needs improvement. From survey responses we noted some use of balanced scorecards to track program performance. But we also noted that for a number of programs, outcomes that are specified are not clear and measurable. And there appears to be a lot of reliance on anecdotal evidence in determining program success. One respondent commented, *"No formal process is established to evaluate success of the program."*

5.85 Further, we noted that there is very little consideration given to the extent to which program results can be linked to program activities (i.e. attribution of results) in evaluating program success.

5.86 We did note that performance reporting regimes have been established for both the Mental Health – Child & Adolescent Program and the Extra Mural Program. Both could serve as best practice models for other health programs.

5.87 For example, in the case of the Mental Health program clearly-stated short and long term service indicators have been defined in program guidelines and are being measured and reported upon. Performance indicators cover the effectiveness, efficiency, accessibility, and acceptability of the program. They include, among others, performance indicators such as the following:

- decrease in symptoms/occurrence of mental illness and increase in the functionality in children and adolescents;
- decrease in the need for hospitalization and increase of family stability; and
- decrease in incarceration rates of youth.

5.88 Further, in relation to the usage of information for evaluative purposes, a respondent commented,

The management team for the Mental Health Program with members of the Mental Health Program QI committee and the MH Program committee reviews the success of the Program, through evaluating objectives, indicators, and feedback from other services. Various activity fact sheets, satisfaction surveys, health record reports, etc are used to assist in evaluation. Reports on financial and Program status are completed monthly and submitted to the RHA as well as MHSD monthly and quarterly.

Department of Health involvement in the evaluation of program success

5.89 Most survey respondents agreed that a number of players should be responsible for evaluating the success of their program or service in achieving its objectives. Those most commonly mentioned included:

- DOH monitoring staff;
- RHA administrative staff;
- RHA program management; and
- DOH program management.

5.90 While all players involved with a program need to be concerned about the performance of the program, we again believe that DOH should provide leadership in the area of performance. It should do this by:

- setting clear provincial objectives, performance indicators and annual targets for programs;
- monitoring actual performance and ensuring that action is taken where warranted; and
- ensuring that attribution of results is periodically reviewed to ensure that it is the activities associated with the program, and not some other factors, that have led to observed outcomes.

Survey respondents suggestions for improvement in the evaluation of program success

5.91 Respondents to our survey provided a number of suggestions specifically intended to improve the evaluation of the success of their program in achieving its objectives. Again, please note that while some of these suggestions may already be in place for certain of the programs we surveyed, the list provides some improvements that could be made to programs not currently employing these practices. Suggestions we received included:

- an electronic data system that allows the capture of data at point of care;
- satisfaction surveys for patients, physicians, and staff;
- more detailed and accurate measurements of wait times and workloads;
- a report that assesses/evaluates the impact of program initiatives on actual outcomes; and
- the ability to compare performance between regions.

5.92 Survey respondents provided the following comments:

- *Data collection at the “Point of Care” would greatly improve the ability to track and monitor activities at the regional level. Data collection at the regional level is conducted manually resulting in inefficient use of our resources and inability to effectively monitor outcomes and objectives. Improved compatibility of information system between facilities in the RHA would also improve the ability to track and monitor activities in the organization.*
- *There is no electronic data system to capture information from the ... Program.*

5.93 Our review of survey responses indicated that the key factor limiting the ability of DOH and RHAs to evaluate program success in achieving objectives is the lack of data available to evaluators and decision-makers.

Action taken in response to evaluation findings

Information available to DOH/RHAs for decision-making purposes

5.94 It is apparent from comments received in response to our survey that program decision-makers are generally responsive when presented with evidence indicating that their program needs changes or adjustments. For example, an action plan was put in place in response to the findings and recommendations included in the recent Diagnostic Imaging evaluation report. And in fact, all respondents were able to give numerous examples of recent changes made to their programs.

5.95 Evidence-based decision making is considered the best practice in program decision-making. Most survey respondents agreed that a number of types of evidence need to be considered in making changes to a program. Those most commonly mentioned included:

- continued program relevance;
- program success in achieving its objectives;

- program cost;
- strategic priorities of the organization/government;
- clinical experience;
- newly published scientific research;
- program cost-effectiveness;
- formal evaluation reports; and
- information from similar programs in other jurisdictions;

5.96 However, as discussed throughout this chapter, many respondents also indicated that they lack critical information about the continued relevance, cost-effectiveness and/or success of their programs. We noted a similar problem across departments in our 2004 Report where we stated, “Effectiveness information (i.e. actual versus targeted results and the results of formal program evaluations) is not as readily available to decision-makers as more traditional forms of program-related information (i.e. numerical reports, narrative reports, and financial reports).” So, this problem is not limited to health programs.

