

Table of Contents

Contents

Chapter 1 - Introductory Comments

Comments on the Province's financial position	4
Beverage Containers Program	4
Nursing Home Services	5
Regional Development Corporation - provincially funded programs and initiatives	5
Program evaluation in government departments	5
NBCase system	6
Pre-arranged funeral services program	6
Comments on action taken to address recommendations of prior years	7
About our Office	8
Action still needed to strengthen the role of the Auditor General	8
Acknowledgements	9

Chapter 2 - Comments on the Province's Financial Position

Introduction	13
My audit report on the financial statements of the Province	13
Indicators of the Province's financial condition	18

Chapter 3 - Department of the Environment and Local Government

Beverage Containers Program

Background	31
Scope	34
Results in brief	35
Setting goals and objectives	36
Measuring progress	39
Taking corrective action	42
Reporting on results	43
Follow up to our 1994 report	46

Table of Contents

Contents

Chapter 4 - Department of Family and Community Services Nursing Home Services

Background	59
Scope	61
Results in brief	62
Licensing nursing homes	63
Inspections	68
Enforcement	78
Policies and procedures	83
Reviewing and amending legislation, policies and procedures	87
Accountability	91
Overall conclusion	92

Chapter 5 - Regional Development Corporation Provincially Funded Programs and Projects

Background	97
Scope	99
Results in brief	100
Setting goals and objectives	100
Monitoring progress	104
Taking corrective action	109
Evaluating the results of programs	111
Reporting on the effectiveness of programs	113
Conclusion on objective	116
Non-compliance with legislation	116

Table of Contents

Contents

Chapter 6 - Program Evaluation in Government Departments

Background	121
Scope	122
Results in brief	123
Programs	124
The value of program evaluation	126
Formal program evaluations	128
How is the Office of the Auditor General involved in program evaluations?	129
Responses to our departmental program evaluation survey	130

Chapter 7 - Other Audit Work in Departments and Crown Agencies

Background	147
Scope	148
Department of Education - Payroll procedures in school districts	149
Department of Family and Community Services - NBCase System	150
Department of Justice - Pre-arranged Funeral Services Program	166
Losses through fraud, default or mistake	169

Chapter 8 - Follow up on Prior Years' Recommendations

Background	173
Scope	173
2000 recommendations	175
2001 recommendations	185
2002 recommendations	194

Table of Contents

Contents

Chapter 9 - Office of the Auditor General

Background	211
Office role and relevance	211
Strategic plan	212
Performance indicators	212
Financial information	217
Staff resources	218

Appendices

Summary of significant audits conducted in departments and Crown agencies over the past seven years	221
Sections of the <i>Auditor General Act</i> relevant to the responsibilities of the Auditor General	229

Chapter 1

Introductory Comments

Contents

Comments on the Province's financial position	4
Beverage Containers Program	4
Nursing Home Services	5
Regional Development Corporation - provincially funded programs and initiatives	5
Program evaluation in government departments	5
NBCase system	6
Pre-arranged funeral services program	6
Comments on action taken to address recommendations of prior years	7
About our Office	8
Action still needed to strengthen the role of the Auditor General	8
Acknowledgements	9

Introductory Comments

1.1 On 26 October 2004 I released Volume I of our 2004 Report. That volume reported our findings as a result of an audit of New Brunswick's salmon aquaculture operations. Our work was done concurrently with related audits undertaken by the Office of the Auditor General of Canada and the Office of the Auditor General of British Columbia. The reports from all three offices were released on the same day. In this volume you will find the results of our other work undertaken in 2004.

1.2 Last year in my opening chapter I raised three issues concerning the Province's financial statements: timeliness, financial statement discussion and analysis and the Fiscal Stabilization Fund. I called for more timely release of the audited financial statements, and an informative and easy to read financial statement discussion and analysis. I also included a request that any communication that introduces confusion concerning the financial results be avoided.

1.3 This year the audited financial statements were released on 3 November, eighteen days earlier than last year. This is now the seventh time in the past eleven years that the financial results were published in November or December. Substantial improvement must be made in this area. Legislators and citizens should not have to wait more than seven months after the year end to learn how their money was spent and whether there was a surplus or deficit.

1.4 I was very pleased to see an enhanced commentary at the front of Volume I of the Public Accounts on the financial results for the year. The commentary included a discussion, with charts, of the Province's net debt position. Unfortunately I cannot give "two thumbs up" because there is still a lot more that should be done. The Province could look to the Public Accounts of Canada and Ontario as two good examples of clear and concise reporting of financial results and financial condition. Also, during the year the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants released a Statement of Recommended Practice on financial discussion and analysis. This statement gives excellent

guidance on the types of information that governments should consider making available to their legislators and citizens. I urge the government to build on the improvements made this year.

1.5 The information on the Fiscal Stabilization Fund has been removed from the Statement of Revenue and Expenditure and is now shown in the Notes to the Financial Statements. I am extremely pleased to see this change made. The Statement of Revenue and Expenditure now clearly reports the financial result for the year. The way in which the Fiscal Stabilization Fund was disclosed and reported in previous years created confusion.

Comments on the Province's financial position

1.6 There is often misunderstanding over the role which my Office plays with respect to the Province's financial statements. For instance, some citizens think we prepare the financial statements. This of course is not true, and in an effort to explain the role and responsibility of government in preparing the financial statements and our role in auditing them I have included some commentary in chapter 2 of this Report.

1.7 For the past seven years we have been tracking six financial indicators which show the Province's financial condition from the perspective of sustainability, flexibility and vulnerability. While the Province did incur a deficit in the current year of \$103.2 million, which increased net debt by a similar amount, the trends over the past ten years have, for the most part, been positive. The results of our work in this area can also be found in chapter 2.

Beverage Containers Program

1.8 New Brunswick's *Beverage Containers Act* was proclaimed in 1992 and the Beverage Containers Program came into effect soon afterward. We were interested in determining if the program was achieving its intended results and whether the Department of the Environment and Local Government was satisfactorily measuring and reporting these results. We also wanted to provide the Legislative Assembly with an update on progress the Department has made in responding to the work we performed in 1994.

1.9 Since the inception of the program, approximately three billion beverage containers have been diverted from landfills and roadsides. However, there are no target-specific objectives to indicate whether or not the program is achieving its goals. And limited action has been taken on our recommendations from 1994.

1.10 We also found that, since the beginning of the Beverage Container Program, distributors and/or their agents have retained close to \$34 million from unredeemed deposits on beverage containers that were not returned to a redemption centre. In addition they collected \$17 million in fees to help cover the cost of recycling these containers, which did not occur. We recommended the Department of Environment and Local Government review the arrangement that has been in place for the past twelve years.

1.11 The results of our work on the Beverage Containers Program are found in chapter 3.

Nursing Home Services

1.12 There are 61 nursing homes in New Brunswick providing approximately 4,100 beds. Provincial legislation requires these homes to have a license and to follow operating standards. The purpose of our work was to see if government is enforcing this legislation. We found that the Department of Family and Community Services does not have appropriate practices to ensure that licensed nursing homes are complying with provincial legislation. The results of this work are found in chapter 4.

Regional Development Corporation - provincially funded programs and initiatives

1.13 A major activity of the Regional Development Corporation is to fund, coordinate, and monitor Funds and projects, with the intent of supporting provincial economic development endeavors. In performing an audit in this area we found that the Corporation does not have satisfactory procedures to measure and report on the effectiveness of the provincially funded programs and projects which it administers. And while it has developed goals for its major Funds, it has not developed appropriate objectives for these Funds and the related projects. The results of our work at the Corporation can be found in chapter 5.

Program evaluation in government departments

1.14 Most of our work is directed towards a particular service or program. We believe the Legislative Assembly and the public are interested in receiving objective information as a result of these audits whether it is on day care centres, pupil transportation or nursing homes. Periodically we will undertake a project that highlights a significant matter that applies to all of government. Last year we looked at the governance of Crown agencies and highlighted the importance of risk management and the need for risk management training and skills. This year we decided to examine the status of program evaluation in provincial departments. It is extremely important that programs continue to be relevant, cost-

effective and successful in achieving their objectives. Citizens have a right to expect this and governments have a stewardship responsibility to demonstrate that they have met the expectation.

1.15 We conducted a survey of government departments to determine the approach they follow in evaluating programs. The results are found in chapter 6. From the survey results we noted there is a lack of formal guidelines specifying an approach to program evaluation. Also there appears to be an imbalance in the program evaluation capabilities between departments and resource limitations appear to be restricting the ability of departments to improve their program evaluation process. We see this as being an extremely important area and plan to do more work next year.

NBCase system

1.16 NBCase is the social assistance payment and case management system in the Department of Family and Community Services. We performed an audit on this system because we believe it is a key computer application in the provincial government – it processes annual payments in excess of \$186 million. Our objective was to determine if we can rely on the system for purposes of expressing an opinion on the Province's financial statements for the year ended 31 March 2004. As a result of our work we were able to reach positive conclusions on the computer control environment and the application controls. We did however make a number of observations and recommendations. These can be found in chapter 7.

Pre-arranged funeral services program

1.17 In June 2004 there were approximately 15,500 pre-arranged funeral service contracts outstanding in the Province of New Brunswick, totaling approximately \$80 million. The *Pre-Arranged Funeral Services Act* requires that this money be kept in separate trust funds at approved financial institutions. We decided to do an audit in this area to determine if the Province had taken appropriate steps to protect the public with respect to these pre-arranged funerals. We concluded that the interests of the public are being reasonably protected as a result of the role being played by the Department of Justice.

1.18 We did make a few recommendations and these can be found in chapter 7.

Comments on action taken to address recommendations of prior years

1.19 Our policy is to track the disposition of our recommendations for a period of four years after they first appear in our Report. We have noted significant interest in this aspect of our work by legislators and citizens. They want to know how well government is doing in implementing the recommendations from audits of previous years. The results of our follow-up work are found in chapter 8. I will highlight a number of issues at this time.

1.20 This is the last time we will be tracking recommendations from the 2000 audit year. One recommendation from our work in the Department of Agriculture, Fisheries and Aquaculture was that the Department should provide the Legislative Assembly with written reports every three or four years on the effectiveness of the legislation it administers in meeting its intended purposes. We pointed out last year that this recommendation was really relevant to all departments that are responsible for administering legislation. To our knowledge, no action has been taken. I draw this to the attention of the Legislative Assembly because of the importance of legislation in fulfilling public policy. Does the legislation remain effective? Is it fulfilling the original purpose or objective? Periodic reporting to the Legislative Assembly is necessary to ensure there is accountability for the legislation that is currently in place.

1.21 In 2000 we conducted an audit to determine if appropriate systems and practices were in place to encourage the management of private forest lands as the (sustainable) primary source of timber for wood processing facilities in the Province. In the past four years there has been some progress on our recommendations. Still outstanding are the recommendations related to establishing appropriate goals, objectives and performance indicators to address the Department's mandate relating to private forest lands.

1.22 In chapter 8 we are reporting for the first time on progress made in implementing the recommendations from our 2002 work. We were very pleased to see the progress made by the Department of Public Safety in implementing fourteen and partially implementing another five of the twenty-three recommendations we made in connection with an audit of the Office of the Fire Marshal. And we were also pleased to see that the Departments of Finance and Business New Brunswick implemented all fifteen recommendations we made in relation to audits of accounts receivable.

About our Office

1.23 As a result of completing a strategic plan in 2003 our Office has three main goals that we will be concentrating on over the next 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.

