

# Chapter 1

## Introductory Comments

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# Introductory Comments

## **New Auditor General appointed**

**1.1** The past year has been one of transition for our Office. Mr. Ralph Black, FCA retired on 4 April 1997, Mr. Ken Robinson, CA served as Acting Auditor General until 31 August and my appointment was effective 1 September 1997. These significant changes seem to have had little impact on the volume of work performed by our Office and our ability to offer objective information and recommendations to government and the Legislative Assembly.

**1.2** As I begin my eight-year term as Auditor General, I have looked extensively at our governing legislation (The Auditor General Act) and have been pleased with two sections in particular. Section 13(2) states that “Each report of the Auditor General.....shall indicate anything he considers to be of significance and of a nature that should be brought to the attention of the Legislative Assembly.” This section enables our Office, which is separate and independent from government, to provide New Brunswick citizens with objective information on the performance of their government. This puts on us a tremendous responsibility to select and report on the issues which will be of most interest to our citizens and legislators.

**1.3** The second section of interest is Section 14(2) which states “The Auditor General may advise appropriate officers and employees in the public service of New Brunswick of matters discovered in his examinations and, in particular, may draw any such matters to the attention of officers and employees engaged in the conduct of the business of the Board of Management.” This section enables us to be of assistance to the executive branch of government, and this is also an opportunity which I will take seriously. As you read this year’s Report of the Auditor General you will find examples of the application of both Sections 13(2) and 14(2).

## **Government should comment on its own performance**

**1.4** At the time this Report is being prepared I have been Auditor General for only ten weeks. While this has not been long enough to formalize a set of goals for my term, there are a number of issues which I feel quite comfortable highlighting. The first is improving the accountability of government to the Legislative Assembly and the citizens of New Brunswick, an initiative which has been a priority of ours for a number of years. The ultimate goal in this area would be to have government explain its goals, its activities and its results, in sufficient detail that the citizens of New Brunswick have a good knowledge of how their tax dollars are being spent. Without a high level of accountability,

taxpayers will continue to be sceptical and will need to look to other sources for objective information. One such source is our annual Report.

**1.5** On this point, I was surprised by the amount of information which we provide in Chapter 2, Comments on Financial Statements of the Province. I now understand the importance of this chapter, because without it, there would be no comprehensive analysis or narrative on the Province's financial results made available to the general public. I believe this type of information should be prepared by government and be incorporated, with the financial statements, into an annual report. A lot of attention is given each year to the Budget which is a document that combines financial information with explanatory narrative. This document, which is government's way of telling the public how it intends to spend its money, is presented in the Legislature and traditionally receives a lot of media attention. The accountability cycle would be completed by government preparing a narrative explaining how actual results compared to the budget. Reporting on and explaining any historical trends, either of a positive or negative nature, would also be appropriate.

**1.6** Setting budgets and subsequently reporting on actual results is only one facet of accountability. As important, is knowing the other operating plans of government. What is government planning in the way of service delivery, and what are the performance indicators that make sense for its various departments, Crown corporations and agencies? Are these indicators being identified and reported on? This is a second area where I can see a lot of emphasis being placed in the years to come. A major goal for our Office is to promote the use of relevant indicators and to encourage reporting on them, both from a planning and accomplishment perspective. I understand our Province has already made good progress in this area by publishing departmental performance indicators and targets. Departments will be expected to report their progress towards achieving these targets, beginning with their 1996-97 annual reports.

## **Timeliness is crucial**

**1.7** Information is only useful if it is timely. A third objective which I have is to improve the timeliness of all information, whether from government or my Office. As for government, I was very pleased to see the tremendous progress made by the Comptroller's Office in having the 1997 financial statements issued on 13 August, eight weeks earlier than last year and eighteen weeks earlier than two years ago. We still believe the statements can and should be released earlier. In prior years we have pointed to a goal of within three months of year end, which would be prior to 30 June.

**1.8** As for our own work, we too must be timely. At the present time we issue one Report before the end of December. This means that work we are performing now, in the fall of 1997, will not be reported publicly until December 1998. This is not acceptable. I will be examining the possibility of issuing two or more reports each year.