5.97 Lack of access to such information means that there is a high risk that problems exist of which decision-makers have no knowledge. Neither DOH nor the RHAs can react to problems they don’t know about.

Who makes program decisions?

5.98 DOH administers and is accountable to the Legislative Assembly for all health programs under the provincial *Health Act*. Because of this, the Minister of Health is the ultimate decision-maker for health programs. However, the Minister delegates his responsibilities to senior management, program administrators and managers within the Department. The Minister has also delegated delivery of most health programs to RHAs. The Chief Executive Officers of those RHAs report directly back to the Deputy Minister of Health.

5.99 From responses to our survey, it is apparent that RHAs look to DOH for many program-related decisions. RHAs are provided by DOH with a global budget that is intended to fund all programs and services to be delivered by the RHAs. RHAs may only spend in excess of budgeted amounts for legislated programs like Diagnostic Imaging and Laboratory Services, and only if demand warrants it. They have only a limited ability to make adjustments in the budget for non-legislated programs, as adding funds to the budget of one program means taking funds away from another. This, combined with limited administrative resources, restricts the ability of RHAs to

make major changes to the delivery of programs without the involvement of DOH.

5.100 For example, in the case of the Extra Mural Program, a respondent commented:

The Hospital Services Branch, Department of Health, is responsible for the overall direction of the provincial Extra-Mural Program. A central team is responsible to:

- 1. direct the development of the EMP in collaboration with the RHAs;*
- 2. foster the development of provincial forums to direct and advise on issues relating to the Program;*
- 3. set provincial policy and standards; and*
- 4. fund and monitor the Program.*

Although managed by eight individual regional health authorities, the EMP retains its former provincial character through the collaborative efforts of the RHA and Department staff. Through this collaboration, the Program is able to deliver consistent, quality home healthcare services throughout the province. ...

5.101 And, in connection with the recent transfer of Mental Health Services delivery to the RHAs, the following comment was made.

Under the Provincial Health Plan and with the transfer of Mental Health Services delivery to the RHA's, the Department of Health has a role to plan, design, fund and monitor the delivery of Mental Health Services in the province. The operational delivery of services, however, is the responsibility of the RHA's and their monitoring should be reflective of the overall program objectives.

5.102 Another respondent expressed a concern about the RHAs' ability to change programs in response to observed problems with cost-effectiveness. "Regionally we have been hearing for some time that current research is showing that [a process] is not cost effective... Would [another process possibly cost less?] ...Regions cannot change the program in response to new evidence/research.

This is a DH role. Integrating new knowledge / research / evidence into our work seems to rarely happen.”

5.103 It appears that, aside from day-to-day operating decisions about a program, RHAs have limited decision-making power. It is DOH that makes most key program decisions and therefore it is DOH that has a vested interest in ensuring that appropriate evaluative information is available upon which to base those decisions.

***Sharing of program
evaluation reports within
DOH***

5.104 Among the information provided in a program evaluation report is:

- information identifying problem areas associated with the development, implementation, and/or delivery of a program and recommendations for improvement; and
- information identifying aspects of program development, implementation, and/or delivery of the program that have been working well.

5.105 Both types of information can be of significant value not only to those directly responsible for the program, but also those administering other DOH programs. It provides valuable lessons learned and best practices that can be transferred to other programs in order to improve their efficiency and effectiveness.

5.106 However, it is our experience that program evaluation reports produced for DOH since the departmental evaluation unit was disbanded are not easily accessible. They are typically distributed only to managers administering the particular program being evaluated. Consequently, the opportunity for managers of other health programs to benefit from this valuable information is being lost.

**Public reporting of
evaluation findings**

5.107 As previously discussed, DOH is accountable for the performance of health programs it administers. The provincial Administration Manual states:

The prime function of an annual report is to be the major accountability document by departments and agencies for the Legislative Assembly and the general public. It serves as the key public link between the objectives and plans of a government entity and the results obtained.

5.108 Therefore in accordance with this policy, the DOH annual report is the means through which the department should discharge its accountability obligation in relation to programs it administers.

5.109 The policy, which was implemented in 1994, goes on to provide the following guidance.

Content

a. To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.

It is recognized that management information systems in many departments and agencies do not produce sufficient relevant data to meet this goal. However, over time, departments and agencies are expected to develop performance indicators and to include this information in their annual reports.

b. Actual and budget financial information in summary form and a narrative explaining major variances as well as other aspects of financial performance are to be included in all annual reports. ...

5.110 This policy therefore addresses reporting on relevance and success in achieving objectives. “B” above also addresses cost information to be reported, although it does not specifically refer to cost-effectiveness.

5.111 In other words, the policy requires annual reports to provide sufficient information to allow legislators and the public to assess whether departmentally-administered programs are relevant and successful in achieving their objectives.