1.24 We have identified twelve performance indicators that we are using to measure our progress against these goals. While we are pleased with our progress in a number of areas in the last year there is room for improvement in others. Information on our performance during the last year can be found in chapter 9.

1.25 In that chapter we also point out that our request for \$200,000 in additional funding for 2004-2005 was rejected by Board of Management. This funding would have enabled us to hire two additional senior auditors and increase our investment in training, technology and other support services. We currently have funding for only twenty-three staff members, a reduction of four since 1997. There continue to be challenges to provide acceptable audit coverage of government operations and programs and as a result I plan to request additional funding for 2005-2006.

Action still needed to strengthen the role of the Auditor General

1.26 Last year in my opening chapter I raised two significant issues concerning the operation of my Office. The first was related to the process for approving our annual budget. At that time I concluded by saying "The independence of the Office would be greatly enhanced and the Legislative Assembly would have increased assurance that the Office was capable of fulfilling its responsibilities, if the Legislative Assembly or a legislative committee was involved in the budget review process."

1.27 The second issue was related to the process followed for the appointment of the Auditor General. I concluded by saying "Since the Auditor General must be a non-partisan appointment, there should be some involvement of all political parties in the process. I understand that this has been done in the past as a matter of courtesy, but there is no requirement to do so."

1.28 Both issues are still outstanding and I raise them again to remind the Legislative Assembly that action should be taken to properly reflect the role of the Auditor General as an Officer of the Legislative Assembly.

Acknowledgements

1.29 The two volumes of this year's Report are the culmination of a lot of hard work by the staff in my Office. Once again I am indebted to their professional advice and dedication.

Daryl C. Wilson, FCA
Auditor General

Chapter 2

Comments on the Province's Financial Position

Contents

Introduction	13
My audit report on the financial statements of the Province	13
Indicators of the Province's financial condition	18

Comments on the Province's Financial Position

Introduction

2.1 This chapter covers two separate, but related, topics:

- My audit report on the financial statements of the Province

This section explains the opinion the Auditor General provides on the financial statements of the Province, and outlines the work the Office must do in order to reach a conclusion on the fairness and accuracy of the financial statements.

- Indicators of the Province's financial condition

This section takes some of the information disclosed in the Province's financial statements, adds other objective information such as the Province's Gross Domestic Product, and attempts to chart the results in a way that is clear and understandable. It shows trends in the Province's financial health over the past ten years as measured by sustainability, flexibility and vulnerability.

My audit report on the financial statements of the Province

2.2 Members of the Legislative Assembly and the public have indicated to us that the auditor's report on the Province's financial statements which I sign each year is difficult to understand. For this reason I have decided to try to explain what my audit report means and the work that we conduct to support this report.

2.3 To communicate to the Legislative Assembly my opinion on whether the financial statements of the Province have been fairly presented to the public, I use the standard audit report established by the Canadian Institute of Chartered Accountants. This report forms part of the Province's audited statements and is reproduced in Exhibit 2.1. The statements are made public in Volume 1 of the Public Accounts. My report is normally comprised of three paragraphs but can include more if there is a reservation of opinion. In such a case, if I do not feel that the statements are fairly presented, I would describe the reasons for my reservation in one or more additional paragraphs.

My report on the 2004 financial statements was the standard three paragraph auditor's report expressing my opinion that the audited statements are presented fairly. My last audit report containing a reservation was on the Province's 1998 financial statements.

Exhibit 2.1

Auditor's report on the Province's 2004 financial statements

AUDITOR'S REPORT

To the Legislative Assembly
Province of New Brunswick

I have audited the statement of financial position of the Province of New Brunswick as at 31 March 2004 and the statements of revenue and expenditure, cash flow and net debt for the year then ended. These financial statements are the responsibility of government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at 31 March 2004 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements. As required by the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

Daryl C. Wilson, FCA
Auditor General

1 September 2004

Scope of our audit

2.4 The first paragraph of the audit report outlines what has been audited. My opinion covers the financial statements and the notes for the period ended 31 March 2004 included in Volume 1 of the Public Accounts. The financial statements include the statement of financial position, the statement of revenue and expenditure, the statement of cash flow and the statement of net debt. Note 1 to the financial statements describes the extent of the Province's operations as follows:

In these financial statements, the Province is defined as the Provincial Reporting Entity. The Provincial Reporting Entity is comprised of certain organizations that are controlled by the government. These organizations are the Consolidated Fund, the General Sinking Fund, the Fiscal Stabilization Fund and certain agencies, commissions and corporations. The agencies, commissions and corporations included in this definition are identified [in the note].

2.5 The government is responsible for the preparation and content of the Province's financial statements. I am in no way responsible for their preparation. The Statement of Responsibility at the front of Volume I of the Public Accounts is signed by the Minister of Finance on behalf of the government. It notes that the government helps to ensure the integrity and objectivity of the financial statements by implementing internal controls to verify that transactions are authorized, executed and reported. The actual preparation of the financial statements is the responsibility of the Comptroller.

Work performed

2.6 The second paragraph of the audit report describes the scope of the audit and outlines the procedures we follow to support my opinion on the financial statements. We conduct our audit in accordance with Generally Accepted Auditing Standards. These standards are established by the Canadian Institute of Chartered Accountants and help ensure that all audits are conducted with the necessary care and diligence.

2.7 As a result of our audit procedures, I have obtained reasonable, but not absolute, assurance that the Province's financial statements are free of material misstatement. Material misstatement refers to an item or an aggregate of items that if omitted or misstated, would alter the decisions of reasonably knowledgeable financial statement users. The tolerable level of error or misstatement is a matter of judgment. We have calculated this level for the Province's financial statement audit as a percentage of total expenditures. This is a method accepted by the accounting profession. Reasonable assurance is obtained because it would not be cost effective to obtain absolute assurance on the financial statement figures. My auditors cannot test every transaction. To gain reasonable assurance, we obtain the information and documents supporting the figures appearing in the financial statements and on a test basis apply audit procedures to ensure the accuracy or reasonableness of this information. Procedures used to obtain audit evidence to support my

opinion include tracing samples of transactions to supporting documents, testing the effectiveness of certain internal controls and confirming year-end balances with third parties.

2.8 To prepare financial statements, significant estimates must be used because not all information is available or determinable at the time of finalizing the statements. The government is responsible for preparing or obtaining (from third parties) these estimates. In the course of our work, we review and assess the reasonableness of these estimates. We perform this assessment by using our professional judgment in accordance with the guidelines provided by the Canadian Institute of Chartered Accountants. These estimates can affect assets, liabilities, revenues and expenditures. Examples of where estimates are used in preparing the figures appearing in the Province's financial statements include: the pension liability and pension expense for the public service and other groups; allowances for loss on loans felt to be uncollectible; and allowances for loans guaranteed by the Province for which the Province may be held liable.

2.9 To obtain assurance on the Crown agencies we do not audit, we review, on a cyclical basis, the entities' financial statements and the supporting accounting firms' audit files. Such agencies include New Brunswick Power Corporation, New Brunswick Liquor Corporation and all eight Regional Health Authorities. The purpose of our review is to ensure that the audits of these entities were carried out with due care and diligence and that the work performed is sufficient for our purposes. If we were to find that the work performed by an accounting firm was not sufficient for our purposes, we would then be required to perform additional procedures to obtain the level of assurance we require.

My opinion on the audited financial statements

2.10 Finally, it is in the third paragraph of the audit report where I state my opinion on the fair presentation, in all material respects, of the financial statements.

2.11 My responsibility to express an opinion on the financial statements is assigned to me under section 10 of the *Auditor General Act*. This section of the Act states:

The Auditor General shall examine the several financial statements ... and shall express his opinion as to whether they fairly present information in accordance with stated accounting policies of the Province and on a basis

consistent with that of the preceding year, together with any reservations he may have.

2.12 The stated accounting policies of the Province on which I express my opinion are outlined in Note 1 of the financial statements. While the Province decides on the accounting policies it uses for its financial statements, my assessment of the fairness of these policies must be made against an acceptable standard. This standard is set by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The objective of the Board is to encourage uniformity in financial statements and to increase the comparability between government financial statements.

2.13 In addition to expressing an opinion on the fair presentation of financial information, I must also express an opinion on whether the financial statement information is presented on a basis consistent with that of the prior year. This means that if a change in policy has occurred, then the comparative figures appearing in the financial statements should be restated according to the new policy. If this is not done then I would point this out in my audit report. An example of a policy change occurred in the fiscal year ended 31 March 2003 when the Province discontinued including the results of the Workplace Health, Safety and Compensation Commission in its financial statements.

Areas not covered by my opinion

2.14 I would like to mention some areas that my audit report does not cover. My audit report on the Province's financial statements is not an opinion on the economy, efficiency or effectiveness of the Province's operations. Our findings in these areas can be found in the various chapters of the Auditor General's Report each year. My report on the financial statements is not an opinion on the integrity of each internal control system used within government. My Office conducts work in these areas on a cyclical basis. Significant findings are then reported in our chapter on other audit work in departments and Crown agencies. Finally, my report does not provide assurance that the government has complied with all laws and regulations under which it operates. Our review of these is conducted through separate compliance audits or as a part of a performance audit.

Indicators of the Province's financial condition

Background

Vulnerability • Federal government transfers as a percentage of total revenue
 • Foreign currency debt as a percentage of total debt for provincial purposes

2.15 In 1997, a research report published by the Canadian Institute of Chartered Accountants (CICA) defined financial condition as a government's "financial health as measured by sustainability, vulnerability and flexibility, looked at in the context of the overall economic and financial environment."¹

2.16 Some of the information presented below has been included in the discussion of the Results for the Year in Volume I of the Public Accounts. We are pleased to see such analysis included in the Public Accounts. However not all of the indicators are presented there and the Public Accounts information is for a five not a ten-year period. For these reasons we will continue to present this section as we have in prior years. We continue to encourage the government to include in the Public Accounts a comprehensive discussion and analysis of its financial results.

Scope

2.17 The purpose of this chapter is to provide readers with useful information about the Province's financial condition using the CICA research report as a guideline.

2.18 Though many potential indicators of sustainability, vulnerability and flexibility were considered in preparing the research report, only ten indicators were found which were relevant, necessary, measurable and clear to users of government financial information. Of these, our Office has concluded that six can be considered meaningful in the context of the Province of New Brunswick. We have, over the years, focused on these same six indicators in order to present readers with consistent analysis over a ten-year period. They are:

Sustainability • Net debt as a percentage of gross domestic product (GDP)
 • Change in net debt and GDP
Flexibility • Cost of servicing the public debt as a percentage of total revenue
 • Own source revenue as a percentage of GDP

1. *Indicators of Government Financial Condition, 1997* published by the Canadian Institute of Chartered Accountants.

Financial results used in analyses

2.19 In this chapter, our analyses are based on the current year financial statements as presented in the Public Accounts. These financial statements report a deficit for the year of \$103.2 million. Prior year numbers used in our analyses may include restated figures obtained from the Office of the Comptroller.

2.20 The 31 March 2000 financial statement expenditure figures included \$903.8 million relating to the capital cost of the Fredericton to Moncton highway. This transaction resulted in a one-time increase in expenditure and a corresponding increase in net debt of \$903.8 million. The magnitude of this transaction can be seen in Exhibit 2.2. The net debt increased to a higher level in that year and has remained at, or close to, that level ever since.

