

# Chapter 1

## Introductory Comments

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# Introductory Comments

**1.1** I like to use the opening chapter of my annual Report to reflect on the results of our work during the past year and to identify themes or common areas for improvement. In the past this has resulted in a number of general recommendations being made to the government as a whole rather than to individual departments. I believe this type of commentary is valuable to the Members of the Legislative Assembly.

**1.2** For instance, last year I made some suggestions in my opening chapter that, if implemented, should improve the decision-making process in government. I also recommended that the government bring Crown agencies into the performance measurement initiative and establish government-wide goals that reflect the highest priority items for government and New Brunswickers.

**1.3** I have similar observations this year, but I will comment first on the government's financial results for the year ended 31 March 2000.

## **Province had a deficit of \$895.7 million**

**1.4** As reported on the Statement of Revenue and Expenditure, the Province incurred a deficit of \$895.7 million for the year. This large deficit resulted from recording the Fredericton to Moncton highway as a capital lease. This was the proper accounting treatment for the highway once the tolls were removed, and it resulted in the Province recording an expenditure of \$903.8 million in the fiscal year. We agreed with the government's presentation of this transaction as an unusual item because it clearly shows the cause of the deficit. However, it is clearly inappropriate to disregard this expenditure when discussing the results for the year.

**1.5** I believe this clarification is necessary because there have been reports that the government ended the year in the black. I had hoped that the Major Variance Analysis that appears with the financial statements in Volume 1 of the Public Accounts would have clearly explained the financial result for the year, but my understanding at the time of writing this chapter is that this will not happen.

## **Legislation should be complied with**

**1.6** Every year the Legislative Assembly makes major decisions that affect the lives of New Brunswickers by approving new legislation or making amendments to old legislation. These decisions put into action the policy direction of the government of the day. Legislation gives the administration the authority to act.

**1.7** It would be expected that once legislation is approved it is implemented and enforced as intended. This would be a reasonable assumption by the Members and the public at large. However, as I noted in my 1998 and 1999 Reports, we found instances where legislation was not being followed. I was surprised at this, because I would have expected that the government, through which all legislation passes, would have ensured there was compliance with all provisions. Or else the legislation would have been amended.

**1.8** As a result of finding examples of non-compliance, and the strong belief that government has a fundamental responsibility to ensure its own legislation is being implemented and administered as intended, we undertook a special project in the former Department of Agriculture and Rural Development (Chapter 3). This project examined six pieces of legislation. Our conclusion was that three of them were not achieving their intended purposes. In two cases the Department of Justice did not feel it was able to enforce the legislation and as a result there has been defiance of the legislation without any consequences.

**1.9** We experienced other problems with legislation as a result of work in other areas. Following our work on Domestic Well Water Quality (Chapter 4) we are of the opinion that the government does not have an adequate enforcement system to ensure that all affected parties comply with the Water Well Regulation and the Potable Water Regulation. In our chapter on Private Forest Lands we noted that some of the definitions and provisions in the *Crown Lands and Forests Act* are vague and confusing. We were surprised to learn during the hearings with the regional hospital corporations (Chapter 13) that the Minister of Health and Wellness had not been formally approving all corporation budgets in a manner consistent with the *Hospital Services Act* and Regulations.

**1.10** As government continues to downsize through the implementation of the early retirement program, the risk increases that more and more legislation will not be given the attention that legislators, and the public, expect. There is also the risk that resources assigned to ensuring compliance with legislation could be diverted to more pressing issues due to limited resources.

**1.11** As a result of our work in the Department of Agriculture and Rural Development we made a number of observations which may apply across government. I raise them here for the benefit of the Members of the Legislative Assembly.

**1.12** We noted that there is no reporting to the Legislative Assembly on the effectiveness of the six pieces of legislation we reviewed. Nor does the Legislative Assembly receive any feedback on how well the Department is administering the legislation it has been assigned. We recommended that the Legislative Assembly be given written reports on

a regular basis on the effectiveness of legislation in meeting its intended purpose. And that the Department uses its Annual Report to inform the Legislative Assembly how well it is doing in administering the legislation it has been assigned.

**1.13** I believe that this type of reporting on a government-wide basis would result in legislation receiving the on-going attention it deserves and should result in improved compliance and effectiveness.

## **Now is the time to take action on governance issues**

**1.14** Three of our chapters this year examined various governance issues: Pension Plan Governance (Chapter 5), NB Agriexport (Chapter 12) and Regional Hospital Corporations (Chapter 13). One common theme that arose from our work this year is that the government could be doing a better job of holding these organizations accountable. For instance in the case of the pension plans, the governing body, being either the Minister of Finance or Board of Management, does not approve objectives or performance measures that could be used to hold the pension administrators and managers accountable. NB Agriexport does not prepare an annual report and until last year never appeared before the Crown Corporations Committee. And in the case of the regional hospital corporations there is confusion between the Minister of Health and Wellness and the corporations as to what services are to be provided under the New Brunswick Hospital System Master Plan.

**1.15** We have been examining governance issues in Crown corporations and government agencies since 1996 and we have consistently found shortcomings. As a result, I strongly recommend that the government implement contemporary governance practices for all Crown corporations and agencies. This would involve the government approving strategic plans and objectives and receiving regular reports on results. It would also involve setting guidelines for the manner in which the various boards are to operate.