5.112 We reviewed the 31 March 2005 Department of Health and Wellness annual report for information on the seven programs that were surveyed. The 31 March 2006 annual report was not available at the time of our work. We noted the following from our review:

- purpose/objective(s) of the program was reported for three of the programs;

- other program information was reported for four of the programs;
- activity and/or other operating data was reported for four of the programs; and
- initiatives undertaken during the year were reported for two of the programs.

5.113 In only one case, the Extra Mural Program, was information presented that would allow the reader to make any judgment on the continued relevance of the program. None of the programs listed any performance indicators or performance targets, and none reported any actual results that could be considered indicative of success in achieving program outcomes.

5.114 Therefore, we would conclude that in general the 31 March 2005 Department of Health and Wellness annual report did not comply with government policy in that it did not include required information on the continued relevance and success of programs in achieving their objectives.

5.115 In our 1998 Report, we made one recommendation as a result of our audit of the government's response to the recommendations of the Commission on Excellence in Education. We recommended that the results of the evaluation of the Early Childhood Initiatives (ECI) be tabled in the Legislative Assembly when it was completed. As indicated previously in this chapter, an evaluation of ECI has now been completed and we continue to believe it is important for legislators to review this evaluation to determine if intended results were achieved. Subsequent to the completion of our survey, this evaluation report was released.

Appendix I

Program Evaluation Definitions

Program Evaluation is the systematic process of asking critical questions, collecting appropriate information, analyzing, interpreting and using the information in order to improve programs and be accountable for positive, equitable results and resources invested.

Program relevance addresses whether the program continues to be consistent with department and government –wide priorities and to realistically address a significant need.

Program cost-effectiveness addresses whether the program utilizes the most appropriate and efficient means for achieving the objectives, relative to alternative design and delivery approaches.

Program success addresses whether the program is effective in meeting its objectives, within budget and without resulting in significant unwanted outcomes. This includes consideration of whether observed outcomes can be attributed to program activities.

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 Funeral 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.

Chapter 7

Office of the Auditor General

Contents

Background	153
Office role and relevance	153
Strategic plan	154
Performance indicators	154
Financial information	158
Staff resources	158

Office of the Auditor General

Background

Exhibit 7.1
Self assessment checklist

7.1 In recent years, our Reports have contained a checklist relating to our assessment of our compliance with the annual report policy of government. A comparative version for 2007 is presented below.

	2007	2006
Was a report prepared?	Yes	Yes
Is there a discussion of program relevance?	Yes	Yes
Are goals and objectives stated?	Yes	Yes
Does the report discuss achievement of plans?	Yes	Yes
Are performance indicators presented?	Yes	Yes
Are details available on level of client acceptance ?	Yes	Yes
Is actual and budget financial information presented?	Yes	Yes
Does the report explain variances from budget?	Yes	Yes

Office role and relevance

Our role

7.2 Our role within the provincial public service is unique. We are independent of the government of the day and provide information directly to the Legislative Assembly. The Legislative Assembly uses our information to help fulfil its role of holding the government accountable for how public monies are managed and how services are delivered. We also assist government by providing recommendations to senior officials of the departments and agencies we audit.

Our mission

7.3 **We promote accountability by providing objective information to the people of New Brunswick through the Legislative Assembly.**

Office relevance

7.4 Volumes 1 and 2 of our 2006 Report generated significant interest. 400 copies of each volume were printed and distributed. Access to our Report is also available through the internet, and we are tracking the number of times our Report is visited. Discussions of our findings in the Legislative Assembly and the Public Accounts and Crown Corporations Committees are evidence of the continuing relevance of our work.

7.5 Each year we include in our Report matters that we believe are significant to the Legislative Assembly and the public. These

include our findings, conclusions and recommendations arising out of our audit work during the year.

7.6 Our service also includes separate audit conclusions on the reliability of financial statements. These conclusions (auditor's reports) are provided to the Legislative Assembly with the financial statements for the Province as well as the Crown agencies and Trust Funds that we audit.

7.7 We see our work remaining relevant and contributing to:

- public confidence in our system of government;
- the Legislative Assembly's ability to carry out its responsibility of holding the government to account; and
- the government's ability to carry out its responsibilities using sound management systems and practices.

Strategic plan

7.8 Our 2003-2008 strategic plan can be found on our web site. It identifies three main goals that we are concentrating on over the five years. These are:

- the Legislative Assembly and the public are aware of and value all the work that we do, and have confidence in our ability to provide timely, objective and credible information;
- departments and agencies accept and implement our recommendations; and
- our stakeholders - the Legislative Assembly, the public, auditees and our employees - view us as leading by example.

7.9 We have developed strategies around each of these goals, along with specific objectives and actions. We have also identified performance indicators that we are using to measure our progress.

Performance indicators

MLA survey

7.10 In 2004 we surveyed and interviewed Members of the Public Accounts and Crown Corporations Committees in order to measure our effectiveness in meeting their needs.