Results in brief

2.21 In general, the indicators for the last ten years show that the Province of New Brunswick's financial condition has improved in sustainability, flexibility and vulnerability, with some deviations from this trend showing in 1999 and 2000. For the most part, the indicators affected by these deviations showed more positive results in the past four years.

Sustainability

2.22 Sustainability is the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy.¹

2.23 It is now well understood by the general public that increases in the cost of servicing the public debt can directly impact the quantity and quality of programs and services to which the public has access. Accordingly many provinces, including New Brunswick, are striving to control their debt in order to ensure an optimum amount of funding is allocated to programs and services.

2.24 There are circumstances when governments may tolerate increases in their debt load. For example, when revenues are increasing, a higher cost of servicing the public debt might be tolerated without impacting existing programs and services. However, the ability to generate such revenues (e.g. through taxes, user fees, or licenses) is closely linked to the performance of the economy.

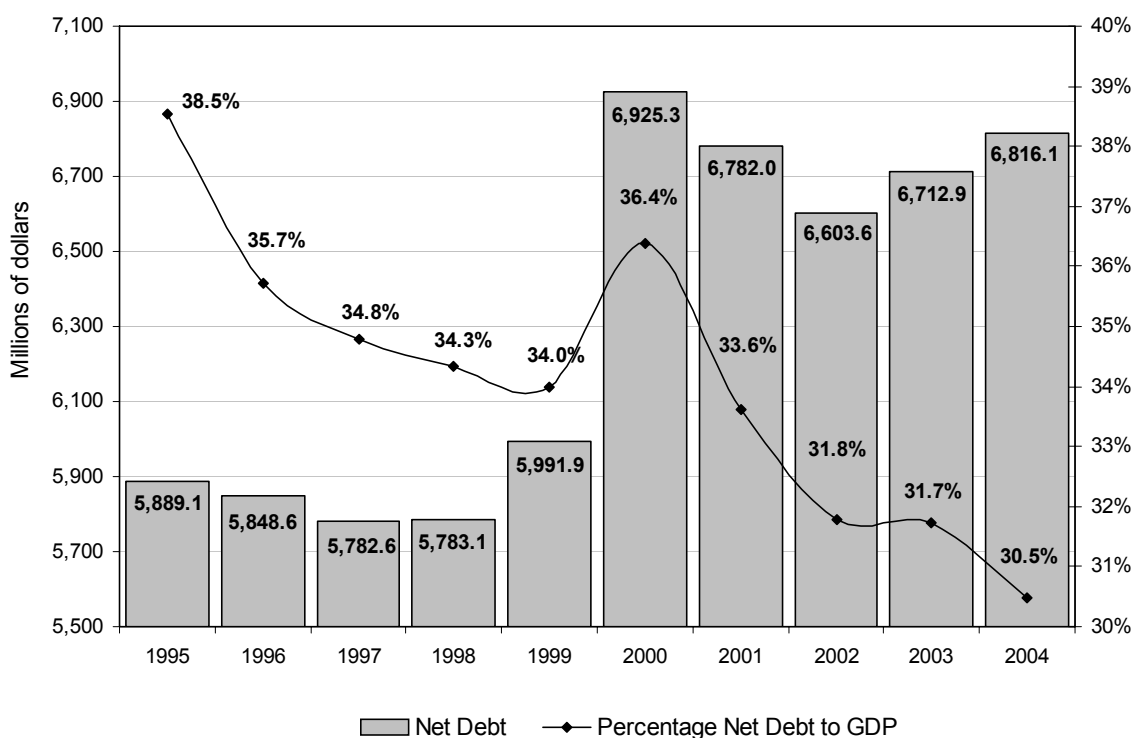
1. *Indicators of Government Financial Condition, 1997* published by the Canadian Institute of Chartered Accountants.

2.25 Therefore, any growth in New Brunswick's debt must remain in line with growth in the economy to ensure that our Province can sustain its programs and services. If debt is growing faster than the economy, New Brunswick will suffer reduced capacity for sustainability. Programs and services offered to the public may eventually suffer.

2.26 Gross Domestic Product (GDP) is the total value of all goods and services produced in the Province during a specific period. GDP is often used to measure the growth of the economy.

Exhibit 2.2

Net debt as a percentage of GDP¹ for the last ten years



Net debt as a percentage of GDP as a measure of sustainability

2.27 Net debt is an accounting measure of the extent to which total liabilities of the Province exceed financial assets. The net debt of the Province increases with deficits and decreases when surpluses are experienced. The financial statements for 2004 indicate that net debt

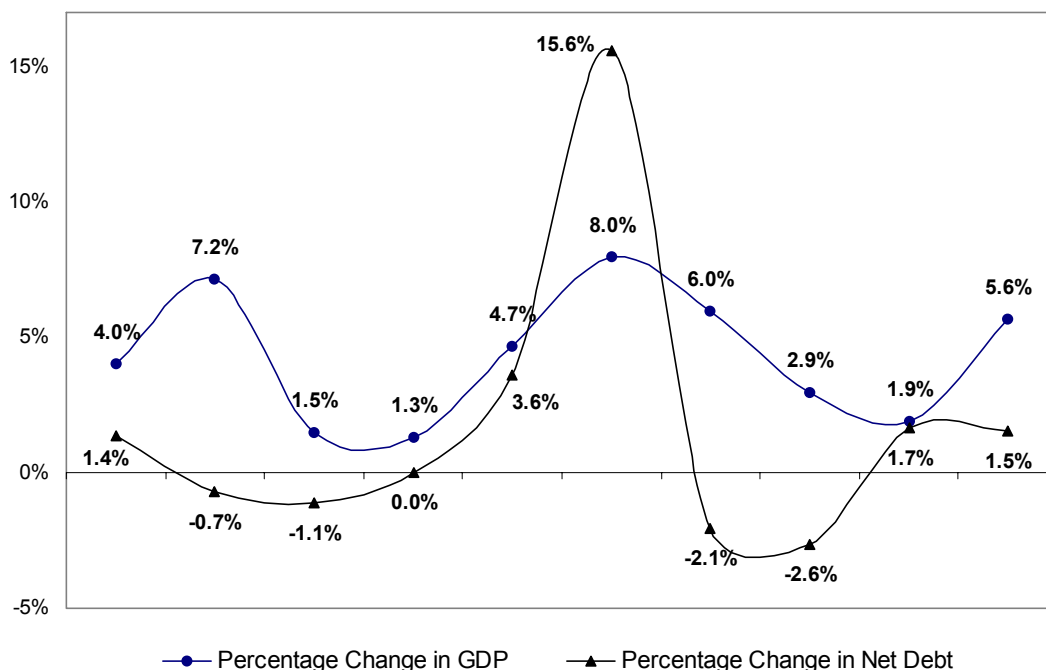
1. GDP is measured on a calendar year basis. The GDP used in our tables for each 31 March year end is the GDP for the calendar year ended during that fiscal year. GDP information is provided by N.B. Department of Finance: actual GDP for calendar years 1994-2003.

stands at \$6.816 billion - \$927 million more than its level ten years ago, but \$109.2 million less than in 2000.

2.28 The New Brunswick economy has also grown. Exhibit 2.2 shows that the Province's net debt to GDP ratio generally decreased (favourable) over the last ten years – showing the Province's increasing ability to sustain existing programs and services. The only exception to this trend came in the year 2000 as a result of recording the debt for the Fredericton to Moncton highway.

Exhibit 2.3

Change in net debt and GDP¹ for the last ten years



Change in net debt and GDP as a measure of sustainability

2.29 The Province can positively influence sustainability in two ways: by increasing surpluses and by increasing growth in the economy. Though governments use various political, legislative and regulatory powers to stimulate the economy, the effect is neither guaranteed nor timely.

2.30 The rate of growth in the surplus or deficit and their impact on net debt is much more controllable. Exhibit 2.3 shows that the Province has experienced economic growth in excess of growth in the net debt (favourable) every year since 1995, with the exception of

1. GDP information provided by N. B. Department of Finance

the year 2000. The deviation in the year 2000 resulted from the effects of the Fredericton to Moncton highway.

Flexibility

2.31 Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.¹

2.32 Funding for programs and services is provided by either revenue or borrowing during the year. It is a useful measure of flexibility to know to what extent the Province is able to raise revenue from existing and potential sources should new commitments arise.

Own source revenue as a percentage of GDP as a measure of flexibility

2.33 One could assume that any additional funding for new programs or services might not be possible from existing revenue sources. A reasonable alternative would be to raise revenue from new provincial sources. However, the Province is only able to extract a finite amount of dollars from the economy of New Brunswick before the economy begins to falter. Though the exact capacity of the economy to bear such a burden is not known, one can determine the relative increase or decrease over time.

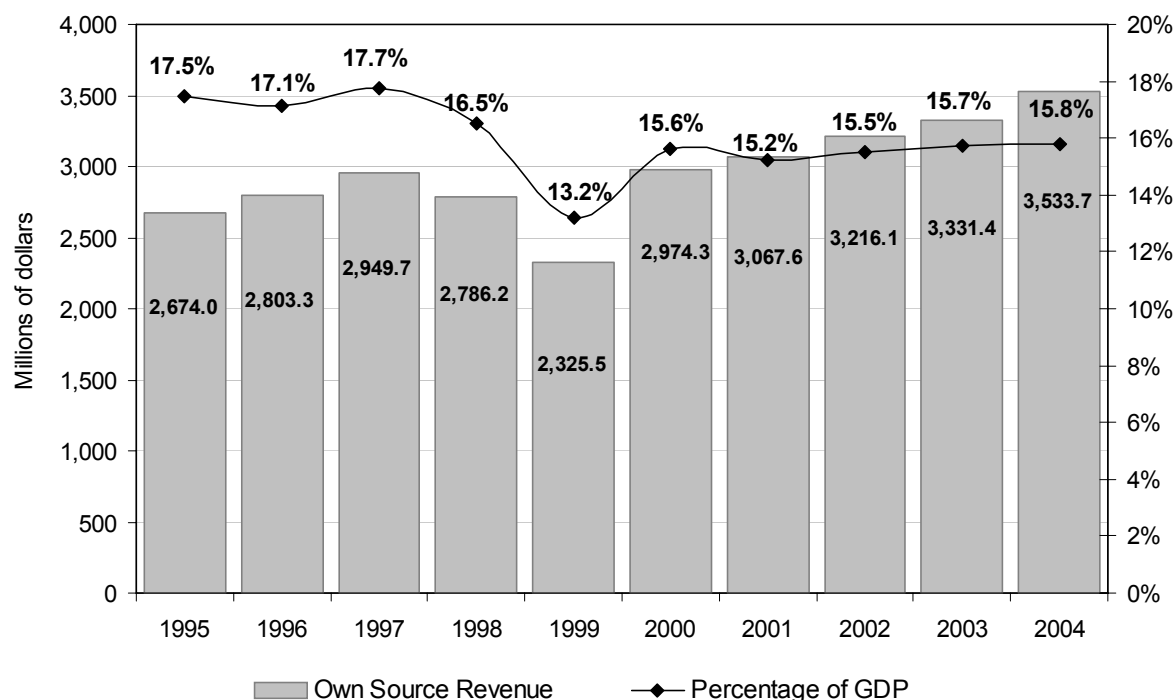
2.34 Exhibit 2.4 shows the extent to which the Province has removed dollars from the provincial economy through taxes and user fees/licenses during the last ten years. This exhibit shows that the dollars extracted by the Province from the New Brunswick economy as a percent of GDP decreased (favourable) during the first six years of the ten-year period, but has been gradually increasing for the past four years. However, the current percentage is still lower than the 1995 to 1998 period.