**1.9** The issue of timeliness is one example of a philosophy which I will maintain throughout my term as Auditor General. The philosophy is that our Office must lead by example. We cannot make pronouncements on timeliness and not be timely ourselves, and we cannot ask others to identify and report on performance indicators and not do so ourselves. We too spend taxpayers dollars and we must demonstrate to New Brunswickers that the money we are given is being spent effectively, and with due regard to economy and efficiency.

## **Our work over the past year**

**1.10** Over the past year our Office has undertaken work in the departments of Health and Community Services, Economic Development and Tourism, Education, Municipalities, Culture and Housing, Solicitor General, Supply and Services, Finance and Natural Resources and Energy. The audit at Atlantic Lottery Corporation Inc., which had been undertaken as a joint project between ourselves and the Auditor General's Office of Nova Scotia, was completed. The final report was tabled in New Brunswick with the Lotteries Commission. Details on our work in all these areas and any resulting recommendations can be found in the following chapters. There are three observations which I would like to make at this time.

## **Contracts should be signed before work begins**

**1.11** The first observation is related to the failure to have agreements or contracts signed before work is undertaken or services provided. In the past year we noted that IBM undertook to perform work in the Department of Finance without an agreement being signed. In fact an agreement was not finalized until after the project had been terminated. Our review of the Air Ambulance Service noted that the lease agreement with the service provider was not signed until 1 October 1997, eighteen months after the commencement of the service. In our 1995 Report we observed that "...all of the undertakings with Anderson Consulting should have been set out in a contract prior to the firm commencing this work."

**1.12 To ensure that the interests of the Province are adequately protected I believe that no work should commence on any project until negotiations are complete and necessary agreements are signed.**

## **The role of Crown agencies needs to be clear**

**1.13** My second observation is with respect to governance, and in particular the governance of Crown agencies. A lot of public service is being delivered through Crown agencies and it is important that each agency is fulfilling the wishes of the Legislative Assembly, and reports on a regular basis on how its objectives are being met. We want to see more accountability by all government operations in general, and this includes the work undertaken by Crown agencies. This year we highlight the Atlantic Lottery Corporation Inc. and have made a number of observations and recommendations relevant to that corporation. The observations and recommendations can be seen in Chapter 12. Two observations are critical. One is that the strategic plan for ALC has not been approved by the Province. The other is that ALC's annual report

does not provide performance reporting information that would allow the reader to assess the degree to which the corporation has met its corporate strategic goals, and therefore its mission. These comments are very similar to ones we made last year as a result of our review of other provincial Crown agencies.

**1.14 The Province and its Crown agencies should have a clear understanding of their roles, responsibilities, and duties. Each Crown agency should report sufficient, relevant information to allow the government and the Legislative Assembly to determine the degree to which the agency has achieved its mission.**

## **Public-Private Partnerships need to be assessed**

**1.15** My third observation is with respect to Public-Private Partnership arrangements. This is a relatively new way for governments in general and New Brunswick in particular to acquire a particular service. This method does not have all the checks and balances that we have become accustomed to in the normal public tendering system.

**1.16** This year we examined the Revenue Management System which was to have been developed by IBM. The results of our work can be found in Chapter 6. While we make a number of observations and recommendations on that particular Public - Private Partnership, we are not in a position to generalize on the appropriateness of Public-Private Partnership arrangements. In fact, we are pleased to see innovative thinking and a willingness on the part of government to try new ways of doing things, two attributes government administrations are often accused of not having. Our work however did reveal significant risks in proceeding with Public - Private Partnerships. We were particularly concerned over the lack of independence in preparing the business case, and the fact that there is no separate determination of the best way to achieve results. The success of this procurement process is also very dependant on government's ability to successfully negotiate and administer the necessary contracts.

**1.17 The government is quickly gaining experience with Public-Private Partnerships. It would be appropriate for government to carefully examine its results to date, and to determine whether this procurement method is delivering solutions in the most economical and efficient manner possible.**

## **Acknowledgements**

**1.18** During the course of our work we were pleased with the professionalism that we saw in provincial staff and their interest in doing good work for the taxpayers of New Brunswick. In those areas where we noted shortcomings and made recommendations we believe they were generally accepted in a positive light, accompanied with a sincere undertaking to take necessary corrective action.

**1.19** Although it is my honour to submit this Report I am indebted to Mr. Ralph Black, Mr. Ken Robinson and the staff members of my Office who worked so hard and diligently to make it possible.

Daryl C. Wilson, FCA  
Auditor General