7.11 The responses to the survey indicated a high degree of satisfaction with the work that we do. We converted the responses into a numerical index, which produced an overall satisfaction rate of 86.8%.

7.12 We surveyed the members of the committees again in 2005, but the number of responses received was insufficient to allow us to draw any meaningful overall conclusions. We did not survey the

members of the committees in 2006, an election year, but plan to do so in the current year.

Auditee survey

7.13 Following the completion of each audit, we survey the department or Crown agency to determine their level of satisfaction with our work.

7.14 The responses to the survey following our 2006 audits indicate a high degree of satisfaction with the audits we conducted. We converted all the responses into a numerical index, which produced an overall satisfaction rate of 83.6%, compared to a rate of 84.6% in 2005.

7.15 Generally, auditees felt that we communicated well with their organization during our work and in the preparation of our reports, and that we dealt with them in a courteous and professional manner.

Employee survey

7.16 In early 2007 we conducted our third employee satisfaction survey. This provides us with feedback on topics such as quality of work life, communication and career development. We converted the responses into a numerical index, which produced an overall satisfaction rate of 69.9%, compared to a rate of 66.3% in 2004, and 62.6% in 2003.

7.17 We are pleased to see the continued increase in the overall satisfaction rate. We have identified specific action items from the survey, and are continuing to address the areas of concern to staff.

Acceptance and implementation of recommendations

7.18 Chapter 9 of Volume 2 of our 2006 Report provides an overview of the recommendations included in our 2002 through 2004 Reports. It summarizes the status of our recommendations, and focuses in particular on those recommendations we made in 2002 that have not been fully implemented.

7.19 The results of our follow-up work conducted in the current year on the recommendations included in our 2003 through 2005 Reports are included in chapter 6 of this Report.

Completion of audits on time and within budget

7.20 Our long-term goal is to complete the audit of the Province's financial statements by 30 June and to complete all Crown agency and Trust Fund audits by 30 September.

7.21 Our ability to achieve this objective is not totally within our control, because it really depends on when our auditees close their books for the year and are ready for us to do our work.

Notwithstanding this, we believe the indicator is important because it results in us encouraging our auditees to close their books as quickly as possible. We support timely reporting of financial information. The indicator also places a discipline on our Office to complete the audit work by a specific date.

7.22 The audit of the Province of New Brunswick for the year ended 31 March 2006 was not completed by 30 June 2006. Our auditor's report on the Province's financial statements was dated 28 July 2006. This represented a significant improvement over 2005, when our auditor's report was dated 30 September.

7.23 We are the auditors of eighteen Crown agencies and six pension plans. We completed eleven of the Crown agency audits by 30 September 2006. For the seven Crown agency audits that were not completed there were delays related to a lack of available resources in our Office to do the work; all seven were completed by 31 October 2006. And we did not have the resources to complete the audits of the pension plans in time to meet our 30 September target.

7.24 We establish detailed time budgets for each of our audits. During the audit, we monitor the time spent by staff members on individual sections of the work. At the end of each audit, we summarize the total time spent, compare it to the total budgeted hours and analyze major fluctuations. For our financial audits, we use the results of this analysis to help us prepare the budget for the following year's work.

7.25 The actual time spent on our 2006 audit of the Province's financial statements was less than budgeted, and also significantly less than the prior year.

7.26 Most of the 2006 Crown agency and pension plan audits were carried out within or close to budget. Seven audits were significantly over budget. In most cases, this was a result of unanticipated accounting issues that took extra time to resolve.

7.27 We undertook six major value-for-money audits during the past year that led to chapters in our 2006 Report. One took significantly more time than we had budgeted.

***Interest in, and discussion
of, our work***

7.28 As mentioned earlier, we monitor the number of times our web site is visited to access our Report. In the period from December 2006 to June 2007, covering the release of volumes 1 and 2 of our 2006 Report and the subsequent four months, there were

over 14,000 visits to the complete Reports. In addition to this there were specific visits to individual chapters. In the week following 12 December 2006, the day we released volume 1, there were over 10,000 visits, or “hits”, to our web site. In the week following 1 March 2007, the day we released volume 2, there were over 7,400 hits.

7.29 We would also like to track the number of times our work is mentioned in the Legislative Assembly, and in meetings of the Public Accounts Committee and the Crown Corporations Committee. However, this has proven to be an impossible task. The official record of proceedings in the Legislative Assembly (Hansard) is at least two years behind, and minutes of committee meetings are not routinely prepared.

7.30 Nevertheless, we believe that our relevance is demonstrated by the fact that the Public Accounts and Crown Corporations Committees continue to make use of our Reports in carrying out their work. We also offer our services to the committees to provide them with opportunities to explore topics in greater depth.