2.35 The large reduction in own-source revenue in 1999 was due to a \$450 million one-time write-down in the Province's investment in the New Brunswick Power Corporation.

1. *Indicators of Government Financial Condition, 1997* published by the Canadian Institute of Chartered Accountants

Exhibit 2.4

Own source revenue as a percentage of GDP¹ for the last ten years



Cost of servicing the public debt as a percentage of total revenue (or “interest-bite”) as a measure of flexibility

2.36 One of the most publicized factors which affects the flexibility of governments is the cost of servicing the public debt.

2.37 The cost of servicing the public debt is comprised mainly of interest on the funded debt of the Province. It also includes foreign exchange paid on interest and maturities during the year, the amortization of foreign exchange gains and losses, and the amortization of discounts and premiums which were incurred on the issuance of provincial debt. It does not include principal repayments on the funded debt of the Province.

2.38 Exhibit 2.5 shows debt servicing costs as compared to total provincial revenue for the last ten years.

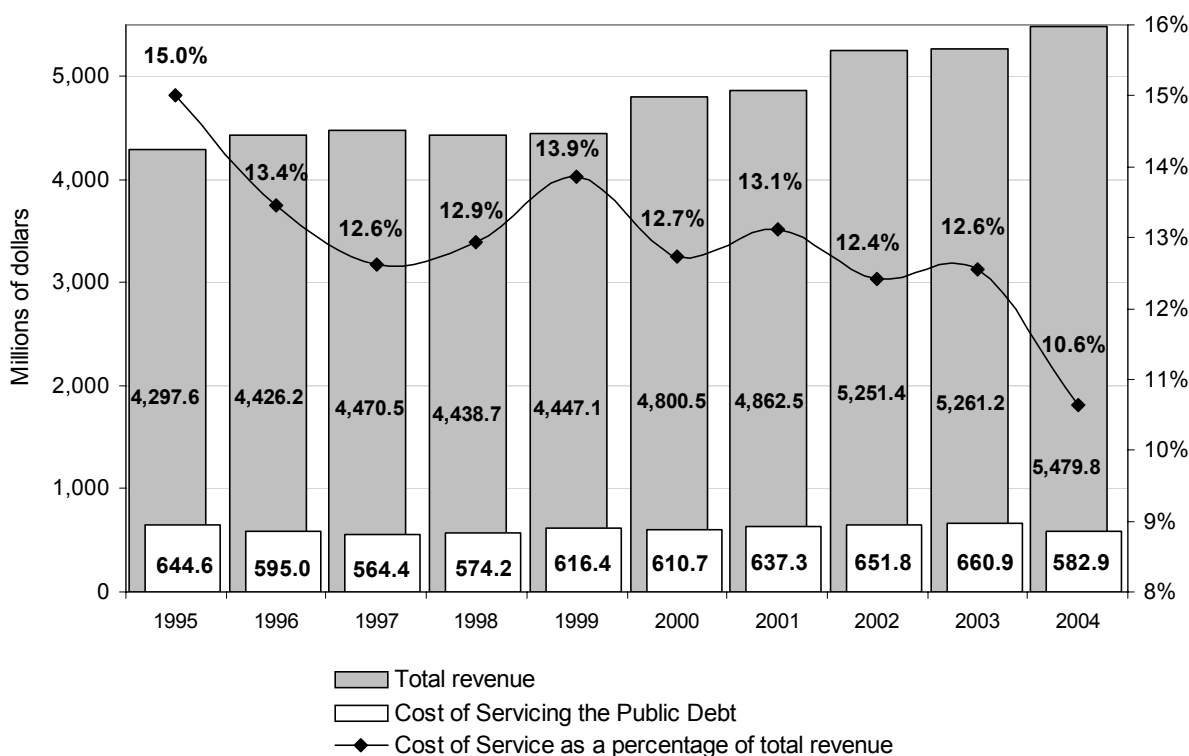
2.39 This exhibit shows the cost of servicing the public debt decreased in 2004 over 2003 by \$78 million to \$582.9 million. It also shows that the Province has decreased its overall “interest-bite” percentage from its 2003 level of 12.6% to its current level of 10.6%.

1. GDP information provided by N. B. Department of Finance

This is a significant decrease, attributable mainly to the strengthening of the Canadian dollar against its U.S. counterpart, and also to a general lowering of interest rates. The level has also declined from the peak of 15% in 1995. The exhibit indicates that, on a percentage basis, the Province has more of its total revenues available for current needs today than it did ten years ago.

Exhibit 2.5

Cost of servicing the public debt as a percentage of total revenue for the last ten years



Vulnerability

2.40 Vulnerability is the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.¹

2.41 Funding for programs and services can only come from two sources: revenue or borrowing.

1. *Indicators of Government Financial Condition*, 1997 published by the Canadian Institute of Chartered Accountants.

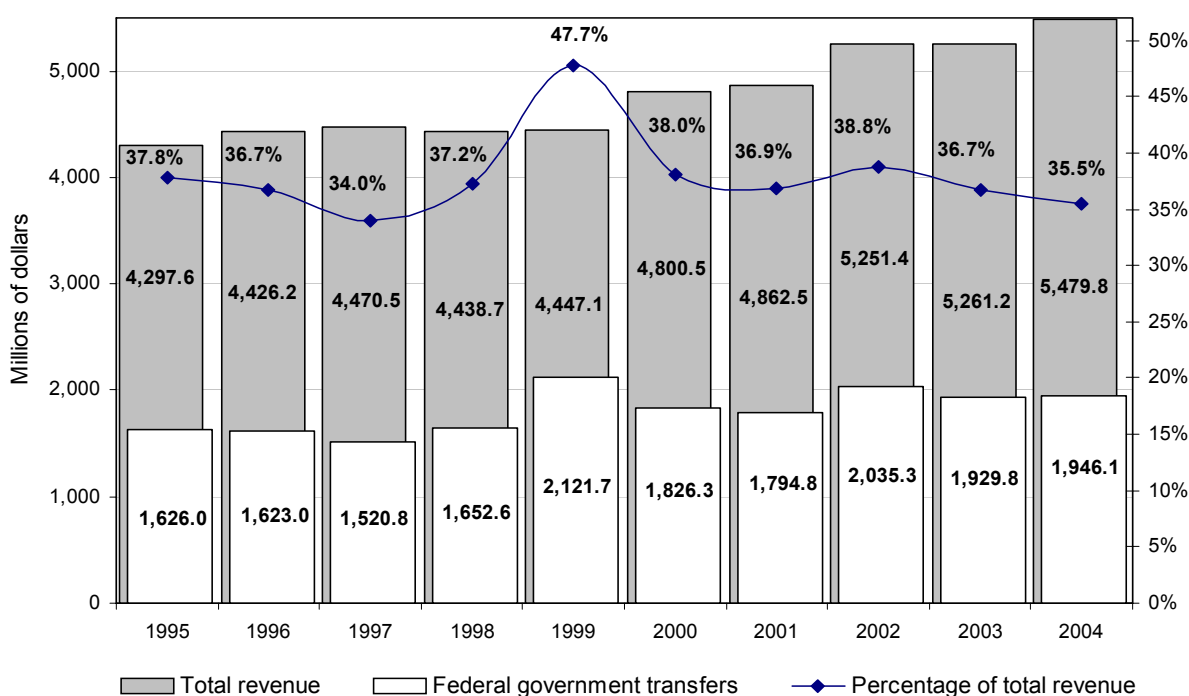
**Federal government transfers
as a percentage of total
revenue as a measure of
vulnerability**

2.42 In 2004, 35.5% of the Province's total revenue came from federal transfers. This is significant because revenue from federal sources is not considered to be as controllable as revenue generated in the Province.

2.43 Own-source revenue is more controllable because the government can directly impact the amount generated using tax legislation as well as implementation or adjustment of user-fees/licensing rates. Federal transfers are subject to very different variables, few of which are under the jurisdiction of the provincial government. Federal fiscal policy decisions can severely impact provincial governments by determining the amount and timing of future transfers.

Exhibit 2.6

Federal government transfers as a percentage of total revenue for the last ten years



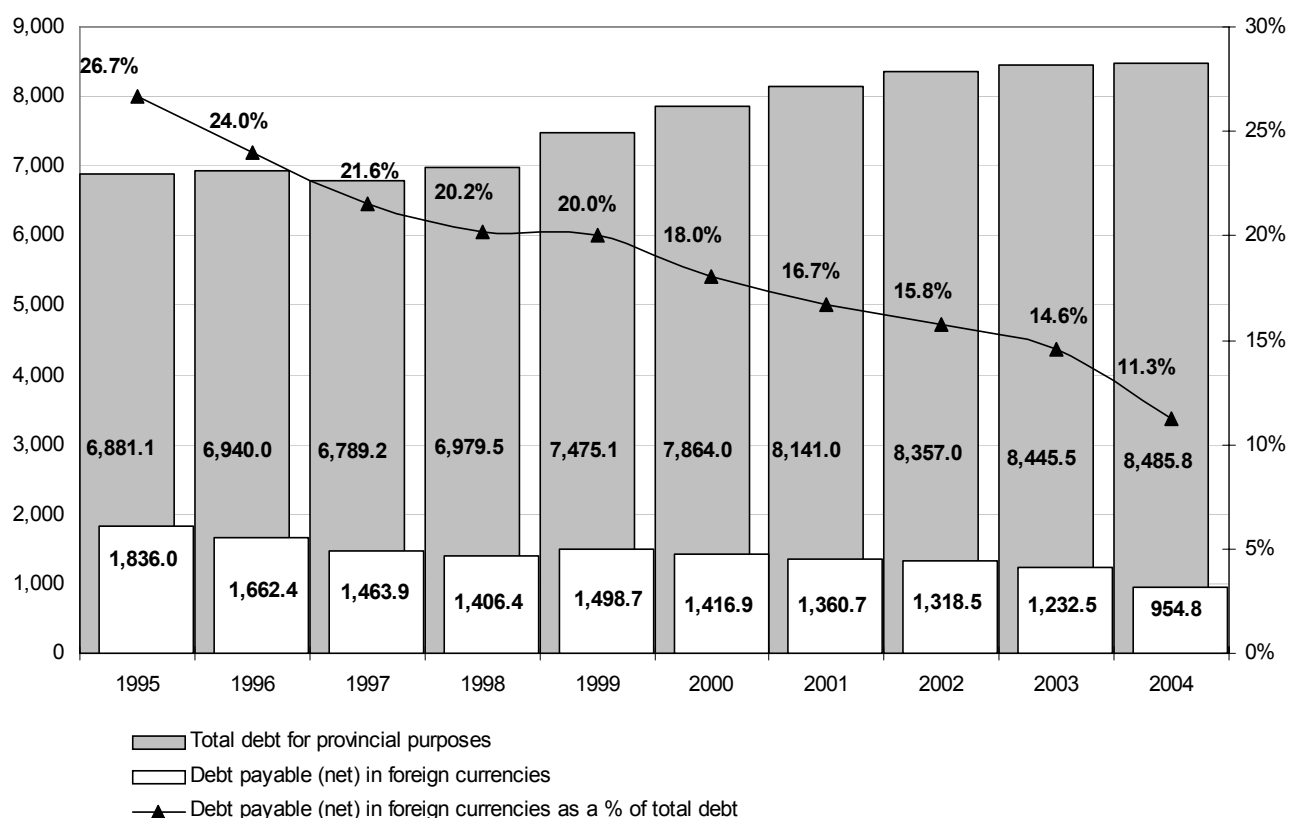
2.44 Increasing New Brunswick's reliance on federal transfers will leave the Province more vulnerable to variables outside of its own control. Exhibit 2.6 details the Province's reliance on federal transfers over the last ten years. Though a significant fluctuation occurred in 1999, this exhibit shows that the trend over the past ten years has been generally stable.