**1.16** I note that the government is reviewing the need for its various agencies, boards and commissions. Now would be an appropriate time for clearly establishing the framework under which remaining organizations will operate. I believe the results of the work we have done over the past five years would provide helpful reference material in creating this framework.

## **Protecting the safety of New Brunswickers**

**1.17** My Office has had an interest in the themes of public safety and the environment for the past couple of years. This year we decided to address the quality of water for individuals with domestic wells. As a result of this work we noted instances where aspects of the regulations were not being followed. For instance homeowners are notified of water test results well after the three-day limit set out in regulation and there is little consistency as to when boil orders are given. And for wells that are dug, as opposed to drilled, the regulations have not been enforced. We set out all our findings and recommendations in Chapter 4.

**1.18** A concern that I have is that after having examined the safety of our ambulances in 1998, the inspection of food service establishments in 1999, and the work on domestic wells this year, serious shortcomings exist in areas where I would not have expected them. While we have no evidence that these shortcomings have resulted in injury, sickness or death, we definitely feel there is room for improvement. We were pleased to see the government create the new Department of Public Safety that will consolidate a number of public safety programs in one area. It is imperative however that all services with safety implications be reviewed and appropriate action taken to ensure that procedures are being followed in a manner consistent with legislation, regulation or policy.

## **Our Province's forest lands**

**1.19** New Brunswick is Canada's most forested province with 85% of its land covered with forests. These forests provide a habitat for fish and wildlife, recreational opportunities for citizens and are an important generator of industrial activity. The government plays an important role in ensuring that the forest is properly managed to provide a sustainable resource for all citizens.

**1.20** Our focus this year was on Private Forest Lands (Chapter 6) and the role they play in being the primary source of timber for wood processing facilities in the Province. As a result of this work we have concluded that a lot needs to be done to ensure that this important component of our provincial forest land is properly managed. If this component does not properly fulfil its intended purpose there will be increased pressure on Crown land and the government's ability to provide a sustainable forest resource.

## **Opportunities for savings**

**1.21** In Chapter 7 we report on the work we performed on the Land Management Fund. Our interest in performing this work was to see if surplus land was being properly managed. In our view there should be guidelines to assist in the disposal of long-held properties and in determining when to obtain external property appraisals. We also noted that the government does not have one central land inventory system that could be used to better manage this valuable asset. In Chapter 8 we examine the process the Department of Transportation follows when purchasing engineering consulting services. We recommended that all engineering consulting firms have the opportunity to express an interest in any available work and that the Department ask for proposals from those that are considered to be qualified. Cost should be a determining factor in making the final decision between firms.

## **Working with the Crown Corporations Committee**

**1.22** We were very pleased to have been asked by the Crown Corporations Committee to assist during its hearings with the regional hospital corporations. This year was the first time the hospital corporations appeared before the Committee, something we had been encouraging for some time. We saw this as a very important step in improving the accountability of the hospital corporations for the over

\$600 million of taxpayers money which they spent in 1998-99. So we were pleased to assist the Committee in developing its line of questioning and by preparing a report on our observations for their consideration. Our report to the Committee is found in Chapter 13.

## **Our Office performance**

**1.23** In most of our work we examine the extent to which a Department or Crown agency has commented on its performance, either in delivering a service or in meeting annual objectives or performance indicators. We will make recommendations when we believe they are warranted.

**1.24** We are constantly reminded of our own responsibility in this area, because we too must be efficient and accountable. Chapter 14 represents our annual accountability report, which we believe is in compliance with the government's annual report policy. There we report on our goals, performance indicators and results. Last year I expressed a concern over our failure to complete our financial audits on a timely basis. This was not a problem this year as 19 of our 25 audits were completed by 30 September, and those that weren't were beyond our control.

**1.25** As for doing our work within the time allotted, we had excellent results on our financial audits but we are still experiencing problems with our value-for-money work. We continue to examine the causes of this and we make changes in our approach as we move forward.

**1.26** We have a performance indicator that 60% of all professional paid time in our Office be spent directly on audit work. The actual figure for 1999 was 57.94%. Internally we have target percentages for each employee group. This information tells us that our senior management group needs to spend more time directly on audit work.

**1.27** In summary we did not meet three of our performance indicators but we had positive results on the other five.

## **The impact of government reorganization on our Report**

**1.28** Effective 1 April 2000, government restructured its operations. New departments were created, and departmental responsibilities shifted. The bulk of our audit work included in this Report was completed prior to the reorganization. As a result, in many cases we have used the old departmental names in our chapters, indicating where appropriate the new departmental title. In areas where our work was more recent, we have used the new departmental name. We hope the reader will not find this too confusing.

## **Acknowledgements**

**1.29** I was very pleased this year with the progress we made in completing our financial audits of Crown corporations and government agencies within our time budget and before our target date of 30 September. This would not have been possible without the

co-operation and extra effort by the staff in those corporations and agencies. I acknowledge their effort and say thank you.

**1.30** I also want to recognize the Crown Corporations Committee for their willingness to involve my Office in the hearings with the regional hospital corporations. As an Office we recognize the importance of holding departments and Crown corporations accountable and we also recognize that the techniques and processes to achieve this are not well understood. It was a positive experience for my staff to work with the Committee and to assist them in this matter.

**1.31** Although it is my honour to submit this Report, I am indebted, as I am every year, to the staff in my Office who worked so hard and diligently to make it possible.

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