Use of time

7.31 An important indicator for us is the percentage of time we spend directly on audit work. Our goal is to reach a target of 60% of all professional paid time in our Office being spent directly on financial statement audits or value-for-money audits.

7.32 A detailed analysis of staff time for the year ended 31 March 2007 indicates that 58.68% of the total paid time of all staff, with the exception of our administrative support staff, was spent directly on audit work (including work on our annual Report). Approximately half of this time is spent on value-for-money audits. Non-audit time includes statutory holidays, vacations, courses for accounting students and professional staff, sick leave and administrative duties not chargeable to a specific audit.

Cost of our audits

7.33 We have always budgeted and tracked the number of hours for each of our audits. However, in an effort to be as economical and efficient as we can be in the work that we do, we are also tracking the cost of each audit. In the broadest sense, the cost of our audits can be said to be the cost of operating our Office, represented by our total expenditures set out later in this chapter.

7.34 More specifically, the cost of the audit of the Province of New Brunswick’s financial statements for the year ended 31 March 2006 was \$173,000. The total cost of the Crown agency and pension

plan audits for 2006 was approximately \$166,000. The total cost of the six major value-for-money audits included in our 2006 Report was \$270,000. The cost of preparing the two volumes of our 2006 Report, including the work we do to follow up on recommendations made in previous Reports, was approximately \$108,000.

Financial information

7.35 Budget and actual expenditure for 2005-06 and 2006-07 by primary classification is shown in Exhibit 7.2. The approved budget for the 2007-08 year is presented for comparative purposes.

7.36 Staff costs continue to account for approximately 90% of our budget and were underspent by \$157,000 for the year ended 31 March 2007. This was mainly the result of having one senior staff member on secondment with a government department throughout the year. Another contributing factor was staff turnover, and the inevitable delays in filling vacant positions.

Exhibit 7.2

Budget and actual expenditure (thousands of dollars)

	2008	2007		2006	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,679.2	1,637.2	1,480.0	1,568.8	1,507.8
Other services	147.7	132.8	140.8	133.2	117.8
Materials and supplies	7.9	8.8	5.1	8.8	5.8
Property and equipment	33.2	33.2	26.7	33.2	75.2
	1,868.0	1,812.0	1,652.6	1,744.0	1,706.6

7.37 Our legislation requires an annual audit of our accounts by a qualified auditor, appointed by the Speaker of the Legislative Assembly on the advice of the Board of Management. This audit is conducted by the Office of the Comptroller and their audit report is tabled before the Legislative Assembly.

Staff resources

7.38 Our Office continues to provide experience and training to our employees. New employees must enrol in a professional accounting program, namely CA (Chartered Accountant), CGA (Certified General Accountant) or CMA (Certified Management Accountant). Before staff begin this professional training they must have, as a minimum, one university degree at the bachelor level.

7.39 Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, two staff members left the Office.

7.40 Our staff complement, based on our available budget, is 23. Brent White, CA, Paul Jewett, CA and Phil Vessey, CA are the directors for our three audit teams. At 31 March 2007 there were fifteen professional staff with accounting designations. Our staff also included four students enrolled in accounting programs. Two other members of our staff provide administrative support services. Two positions were vacant, but have subsequently been filled. The following is a list of staff members at 31 March 2007:

Cathy Connors Kennedy, CA	Ken Robinson, CA
Duane Dickinson, CA	Jennifer Sherwood ⁽²⁾
Kim Embleton, CGA	Ashley Smith ⁽²⁾
Michael Ferguson, CA	Rebecca Stanley ⁽¹⁾
Eric Frenette ⁽²⁾	Al Thomas, CA
Deidre Green, CA	Phil Vessey, CA
Eric Hopper, CA	Yanjun Wang ⁽²⁾
Peggy Isnor, CA	Brent White, CA
Paul Jewett, CA	Darlene Wield ⁽¹⁾
Cecil Jones, CA	Tania Wood-Sussey, CA
Bill Phemister, CA	

⁽¹⁾ Administrative support

⁽²⁾ Student enrolled in a professional accounting program

7.41 On 30 April 2007 one of our audit directors, Phil Vessey, CA, retired. Phil served with the Office for 32 years. His skills and experience will not easily be replaced.

Appendix

Contents

Summary of significant audits conducted in departments and Crown agencies over the past ten years	163
--	-----

Summary of Significant Audits Conducted in Departments and Crown Agencies over the Past Ten Years

The following is a list of value-for-money audits reported in a separate chapter of our annual Reports over the last ten years, organized by department and agency. The year of reporting is in brackets following the subject of the audit. The list is organized using the current name of the department or agency, even though in some cases the audit was conducted prior to a government reorganization.