Foreign currency debt as a percentage of total debt for provincial purposes as a measure of vulnerability

2.45 When borrowing is required, there are choices to be made by the Province. For instance, if the Province chooses to issue its debt in a foreign currency instead of Canadian dollars, the Province will assume the risk of foreign exchange fluctuations. Such fluctuations can increase or decrease the amount ultimately payable in Canadian dollars for interest, and later, redemption of foreign currency debt.

Exhibit 2.7

Exposure to foreign currency risk for the last ten years



2.46 Exhibit 2.7 shows the relationship of foreign currency debt to total debt for provincial purposes over the last ten years. The Province has several alternatives to reduce (hedge) the risk associated with debt repayable in foreign currencies:

- purchasing assets denominated in foreign currencies for the Province's sinking fund;
- entering into debt swap agreements which allows repayment of the debt in Canadian dollars; and

- entering into forward contracts (which allow the Province to purchase foreign currency at a stipulated price on a specified future date).

2.47 The exhibit reflects the Province's exposure to foreign currency risk after eliminating the effect of hedges against foreign currency fluctuations.

2.48 The exhibit also demonstrates that the Province's vulnerability to foreign currency risk has experienced continuous decline (favourable) since its 1995 peak of 26.7% to the 2004 level of 11.3%.

Summary

2.49 In general, over the last ten years, the indicators of sustainability, flexibility and vulnerability show that the Province of New Brunswick's financial condition has improved. While there were unfavourable deviations in 1999 and 2000 with some of the indicators, these for the most part have improved in the past four years.

Chapter 3

Department of the Environment and Local Government

Beverage Containers Program

Contents

Background	31
Scope	34
Results in brief	35
Setting goals and objectives	36
Measuring progress	39
Taking corrective action	42
Reporting on results	43
Follow up to our 1994 report	46

Department of the Environment and Local Government Beverage Containers Program

Background

3.1 The Province of New Brunswick's *Beverage Containers Act* was proclaimed in 1992 and the Beverage Containers Program came into effect soon afterward. The Program's goals were to:

- reduce the number of beverage containers which are littered;
- divert beverage containers from the solid waste streams; and
- encourage the sound use of resources and energy.

3.2 Since the inception of the program, the Department of the Environment and Local Government estimates that New Brunswickers have diverted approximately three billion beverage containers from landfills and roadsides. This represents an overall recovery rate of approximately 81% (according to the Department's data as at May 2003). When originally implemented, the Beverage Containers Program was seen as a very innovative program. We were intrigued by aspects of it and included it in our 1994 value-for-money audit of the Department of the Environment.

3.3 Since it has been ten years since our Office conducted an audit of the Beverage Containers Program, and twelve years since the program's inception, we decided to look at it again to determine if it has reached its intended results. We also had some interest in following up on the findings of our 1994 Report.

3.4 To aid in understanding our findings and recommendations, we believe it is important for the reader to have an adequate knowledge of the key components of the Beverage Containers Program and its functions. In the sections that follow we give a brief

overview of the beverages covered by the legislation, the key players involved with the program, and a description of how the deposit and refund system works.

Beverages included in the Beverage Containers Legislation

3.5 A beverage container is described in the *Beverage Containers Act* as a container that holds five litres or less, and that is delivered sealed to a retailer or food service. These include beverages such as soft drinks, beer, wine and spirits, water, fruit juices and vegetable juices. Beverages excluded by regulation include apple cider that has not been heated, pasteurized or otherwise processed, milk and milk products, chocolate milk, soy milk and concentrated drinks.

Distributors

3.6 Beverage distributors are permitted to sell beverages only in containers which have a management plan approved by the Department. This plan indicates how the container will be managed after the beverage has been consumed; either to refill or recycle it. All distributors must also be registered by the Department.

Encorp Atlantic Inc.

3.7 The soft drink industry created Encorp Atlantic Inc. to act as its agent to manage their non-alcoholic, recyclable beverage containers. Encorp receives all deposits from the distributors, reimburses the redemption centres for the refunds paid out, remits to the Province a fee for the Environmental Trust Fund and pays a handling fee to the redemption centres. Note that the handling fee is separate from the deposit collected – it is a fee paid by Encorp to the redemption centre for the cost of sorting and processing the containers.

3.8 As their agent, Encorp is required to fulfill the responsibilities of the distributors under the Act, which is to manage (i.e. recycle or refill) the Department approved plan for their beverage containers. Encorp is entitled to all revenue generated by the sale of the recovered “recyclable” materials.

Neighbourhood Recycling

3.9 Neighbourhood Recycling is the agent for New Brunswick Liquor Corporation (NBLC) and performs a similar function to that of Encorp for recyclable alcoholic beverage containers. The major difference is that NBLC, not Neighbourhood Recycling, collects the deposits and remits the provincial share of the environmental fee directly to the Environmental Trust Fund. The handling fee paid to the redemption centre by Neighbourhood Recycling is the same as that paid by Encorp - 3.4¢ per unit.

Breweries

3.10 The only refillable container on the market today is the beer bottle. The breweries in New Brunswick (mainly Labatt and Moosehead) collect the returned beer bottles directly from the redemption centres. The breweries pay a handling fee of 2.4¢ per unit to the redemption centre, and reimburse the redemption centre for the refund paid to the customer, \$1.20 per dozen beer bottles.

Redemption centres

3.11 In order to operate, a redemption centre must be licensed by the Province. There are 83 redemption centres in New Brunswick, employing approximately 250 New Brunswickers. The redemption centre industry is one of the benefits that arose from the program, creating employment and providing a valuable service to the beverage containers recycling process.

Environmental Trust Fund

3.12 The Beverage Containers Program is essentially the sole source of funding for the Environmental Trust Fund (ETF). According to the Department's website, 2.5¢¹ of every 10¢ deposit paid on a recyclable beverage container goes into this fund, whether the empty beverage container makes its way back to a redemption centre or not. The ETF provides funding for various projects that encourage and enable the protection, restoration, sustainable development, conservation, education and beautification of New Brunswick's environment. In the year 2002-03, the fund awarded over \$4.1 million to various projects across the Province.

How the Beverage Containers Program works

3.13 To demonstrate how the Beverage Containers Program works, we will use a recyclable, non-alcoholic beverage container with a 10¢ deposit as an example. When consumers purchase a beverage, they pay a 10¢ deposit at the time of purchase. At this point, the retailer is effectively recovering a 10¢ deposit previously paid to the distributor of the beverage. The distributor sends the deposits to Encorp, their registered agent. When the consumer returns the empty container to a redemption centre, the redemption centre will refund the individual 50% of the initial deposit paid, in this case 5¢.

3.14 When the redemption centre has collected a sufficient amount of empty beverage containers, Encorp will retrieve the containers from the redemption centre and pay the redemption centre owner a handling fee of 3.4¢ per unit, in addition to reimbursing the redemption centre for the refund paid to the customer (5¢). Encorp collects all non-alcoholic recyclable beverage containers, and processes them to be sold on the recycled material market.

1. The Department has indicated that the actual amount that goes into the Environmental Trust Fund is 2.174¢ (2.5¢ less HST).

3.15 According to the Beverage Containers Program website, 2.5¢¹ of the 10¢ deposit is remitted to the Environmental Trust Fund, 2.5¢² is kept by Encorp to cover industry recycling cost and the remaining 5¢ is used to reimburse the redemption centre for the refund paid to consumers. If a container is not returned to a redemption centre, Encorp gets to keep the unredeemed deposit, and doesn't have to pay the handling fee (therefore, it keeps the 5¢ refund and the 2.5¢ industry recycling fee portion of the 10¢ deposit).

Scope

3.16 The objectives for this audit were:

To determine if the Department of the Environment and Local Government has established satisfactory procedures to measure and report on whether the Beverage Containers Program is achieving its intended results; and

to provide the Legislative Assembly with a status report on progress the Department has made in implementing the recommendations and responding to the findings of our 1994 report on the Beverage Containers Program.

3.17 To further focus our audit efforts, we developed four audit criteria. These were discussed with the Department and it was agreed that they were reasonable.

3.18 Our work included reviewing relevant documents; interviewing program staff, as well as industry representatives; testing a sample of program files; and performing an analytical review on program information.

3.19 We compared the audit evidence against the audit criteria in order to develop the findings, conclusions and recommendations that are presented in this chapter.

Results in brief

3.20 Since the inception of the program New Brunswickers have diverted approximately three billion beverage containers from landfills and roadsides. This represents an overall recovery rate of approximately 81%.

-
1. The Department has indicated that 2.174¢ (2.5¢ less HST) is remitted to the Environmental Trust Fund.
 2. The Department has indicated that the industry recycling fee is actually 2.174¢ (2.5¢ less HST).

3.21 The Department has established three broad goals for the Beverage Containers Program. These goals are to reduce the number of beverage containers which are littered; divert beverage containers from the solid waste streams; and encourage the sound use of resources and energy. It also has a recovery rate objective. Unfortunately there are no target-specific objectives to indicate whether or not the program is achieving its goals.

3.22 We were disappointed to find that the Department has taken limited action on our recommendations from 1994. Many of the same issues remain today.

3.23 The Province of New Brunswick does not know if the Environmental Trust Fund has received its full share of the environmental fee.

3.24 As at January 2004, distributors and/or their agents have retained, since the beginning of the program, close to \$34 million from unredeemed deposits on beverage containers that were not returned to a redemption centre. In addition, they collected \$17 million in fees to help cover the cost of recycling these containers, which did not occur.

3.25 The Department of the Environment and Local Government does not know the extent to which these funds are being used to offset program costs or provide a reasonable rate of return for distributors and/or their agents.

3.26 The Department does not have a system in place to determine if all recyclables collected are in fact sold and ultimately recycled.

3.27 The Department does not present sufficient effectiveness information to the members of the Legislative Assembly and general public. As well, the Department does not report what is required by legislation.

3.28 The issue of recycling dairy beverage containers is far from resolved.

Setting goals and objectives

3.29 Our first criterion was:

The Department should have clearly understood goals and objectives for the Beverage Containers Program.

3.30 Our criteria cover four main components of effective program management that can be used by an organization to achieve its intended results. These are setting goals and objectives; monitoring program success against these goals and objectives; identifying program modifications as required; and reporting on results. Our first criterion addresses the first component of setting goals and objectives.

3.31 A goal can be defined as a *general* statement of desired results to be achieved, while an objective is a *specific* statement of results to be achieved over a specific period of time. An objective sets a target, and aids in the achievement of the goal. Hence, goals and objectives are important tools for setting program direction and achieving intended results. They also establish a basis for year-to-year comparison.

3.32 When the Beverage Containers Program was created, three main goals were established. They are:

- to reduce the number of beverage containers which are littered;
- to divert beverage containers from the solid waste streams; and
- to encourage the sound use of energy and resources.

3.33 In addition to these three broad goals, the Department established a target recovery rate of 80% by year five of the program. The Department has informed us that it recognizes an 80% recovery rate as acceptable and appropriate in that it represents significant progress toward the three stated program goals. However, as indicated to us by the Department, there is no established rationale or analysis that demonstrates the effect of the recovery rate on the three goals. Nonetheless, the Department has stated that it is confident that a positive correlation exists.

3.34 In our opinion, the recovery rate objective was set independently of the three program goals. The Department has not demonstrated any cause-and-effect relationship between the recovery rate objective and the goals. For instance, when the Department conducted a review in 1997 and re-examined the goals of the Beverage Containers Program, the Department did not utilize the recovery rate as an indicator of whether the three goals of the program had been met. Instead, the Department considered the number of beverage containers collected and the use of refillable beverage containers on the market as indicators of the achievement of the program's goals.

3.35 That being said, it certainly appears that the recovery rate could be an objective for the goal of reducing the amount of beverage containers being littered, since one can deduce that an increasing recovery rate impacts the amount of beverage containers being littered. But we do not see how the recovery rate, at least on its own, is a valid indicator of the program's two other goals. Even though an 80% recovery rate is achieved, it does not indicate that the beverage containers are diverted from the solid waste stream (the second goal). Unless the recovered beverage containers are sold to a secondary market, the beverage containers are not out of the solid waste stream. A more relevant objective would be related to the % of recovered beverage containers sold to a secondary market.

3.36 In addition, the recovery rate on its own does not indicate that the third goal of sound use of energy and resources has been achieved. For instance, if the cost to recycle the recovered beverage containers exceeds the value of the material, sound use of financial resources is not achieved. Or, if the energy consumed in transporting and processing recovered materials exceeds that of using new packaging and/or refillable containers, sound use of energy and resources is not achieved. In our opinion, clear objectives need to be directly linked to each of the program's stated goals.

3.37 Further, we found that unlike the other two goals, the third goal of sound use of energy and resources does not meet the 'clearly understood' part of our criterion. It is not clear what is meant by the sound use of resources, i.e. does this refer to financial resources, natural resources, or other resources. The Department's 1997 review indicated that the purpose of the goal is to encourage the use of refillable containers. This is not immediately clear from reading the goal.

3.38 Finally, the goals of the program as well as the recovery rate objective have remained the same since the inception of the program in 1992. Periodic assessments at scheduled intervals are necessary to ensure the goals and objectives of the program continue to be relevant and challenge the program in order to build on its success and improve its performance.

Conclusion

3.39 This criterion is partially met. It is clear that goals exist, and there is an objective for a target recovery rate that can be related to the goal of litter reduction. However, one of the goals is not clear and two of the goals do not have objectives.

Recommendations

3.40 The Department should clarify the purpose and intent of the third program goal (to encourage the sound use of energy and resources).

3.41 The Department should establish clear objectives that are directly linked to each of the three program goals and their achievement. These objectives should be quantified and measurable, have target achievement dates, foster improvement, be communicated to staff and be assessed or reviewed periodically.

Departmental response

3.42 *Contrary to the analysis provided in the audit report, the Department does not recognize the third program goal to be exclusively an issue of “returnable” versus “recyclable” beverage containers. It is agreed that the Department should clarify the intent of this third goal so as to prevent such confusion in the future.*

3.43 *The Department remains satisfied that the redemption rate is a suitable indicator for Departmental performance, on a relative basis, for all three of the program goals. One need not quantify such objectives as “reduced volume of waste”, “litter abatement”, or “energy/resource savings” in order to be confident that a higher redemption rate indicates superior performance to a lower one. Nevertheless, the Department acknowledges the intent of the report’s recommendation in that the establishment of such objectives would provide assurance to the public that their deposit monies are being well spent. Additional goal-specific objectives will be developed.*

Measuring progress

3.44 Our second criterion was:

The Department should measure its progress towards the achievement of the goals and objectives of the Beverage Containers Program.

3.45 Our second criterion reflects a second component of effective program management: measuring the success of the program against goals and objectives. As mentioned in the previous section, the Beverage Containers Program has three goals. However, there were no specific objectives linked to the achievement of these goals, making it difficult for the Department to meet this criterion. Nevertheless, we still wanted to determine if the Department was monitoring the program against these three goals.

Limited formal monitoring

3.46 There is no formal monitoring process in place for this program. Although staff does review program reports and conduct inspections at redemption centres, formal monitoring specific to the achievement of goals and objectives has been limited.

3.47 The Department is collecting limited information from the various industry players (Encorp, NB Liquor Corporation, breweries, Neighbourhood Recycling), each with varying levels of detail, and this information is entered into an information system. The Department has maintained this information database since 1992. This information could be used to measure at least two of the three goals. However, departmental staff indicated that it is not used for this purpose in a regular or routine manner.

3.48 The Department did perform an assessment of the program in 1997. This assessment addressed the results of the program, future needs of industry and consumers, actual versus intended results, and past recommendations made by our Office. It found that the goals of reduction of litter and diversion of waste were met, while the goal of sound use of energy and resources has only been partially met. The assessment stated the following:

To date, the Beverage Containers Program has diverted over 550 million recyclable beverage containers from the waste stream. In addition, the litter problem associated with beverage containers prior to the introduction of the [Beverage Containers Act] has been virtually eliminated. Therefore, ... the first two (to reduce the number of beverage containers which were littered and to divert

beverage containers from the solid waste stream) of the objectives of the [Act] had been achieved.

The final objective, that is to encourage the sound use of resources and energy, has been partially successful. Although the Beverage Containers Program has produced considerable waste diversion, one of the intents of the Act was to encourage the use of refillable beverage containers over recyclable beverage containers. Unfortunately, this has not occurred as distributors have actually increased the use of recyclable beverage containers since the [Act] was introduced. This move was prompted by the lack of consumer demand for refillables. [The Department] has received no complaints from the public since the withdrawal of refillables.

3.49 We found the evidence supporting the conclusions to be relatively general in nature as few measurements were used to assess the achievement of the goals. Although no measurement or analysis was used, litter from beverage containers was assessed as ‘being virtually eliminated’ since the beginning of the program. The total number of containers returned to redemption centres was the measure used to assess diversion of waste from the solid waste stream. There was no evidence that the returned containers were recycled. The goal of sound use of energy and resources was assessed as only partially successful due to the fact the intended increase in use of refillable beverage containers was not achieved. In fact, other than for beer, refillable containers disappeared. We noticed that the recovery rate, which the Department believes is a suitable indicator for measurement, was not used to assess any of the three goals at the time of the 1997 program review.

3.50 In 1999 the Department engaged an accounting firm to inspect the books and records of the distributors and/or their agents. One of the purposes of the review was to determine the percentage of recycled material collected and processed for re-sale. At that time the firm found that 100% of glass, 99% of aluminum and 94% of PET (a plastic used for soft drink, water and juice containers) was processed for resale. This type of information is relevant for assessing the achievement of the second goal. Unfortunately the study is five years old and no current data is available because the Department does not request this type of information on a regular basis.

3.51 In our opinion, the program requires more frequent formal monitoring. At the time of our 1994 audit, we reported that the Beverage Containers Program was assigned three regular civil service positions and a number of seasonal and part-time positions. Currently, there is one person assigned to the program, and this individual has other responsibilities in addition to the Beverage Containers Program. The recovery rate identified at the time of the assessment was 83%, while the current recovery rate is approximately 81% (these recovery rates represent the overall rate for all containers, including beer bottles and recyclable containers). These changes may indicate a decrease in priority towards the program and a loss of momentum.

3.52 In addition to the recovery rate, we believe the Department could use more frequent monitoring of other measures. These include:

- roadside litter surveys;
- volume of material collected and therefore diverted from landfill;
- amount of landfill space saved by diverting containers from landfill;
- amount of material actually processed for resale;
- energy savings by container type; and
- number of units by container type that save the most resources and energy (such as those that preserve non-renewable natural resources, and whether their recycling has increased or not).

Conclusion

3.53 This criterion has been partially met. There is limited formal monitoring of the program goals, although it should be noted that the Department prepared a program review in 1997 and engaged an accounting firm to examine the sale of recovered materials in 1999. As noted in our first criterion, the Department has not established measurable objectives that are directly linked to the program goals and their achievement.

Recommendation

3.54 **The Department should review its monitoring system and make improvements, where necessary, to ensure that relevant data is collected with respect to the program goals and the objectives. This could include making better use of the data provided through meaningful and relevant interpretation with respect to the goals and objectives.**

Departmental response

3.55 *While the Department remains satisfied with the program's ability to track redemption rates, it is clear that new monitoring*

mechanisms will need to be developed in relation to any additional objectives that are created. The Department will develop monitoring capabilities in relation to the new objectives.

Taking corrective action

3.56 Our third criterion was:

Where the objectives have not been achieved, the Department should take corrective action, as required.

3.57 A third component of good program management is determining what program modifications may be indicated from measuring the program's success. In other words, we expect that the Department would actively monitor a program and take corrective action as required if the program's goals and objectives were not achieved. This is important to ensure that a program is achieving its intended purpose.

3.58 Although the Department has a target recovery rate of 80%, it has not identified a clear and formal relationship between this target recovery rate and the three program goals. There is also a lack of formal monitoring, as we have pointed out earlier.

Conclusion

3.59 This criterion is not met. Since there are no clear objectives related to the program goals, corrective action is not possible.

Recommendation

3.60 **We recommended the Department establish clear objectives that are directly linked to each of the three program goals and their achievement. When an objective is not achieved, the Department should review the circumstances of non-achievement and take corrective action.**

Departmental response

3.61 *The Department will continue with its ongoing efforts to ensure its redemption rate target is maintained. Where applicable, similar efforts will be undertaken with respect to any additional program objectives that are developed.*

Reporting on results

3.62 Our fourth criterion was:

The Department should report on the effectiveness of the Beverage Containers Program to the Legislative Assembly and the general public.

3.63 The final component of effective program management is reporting of results. Our final criterion addresses the Department's accountability towards the Legislative Assembly and the public for its management of the beverage containers program and the results the program has achieved.

3.64 In this section, we are making comments on effectiveness reporting under three broad categories. The first is reporting through the annual report with particular reference to the accountability reporting requirements of government's annual report policy. The second area concerns the specific reporting requirements of section 4(8) of the *Beverage Containers Act*. The third is comparing the reporting requirements of the Beverage Containers Program to those of the Tire Stewardship Program.

Government annual reporting requirements not met

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

3.66 The policy clearly states that "to the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators." It also adds that "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." We reviewed the Department's annual report for 2002-03 (the most current report available at the time of our audit). In our opinion, reporting on the Beverage Containers Program does not address these requirements of the annual report policy.

Legislated reporting requirements not met

3.67 Section 4(8) of the *Beverage Containers Act* states that the Minister shall submit annually to the Legislature a report on

(a) the distributor's compliance with plans submitted under subsection (3), and

(b) the refilling and recycling of beverage containers in the Province.

3.68 The plan mentioned above refers to a plan for the recycling or refilling of the beverage container (section 4(3)). This plan must include the following:

- a list of redemption centres that will accept empty beverage containers;
- a description of the means of retrieval of empty beverage containers from redemption centres;
- a list of facilities to be used for refilling or recycling;
- a description of the means of delivery of empty beverage containers to the refilling or recycling facilities;
- a statement of how the distributor plans to dispose of broken or contaminated empty beverage containers;
- a description of the composition and shape of the beverage container;
- a description of the size, shape and location of markings on the beverage container;
- a description of the means by which the beverage containers will be held together so as not to present a hazard to wildlife; and
- a description of the distributor's contingency arrangements.