Department of Agriculture and Aquaculture

Salmon Aquaculture (2004)

This chapter assesses whether Province of New Brunswick programs ensure that New Brunswick salmon cage culture operations are economically, environmentally, and socially sustainable.

Review of Legislation (2000)

This chapter examines how well the Department is meeting its administrative responsibilities pertaining to legislation it has been assigned, and whether the results are being adequately measured and reported to the Legislative Assembly.

Department of Business New Brunswick

Financial Assistance to Business and Performance Reporting (1998)

This chapter examines whether the Department is appropriately approving and monitoring financial assistance provided to business under the *Economic Development Act*, and whether an appropriate effectiveness reporting system is in place in the Department and functioning.

Department of Education

Facilities Maintenance (2005)

This chapter examines whether the Minister of Education has adequate systems and practices in place to ensure that school facilities are appropriately maintained.

Pupil Transportation (2001)

This chapter examines the systems and practices in place in the Department of Education for the safe transportation of pupils to and from their schools.

Excellence in Education (1998)

This chapter examines whether the government has adequate systems in place to measure and report on the effectiveness of the Excellence in Education initiatives, and whether the government has complied with the accounting and audit provisions established by the Board of Management.

Department of the Environment

Beverage Containers Program (2004)

This chapter examines whether the Department has established satisfactory procedures to measure and report on whether the Beverage Containers Program is achieving its intended results. It also reports on the progress the Department has made in implementing the recommendations and responding to the findings of our 1994 report on the Beverage Containers Program.

Environmental Inspections (2002)

This chapter examines the inspection process established by the Department to monitor and report compliance with environmental legislation.

Domestic Well Water Quality (2000)

A reliable supply of safe drinking water is important to everyone. Approximately 40% of New Brunswickers living in small towns and rural areas rely on domestic wells as their primary source of water. Two regulations under the *Clean Water Act* that contribute to the prevention of drinking water problems for individuals on newly drilled or dug domestic wells are the *Water Well Regulation* and the *Potable Water Regulation*. This chapter examines the performance of the Departments of the Environment and Local Government and Health and Wellness in ensuring compliance with these regulations as they relate to private wells.

Tire Stewardship Program (1999)

This chapter examines the approach taken by government in establishing the Tire Stewardship Program, and whether or not the Department is overseeing the Program in accordance with the legislation and regulation. Our work also addresses whether or not the public is adequately protected from danger of tire fires.

Department of Family and Community Services

Special Care Homes and Community Residences (2005)

This chapter examines whether the Department has appropriate practices to ensure compliance with the Province's legislation and standards for special care homes and community residences.

Nursing Home Services (2004)

This chapter examines whether the Department has appropriate practices to ensure that licensed nursing homes are complying with the Province's legislation for nursing homes, and that the Province's legislation and departmental policies for nursing homes are reviewed and amended on a regular basis.

Child Day Care Facilities (2003)

This chapter examines whether the Department has appropriate policies and practices to ensure compliance with the Province's legislation and standards for child day care facilities.

Prescription Drug Program (2001)

This chapter examines the government plan to provide drug benefits to people who receive income assistance and those who have drug expenses for which they do not have the resources to pay. Our objective was to determine whether the Departments have appropriate systems and practices in place to ensure that each person who is eligible for benefits is offered the program, and that the plan provides services only to those people who qualify.

Department of Finance**Tax Expenditures (2003)**

This chapter examines and assesses the processes of approving, monitoring, evaluating and reporting provincial tax expenditure programs.

Pension Plan Governance (2002)

This chapter examines whether the governors of two provincially sponsored pension plans have established satisfactory procedures to measure and report on the effectiveness of the plans' asset management activities.

Early Retirement Program (2001)

This chapter examines the process followed by government to reach the decision to offer a voluntary early retirement program to its employees.

Pension Plan Governance (2000)

This chapter examines the governance structure of four provincially-sponsored pension plans.

Consumption Tax (1999)

As of 1 April 1997 the provincial consumption tax was replaced by the federally administered Harmonized Sales Tax. Since then the government has hired additional auditors to identify unassessed taxes. We were interested in examining the economy and efficiency of this special audit effort and the collection of sales tax in general.

Evergreen and Wackenhut Leases

(Special Report for the Public Accounts Committee - 1998)

Our objective as assigned by the Public Accounts Committee was “to review the financial terms of the Evergreen and Wackenhut leases and compare the total cost under the private sector arrangements as compared to traditional government methods.”

Department of Health

Program Evaluation (2007)

This chapter examines whether adequate systems and practices have been established to regularly evaluate programs funded by the Department of Health.

Health Levy (2006)

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

Prescription Drug Program (2005)

This chapter examines whether the Department has adequate procedures in place to manage the performance of the Prescription Drug Program, and whether there is adequate reporting on the Prescription Drug Program’s performance. It also examines whether the Department has adequate procedures in place to ensure that the drug assessment process for formulary listing and the amount paid for drugs and pharmacy services are managed with due regard for cost effectiveness.

Accountability of Psychiatric Hospitals and Psychiatric Units (2003)

This chapter assesses whether the Department has appropriate accountability processes in place for the operations of the psychiatric hospitals and psychiatric units under the direction of the Regional Health Authorities.

Client Service Delivery System (2002)

This chapter examines why the development of the Client Service Delivery System, which was approved in 1995 for \$4.5 million and was to be operational in three years, is costing substantially more and taking much longer than anticipated. It also examines whether there has been any non-compliance with contractual arrangements, government policy or provincial legislation related to the higher costs and longer completion time.

Prescription Drug Program (2001)

This chapter examines the government plan to provide drug benefits to people who receive income assistance and those who have drug expenses for which they do not have the resources to pay. Our objective was to determine whether the Departments have appropriate systems and practices in place to ensure that each person who is eligible for benefits is offered the program, and that the plan provides services only to those people who qualify.

Domestic Well Water Quality (2000)

A reliable supply of safe drinking water is important to everyone. Approximately 40% of New Brunswickers living in small towns and rural areas rely on domestic wells as their primary source of water. Two regulations under the *Clean Water Act* that contribute to the prevention of drinking water problems for individuals on newly drilled or dug domestic wells are the *Water Well Regulation* and the *Potable Water Regulation*. This chapter examines the performance of the Departments of the Environment and Local Government and Health and Wellness in ensuring compliance with these regulations as they relate to private wells.

Food Safety (1999)

This chapter examines the Province's role in inspecting the 2,870 food service establishments in the Province. The objective of this project was to determine whether or not current systems and practices are sufficient in ensuring that food service establishments are complying with the food safety standards set out in the Regulations under the *Health Act*.

Extra-Mural Hospital (1999)

On 1 July 1996, The Extra Mural Hospital Corporation became the Extra-Mural Program as it merged into the regional hospital corporations. Why was this decision made? How does government make such decisions? Our interest in understanding the decision-making process of government led us to examine the merge decision.

Ambulance Services (1998)

This chapter examines the consequences of the replacement of St. John Ambulance volunteer services with paid service providers.

Department of Justice and Consumer Affairs***Pension Benefits Act (2006)***

This chapter examines the protections offered by the *Pension Benefits Act* to active and former pension plan members, and the nature of the operations of the Office of the Superintendent of Pensions.

Health Levy (2006)

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

Department of Natural Resources**Wildlife Trust Fund (2007)**

This chapter reports the results of an audit of a sample of grants issued by the fund and our testing of the conservation revenue fee.

Tracking System for Wood Harvested from Private Woodlots (2006)

This chapter examines whether the Department maintains appropriate processes to ensure the tracking system for primary forest products harvested from private woodlots is operating as required by the *Transportation of Primary Forest Products Act*. It also examines whether the Department uses the information provided by the wood tracking system in assessing and reporting publicly on the sustainability of the private wood supply in New Brunswick.

Crown Lands Management (2001)

This chapter examines the Minister's responsibilities for Crown lands, and looks at how well the Department is doing in measuring and reporting on the effectiveness of its Crown lands programs.

Private Forest Lands (2000)

This chapter examines the government's role in encouraging the management of private forest lands as the primary source of timber for wood processing facilities in the Province.

Office of Human Resources

Absenteeism Management (2003)

This chapter examines whether government has systems and practices in place to effectively manage employee absenteeism in the Civil Service.

Department of Public Safety

Office of the Fire Marshal (2002)

This chapter examines whether the Office of the Fire Marshal is adequately carrying out the provisions of the *Fire Prevention Act*, and whether it has appropriate human resource systems and practices in place to sufficiently deliver provincial fire prevention and protection programs.

High Risk Drivers (2001)

This chapter examines whether the Department has a system in place to identify and respond appropriately to high-risk drivers of private passenger vehicles. It also looks at one specific class of high-risk driver – the student driver.

Department of Supply and Services

Management of Insurable Risks to Public Works Buildings (2003)

This chapter examines how the Department manages significant insurable risks for the public works buildings it is responsible for.

Cellular Phones (2002)

This chapter examines whether the government has an adequate system in place to administer the acquisition and use of cell phones.

Provincial Archives of New Brunswick (2001)

This chapter examines the work of the Provincial Archives of New Brunswick. It considers their role in the assessment and preservation of archival records.

Purchasing (2001)

This chapter examines whether the Minister is fulfilling his responsibilities under the *Public Purchasing Act* and Regulation.

Contracts for IT Professionals (2001)

This chapter presents the results of an examination of forty contracts from six departments for the services of various Information Technology professionals.