3.69 A distributor can assign all or part of the distributor's responsibilities to an agent (section 4(5)); however, the distributor is still responsible for the agent's violation of or failure to comply with the provisions of the Act (section 4(7)).

3.70 The Department does not "submit annually to the Legislature a report" that meets these requirements. As well, the information reported in the Department's annual report does not meet the legislated reporting requirements of section 4(8) of the Act. Since 2000-01, the annual report has made no mention of distributors' compliance with container management plans, nor has it reported data on the refilling and recycling of containers.

Reporting requirements inadequate compared to Tire Stewardship Program

3.71 The Department's publication "Reduce, Reuse, Recycle – The 3 Rs in New Brunswick" identifies beverage containers, scrap tires and used oil as products that are managed through regulated stewardship programs in New Brunswick. We compared the reporting requirements of the Beverage Containers Program to those of the Tire Stewardship Program. We found that reporting requirements are more enhanced for the Tire Stewardship Program.

3.72 For both programs, reporting requirements are identified in the respective legislation or regulation. In addition to submitting audited financial statements and an annual report within ninety days of year end, the Tire Stewardship Program is also required to report numerous details of operations, such as the number of tires sold, amount of fees collected, number of tires collected and processed, the cost to process the tires, the results of inspections and enforcement activities, and emerging trends in industry. The Beverage Containers Program, as noted, is required to report on distributors' compliance with their approved container management plan, and "on the refilling and recycling of beverage containers in the Province".

3.73 We found that the Tire Stewardship Program did appear to report all the categories required by legislation in its annual report. The Tire Stewardship Program also reported on three goals, and performance measures to assess the achievement of those goals. Another feature of the Tire Stewardship Program reporting is that it is very timely – reports must be submitted within ninety days of year end. As stated, for the Beverage Containers Program, the Minister is not providing the reports required by legislation.

Conclusion

3.74 This criterion has not been met. The Department does not present sufficient effectiveness information to the members of the Legislative Assembly and general public. As well, the Department does not report what is required by legislation.

Recommendations

3.75 We recommended the Department publish an annual report for the Beverage Containers Program that complies with the *Beverage Containers Act* and the government's policy on annual reports.

3.76 We recommended the Department compare reporting requirements of the *Beverage Containers Act* to those of the Tire Stewardship Board to determine what improvements should be made to the *Beverage Containers Act*.

Departmental response

3.77 *The Department agrees with the recommendation. It was an oversight that the Department's annual report was recently modified to exclude certain types of program information. The reporting requirements outlined in the Act will be respected in future annual reports.*

3.78 *The Department acknowledges the advantages of the Tire Stewardship Board's reporting requirements. Indeed, the Department was responsible for their creation. Thus, the recommendation is interpreted to mean that the Tire Stewardship Board's reporting requirements should be emulated for the Beverage Containers Program. Although the reporting requirements under the Beverage Containers Act are considered sufficient for the purposes of that program, the Department is currently considering several changes to the entire Beverage Containers Program. The Tire Stewardship Board's reporting model may be well suited to the program following any changes that may be forthcoming.*

Follow up to our 1994 report

3.79 Our second objective is to provide the Legislative Assembly with a status report on progress the Department has made in implementing the recommendations and responding to the findings of our 1994 report on the Beverage Containers Program.

3.80 In our 1994 audit, we made six recommendations to the Department. In Exhibit 3.1, we repeat the 1994 recommendations, the Department's responses, and provide an update on the current status of the recommendations.

3.81 As can be seen from Exhibit 3.1, five of these recommendations are still valid today. The Department agreed with four of these five recommendations at the time of our 1994 audit. None have been implemented.

3.82 We would like to discuss some of the underlying issues identified in the recommendations from our 1994 Report that are still relevant today.

Financial controls over environmental fees

3.83 As mentioned, the Environmental Trust Fund (ETF) receives the provincial share of the environmental fee. The process begins when distributors pay Encorp the deposits for all containers distributed to the New Brunswick market. Encorp forwards the provincial share of the environmental fee to the Department where the revenue is recorded.

Exhibit 3.1

Past recommendations on Beverage Containers Program

Recommendations made in 1994 audit	Department's response in 1994	Department's response to 1994 recommendations during 1996 follow-up	1994 recommendations still valid?	Our comments
Par. 2.152: We recommended the Department require Encorp to provide an audited summary report on container sales.	Agree	Encorp's Board of Directors resisted invoking the section of distributor agreements that requires an audited report of sales. As a result, the Department must resume random audits of distributors to ensure sales reports are accurate.	Yes	See section "Financial controls over environmental fees"
Par. 2.158: We recommended that the Department develop a written policy on the retention of unredeemed deposits.	Agree	The policy on unredeemed deposits is under review and will be re-established in writing at the end of the program's first five years ending May 31, 1997	Yes	See "Unredeemed deposits"
Par. 2.159: We recommended the Department require Encorp to provide an audited report verifying the redemption rates of the containers for each fiscal period.	Agree	The Department is satisfied that the data on redemption rates provided to the Department of the Environment is accurate and verifiable.	Yes	See "Unredeemed deposits"
Par. 2.166: We recommended that the Department continue to work with the beverage industry in finding a solution to the cross-border shipment of returnable containers.	Harmonization is the preferred approach.	The introduction of the Beverage Containers Program by the Government of Nova Scotia on June 1, 1996 eliminated the major source of the problem of trans-shipment of containers into New Brunswick.	No	N/A
Par. 2.170: We recommended the Department establish a monitoring process to ensure the distributors manage the recyclable material in accordance with their approved plans.	Agree with intent of recommendation.	Distributor agents Encorp and Rayan have not been forthcoming in providing information to verify sales of materials. Department of the Environment will continue to ensure the information is provided in satisfactory detail. (<i>Note that Rayan changed its name to Neighbourhood Recycling</i>)	Yes	See "Monitoring of recycled materials".
Par. 2.173: We recommended DOE publish an annual report for the BCA program in compliance with the <i>Beverage Containers Act</i> and the government's policy on annual reports.	DOE feels that it has reported to the legislature as required in the Act.	Section 4(8) of the <i>Beverage Containers Act</i> states that the Minister is required to submit a report to the Legislature each year which details a) the distributors' compliance with plans submitted under subsection (3), and b) the refilling and recycling of beverage containers in the Province. These reports have been made to the Legislature by the respective Ministers in the fall of 1992, in 1993, 1994, and in the Spring of 1995 in conjunction with the launch of the dairy pilot project. While there is also reference to the program in the department's annual report, this form of reporting is not necessarily in keeping with the requirements stipulated in the <i>Beverage Containers Act</i> .	Yes	See earlier comments on annual reporting requirements

3.84 When Encorp receives the deposits, it does not know if in fact the distributors have forwarded all deposits Encorp is entitled to receive. Consequently, the Province of New Brunswick does not know if the ETF has received its full share of the environmental fee. Over the years since the Province proclaimed the *Beverage Containers Act*, the Department has contracted for a number of reviews of beverage distributors. In recent audits, the Province has recovered monies that distributors had not properly remitted.

3.85 Because of this type of financial concern, we recommended in 1994 that the Department require Encorp to provide an audited summary report on container sales. This recommendation has not been implemented. The risk is that the ETF has not received all of the provincial share of the environmental fee.

3.86 Section 17(8) of the *Beverage Containers Act* gives the Minister the authority to obtain the information the Department needs to ensure the Environmental Trust Fund is receiving its share of the environmental fee. Section 17 (8) states that *a distributor (...) shall provide the Minister with records and reports as required by the Minister on a form provided by the Minister.*

3.87 Further on, section 20(2) (c) of the Act states that *an inspector (...) may for the purpose of administering this Act inspect any books, accounts, reports or records kept at any place or vehicle, relating to the storing, cleaning, handling, sorting, transporting, crushing, selling, refilling or recycling of beverage containers.*

Recommendation

3.88 **We recommended the Department use the full power of the Act to obtain information required to ensure the Province of New Brunswick's share of the environmental fee is deposited to the Environmental Trust Fund.**

Departmental response

3.89 *The Department agrees with the recommendation. Although it is not considered necessary to use such powers on a routine basis, it is clear that formal documentation from distributors and agents would be of value. The Department will develop procedures for document inspection and information verification pursuant to subsections 17(8) and 20(2) of the Act, to complement the ongoing informal exchange of information between the Department and distributors and agents.*

Unredeemed deposits

3.90 Even though the majority of beverage containers are being returned, millions are not. When a container is not returned, no deposit is refunded to the consumer. The fees on these containers are referred to as unredeemed deposits or unclaimed deposits. The amounts are significant.

3.91 In our 1994 report, we made recommendations around the issue of unredeemed deposits. We recommended that the Department develop a written policy on the retention of unredeemed deposits, and we recommended the Department require Encorp to provide an audited report verifying the redemption rates of the containers for each fiscal period.

3.92 The Department allows Encorp, the processor of the vast majority of recyclable containers in New Brunswick, to retain all unredeemed deposits from beverage containers that are not returned to a redemption centre. At current recovery rates, this represents approximately 25% of all non-alcoholic beverage containers. As for recyclable alcoholic containers, NB Liquor Corporation also retains the unredeemed deposits relative to their containers. As at January 2004, Encorp has retained just under \$27 million from unredeemed deposits since the beginning of the program (for its part, NB Liquor Corporation has retained approximately \$7 million). In addition, Encorp has retained 2.5¢ of each deposit to help defray the cost of recycling the beverage container, even though no recycling has occurred in the case of a container that is not returned to a redemption centre. As at January 2004, this amounts to approximately \$13.5 million for Encorp and \$3.5 million for NB Liquor Corporation.

3.93 A 1992 letter from the Minister of the Environment to Encorp allowed Encorp to keep all unredeemed deposits for the first year. The letter indicates that: “We are not philosophically opposed to distributors retaining revenue from unclaimed deposits to help offset costs of managing empty containers, or to Encorp earning a reasonable rate of return.”

3.94 However, this approach raises a number of questions:

- to what extent should the amount retained from unredeemed deposits offset costs?
- is there a % or dollar level implied by “offset”?
- what is meant by “reasonable rate of return”?

- how committed is Encorp to promoting a program that could reduce their net revenue¹?
- what process will the Department have to ensure the rate of return remains reasonable?

3.95 From our perspective, this last question is key. The Department relies to a large extent on the information provided by industry. This information is not verified, and has not been audited by the Department. Even if, for instance, the Department determines what exactly is meant by “reasonable rate of return”, it needs a process to verify that distributors and/or agents are not exceeding that through retaining more funds from unredeemed containers than necessary.

Recommendations

3.96 We recommended the Department obtain audit level assurance to determine to what extent the amount of unredeemed deposits is offsetting program costs or providing a reasonable rate of return for distributors and/or agents.

3.97 We recommended the Department document the costs and benefits of allowing distributors and agents to retain funds from unredeemed deposits. This should include establishing the extent to which the amount retained from unredeemed deposits should offset costs and what is meant by a reasonable rate of return.