Land Management Fund (2000)

The Land Management Fund buys, manages and sells land on behalf of the government. This chapter examines whether the Fund is achieving the purposes for which it was established. This chapter also examines compliance with the government-wide policy on the disposal of real property.

Department of Post-Secondary Education, Training and Labour***Private Occupational Training Act (2007)***

This chapter examines whether the Department, and the New Brunswick Private Occupational Training Corporation, are fulfilling their mandate to provide effective consumer protection to students of private occupational training organizations in New Brunswick.

Employment Development Programs (2002)

This chapter examines the management of economic development programs, and whether there are adequate procedures in place to measure and report on program effectiveness.

Department of Transportation**Vehicle Management Agency (2002)**

This chapter examines whether the Vehicle Management Agency is providing repair and maintenance services for government cars, executive vehicles and light trucks in a manner which minimizes costs and maximizes efficiency. It also examines whether the Agency has adequate systems and practices in place to monitor and control the usage of fuel for government cars and light trucks.

Engineering Consulting and Road Construction Materials (2000)

This chapter examines the Department's procedures for obtaining engineering consulting services and managing its inventories of road construction materials. It also examines the progress made by the Department in implementing End Results Specifications as a guarantee of road construction quality.

Government-wide audits

Program Evaluation in Government Departments (2004)

Our objective for this project was to determine the approach to program evaluation employed by provincial departments.

Contract Administration (1999)

More and more government services are being delivered by the private sector through privatization, public-private partnerships and straight contracting-out arrangements. Our objective in performing audit work in this area was to determine what systems are in place to ensure contracts are being administered in accordance with negotiated terms and conditions.

Fredericton-Moncton Highway (1999)

This chapter examines the decision-making process that led up to the issuance of a Request for Proposals to three short-listed bidders on 27 March 1997. With the issuance of the Request for Proposals it was clear that the government was going to build the highway through a public-private partnership. We looked at the objectives government set for this project, whether alternative arrangements were considered, and whether the Request for Proposals reflected the government objectives.

Leasing of Equipment (1999)

Our audit objectives for this project were to ensure that decisions to lease were made with due regard for economy and that leases are being properly recorded in the books of the Province. Our analysis and conclusions are based on examining leasing decisions for personal computers, photocopiers, fire tankers and heavy equipment.

Performance Measurement and Effectiveness Reporting (1999)

It had been ten years since the Province adopted its first annual report policy. This was the policy that recognized annual departmental and agency reports as the "major accountability document" for the Legislative Assembly and the general public. This chapter examines the progress that had been made in the past ten years in the area of performance measurement and effectiveness reporting.

Crown agency audits

Crown Agency Governance (2003)

This chapter summarizes the results of our governance reviews over the past five years, reviews practices in other jurisdictions, and makes major overall recommendations on steps the Province can take to improve Crown agency governance.

Hospital Corporation Governance (1998)

Our objective for this project was to gain an understanding of the governance arrangements relating to regional hospital corporations in the Province and to solicit the views of board members on certain issues impacting the role and effectiveness of hospital corporation boards.

New Brunswick Credit Union Deposit Insurance Corporation (2007)

This chapter examines whether the New Brunswick Credit Union Deposit Insurance Corporation has adequate structures, processes and procedures in place to fulfill its obligation to protect the deposits of members of credit unions and caisses populaires in New Brunswick.

New Brunswick Investment Management Corporation

Governance (2006)

This chapter examines whether current governance structures and processes established for the New Brunswick Investment Management Corporation set a framework for effective governance.

New Brunswick Liquor Corporation

Governance (1999)

For a number of years our Office has taken an interest in the governance and accountability of Crown corporations. This year we examined governance and accountability practices at the New Brunswick Liquor Corporation.

NB Power

Governance (2005)

This chapter examines whether the current governance structures and processes established for NB Power set a framework for effective governance.

Regional Development Corporation

Provincially Funded Programs and Projects (2004)

This chapter examines whether the Regional Development Corporation has satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects it administers.

Economic Development Fund (1999)

In fiscal year 1997-98 over \$15 million was expended from the Economic Development Fund for initiatives such as tourism marketing, agriculture development, Crown land silviculture and Film New Brunswick. Our objective in conducting work in this area was to ensure that adequate systems were in place related to the approval of funding and monitoring initiatives.

Service New Brunswick

Property Assessment for Taxation Purposes (2005)

This chapter examines whether Service New Brunswick complies with the *Assessment Act* by assessing real property at “real and true value”.

NB Agriexport Inc. (2000)

This chapter highlights the results of a special review of the operations and accountability of NB Agriexport Inc., carried out at the request of the Crown Corporations Committee.

Regional Health Authorities (2000)

This chapter summarizes the Auditor General’s observations and recommendations as a result of assisting the Crown Corporations Committee in its initial hearings with regional hospital corporations.