Departmental response

3.98 *The Department agrees with the recommendations.*

Monitoring of recycled materials

3.99 In our 1994 Report, we commented that the Department is responsible to see that all recyclable materials collected by Encorp and Rayan Investments Ltd. (now Neighbourhood Recycling) are appropriately recycled and do not enter New Brunswick landfills. The Department does not have a system in place to determine if all recyclables collected are in fact sold and ultimately re-used. Departmental staff do get information about the number of tons shipped and some of the market destinations, but the information is insufficient to reconcile to the quantities of recyclable materials collected by Encorp and Rayan.

3.100 Although the Department agreed with our accompanying recommendation, it had some problems implementing it. At one time,

1. Encorp is allowed to retain unredeemed deposits; therefore, as recovery rates increase, the amount of unredeemed deposits Encorp retains decreases, decreasing its revenue.

the Department supplied forms to the distributors and/or agents indicating the type of information that was required from them. However, the Department did not have success in obtaining the information. As noted earlier, in 1999 the Department hired an accounting firm to review a number of areas. One of these was the disposition of materials to end markets for the period of June 1992-August 1998 (for alcoholic containers), and June 1992-March 1999 (non-alcoholic).

3.101 The Act clearly states in section 17 (8) that a *distributor (...)* shall provide the Minister with records and reports as required by the Minister on a form provided by the Minister. Encorp and Neighborhood Recycling are registered agents of the distributors and section 4(5) of the Act states that *a distributor may assign all or part of the distributor's responsibilities under this Act to an agent acceptable to the Minister*. The difficulties encountered in obtaining information from distributors and/or agents have significantly hindered the Department's ability to monitor the program goals.

3.102 As we have noted, two of the goals are to:

- divert beverage containers from the solid waste stream; and
- encourage the sound use of resources and energy.

3.103 Further, the Act requires the Minister to submit annually to the legislature a report on the distributors' compliance with plans submitted and the refilling and recycling of beverage containers in the Province. These two goals and the Act's reporting requirements reinforce the need for our 1994 recommendation. Therefore, once again, **we recommended the Department establish a monitoring process to ensure the distributors manage the recyclable material in accordance with their approved plans.**

Departmental response

3.104 *Although the Department already collects information, or otherwise regulates waste management to the extent that the final disposition of recyclable materials is in little doubt, the Department nevertheless agrees with the recommendation. The Department will undertake to verify compliance with approved plans on an ongoing and regular basis.*

Milk container recycling still an issue

3.105 The Beverage Containers regulation excludes milk and milk products, chocolate milk, and soya milk from the deposit-refund system. The reason for their exclusion is the notion that milk is considered a staple food product; by imposing a deposit on milk, the

Department would inhibit the ability of low income New Brunswickers to purchase milk because of its increased cost. Snack style dairy items such as boxed milk shakes are also covered by the exemption.

3.106 In our 1994 Report, we stated:

Dairy products are currently the only other major type of beverage containers that are not regulated by the BCA. The industry plans to carry out a pilot project for voluntary return of dairy containers to existing redemption centres. We have discussed the situation with DOE. DOE has agreed to move quickly to implement a stewardship program for dairy beverage containers.

3.107 Since we were convinced the issue would be addressed, we did not make a formal recommendation in the 1994 Report. Although the Department has attempted to address the problem, the issue of recycling of milk containers is far from resolved.

3.108 Last year, the Department initiated a stewardship program targeting milk cartons only. (Plastic milk containers are captured by curb-side programs, where they exist.) The New Brunswick Milk Dealers Association prepared a Milk Packaging Stewardship Program, which involved dairy farmers, the Milk Dealers Association and the Department. A Memorandum of Understanding was signed by the Department and the Milk Dealers Association. The Milk Dealers Association was responsible for entering into contracts with the individual solid waste commissions. The Westmorland-Albert Solid Waste Corporation entered into an agreement with the Milk Dealers Association to recover and recycle milk cartons.

3.109 In February 2003, all consumers in the Province began paying a levy on each *carton* of milk they bought – this levy was included in the price of milk. The levies per carton were 2¢ for 2-litre and 1¢ for 1-litre and 500 ml (no levy on 250 ml). The Milk Dealers Association collected and administered the fund via an advisory group. A representative of the Department sits on the advisory committee which oversees the program. The one solid waste commission that participated in the program collected the cartons through regular garbage pick-up. When it had collected a specified amount of cartons and shipped them to secondary markets, the solid waste commission applied to the Milk Dealers Association for payment by sending them

weight slips of shipments. The Milk Dealers Association paid the solid waste commission \$315/tonne of cartons shipped.

Goals of the Memorandum of Understanding will be difficult to measure

3.110 We obtained a copy of the agreement and reviewed it thoroughly. We were pleased to find that the agreement included two goals as follows:

- that all residents of the Province will have the opportunity to recycle all types of fluid milk packaging; and
- to achieve a recovery rate of at least 50% of waste milk containers (jugs, cartons and bags) at the end of five years.

3.111 Although we were pleased to find such goals identified in the agreement, we wondered how the parties would be accountable for their achievement, and how the goals would be measured. The first goal could be easily measured by reviewing the recycling programs offered by each solid waste commission. However, the second and more specific goal will prove more difficult to measure. The Milk Dealers Association can calculate the number of milk cartons they collect because the fund pays the solid waste commission by tonne of cartons shipped. On the other hand, it will be difficult to track other milk packaging because these containers will go to a depot (in most areas) and be included with other types of plastic packaging that are recovered in different areas of the Province. These plastic milk jugs and bags would not be sorted separately from non-milk plastic containers collected. Therefore, it is unclear how all the parties to the agreement will measure the success of the diversion of plastic milk containers from the solid waste stream. Further, we have determined that if Westmorland-Albert continues to be the only solid waste commission participating in the collection of milk cartons, the recovery of 50% of fluid milk packaging is not achievable.

Memorandum of Understanding has consequence for non achievement

3.112 The agreement clearly states that milk packaging will continue to be exempted from the Beverage Containers Program as long as the parties operate a successful stewardship program. Our understanding of this statement is that if the parties to the agreement do not operate a successful stewardship program, the consequence for non achievement would be the removal of the exemption of milk containers from the Beverage Containers Program. We assumed that 'successful' refers to, at the very least, the 50% diversion goal, or perhaps having full support and participation from all solid waste commissions.

3.113 Based on our findings, the program has not been a success. Milk cartons are being recycled by the Westmorland-Albert Solid Waste Corporation only. The application of levies to milk cartons ceased in February 2004. Neither the initial levy nor its removal appears to have been well communicated.

Memorandum of Understanding has monitoring requirements

3.114 The term of the agreement is five years. Each year, the program will be subjected to a management review. An advisory committee made up of representatives from the Department, Milk Dealers Association and dairy farmers is charged with reviewing the effectiveness and efficiency of the system each year. Based on their review, they must make recommendations to the Minister before the end of March each year.

Reporting requirement of memorandum was not met

3.115 As year one of the program ended in March 2004, a draft annual report was submitted to the Department. Although the reporting requirements were clearly identified in the memorandum, the draft report fell short in many areas. Department staff also noted the deficiencies in the report, and were working with the advisory committee to ensure that the final report contains the required information. Some of the information lacking was:

- there were no recommendations on the program;
- there was no information on goals or their achievement; and
- there was no clear statement on the efficiency of the system, although there was some financial information provided that could be used to partially evaluate the efficiency of the program.

Most milk containers would be recycled if containers were plastic

3.116 When eleven of the twelve solid waste commissions rejected the Memorandum of Understanding, they unanimously stated their support for the recycling of plastic milk containers. If all milk was packaged in plastic containers, these solid waste commissions could recover and recycle the bulk of containers.

Recommendation

3.117 We recommended the Department:

- **take any necessary actions to ensure that milk containers are recycled in all areas of the Province at reasonable rates or revise the *Beverage Container Act* regulation to remove the exemption on milk containers; and**
- **as an immediate temporary initiative, revise the Regulation to remove the exemption on snack style dairy items (e.g. chocolate milk, boxed milk shakes) which should not be considered staple food products.**

Departmental response

3.118 *The Department agrees with the spirit of the recommendation, which is that milk containers are a significant portion of the solid waste stream in New Brunswick, and should therefore be a recycling priority. The Department will continue in its efforts to address milk containers.*

3.119 *The Department is currently engaged in a Memorandum of Understanding (MOU) concerning the recycling of milk packaging. It is felt that moving to implement this [second part of the] recommendation prior to the expiration of that agreement would not be appropriate. However, this approach along with several others will be considered should the MOU approach fail. Also, the Department will continue to act in accordance with the wishes of Government with respect to which foods (and their derivatives) should be considered “food staples”.*

Conclusions on our second objective

3.120 The Department has not implemented recommendations made in our 1994 Report, despite their agreement to them at the time of our audit. Most are still applicable today.

3.121 The Department has not implemented a successful milk container recycling program.

Chapter 4

Department of Family and Community Services

Nursing Home Services

Contents

Background	59
Scope	61
Results in brief	62
Licensing nursing homes	63
Inspections	68
Enforcement	78
Policies and procedures	83
Reviewing and amending legislation, policies and procedures	87
Accountability	91
Overall conclusion	92

Department of Family and Community Services Nursing Home Services

Background

4.1 When an individual lives in a nursing home, the person, their family, their friends and society trust the facility to provide safe and proper care. New Brunswick has legislation requiring nursing homes to have a license and follow the operating standards. The purpose of our work was to see if government is enforcing this legislation.

4.2 “Nursing homes provide service to individuals whose care requirements exceed the support available from family and other community care providers, but who are not at the point of requiring hospital ... care” (Nursing Home Services - Annual Statistical Report). Nursing homes are privately owned by non-profit organizations, which are operated by volunteer boards of directors. There are sixty-one nursing homes in the Province providing approximately 4,100 beds. Nursing homes range in size; the smaller homes have less than fifty beds and the larger homes have more than one hundred beds. The largest nursing home in the Province has two hundred beds.

4.3 The government recognizes the significance of nursing homes and has control over them in the following ways.

- Government controls construction, renovations and the number of beds through legislative requirements and capital funding.
- Government licenses all nursing homes and inspects them to measure compliance with standards established to secure a safe environment and proper care.
- Government controls admissions to nursing homes. An individual is assessed and approved before admittance. The eligibility

assessment for admission looks at the individual's long-term health care and social needs.

- Government provides financial assistance to eligible nursing home residents and to nursing homes for pre-approved expenses. Individuals receive a separate financial assessment to determine their ability to pay for care requirements.

4.4 The *Nursing Homes Act* (Act), assented to in May 1982, states the Minister's authority and the duties of the nursing home's operator. The *General Regulation - Nursing Homes Act* (Regulation), effective since 1985, states additional requirements. Some of the legislative requirements are standards that nursing homes must meet. The standards cover areas such as: licensing, care services, medical and dental care, food service, resident records, written policies, financial reporting, employees and the building.

4.5 The Department of Family and Community Services (Department) is responsible for government's involvement with nursing homes. The Department is one of the government's largest, employing approximately 1,500 staff members within several different operating sections, including Nursing Home Services (NHS).

4.6 "Nursing Home Services is responsible for the nursing home program. It sets and monitors policies and standards, inspects nursing homes for licensure and provides subsidies for eligible individuals who cannot cover the full cost of nursing home care. In addition, Nursing Home Services provides consultation services to the nursing homes" (Nursing Home Services - Annual Statistical Report). The NHS budget is approximately \$127 million. Most of these funds are distributed to nursing homes as residents' subsidies (\$122 million in 2003). Approximately eighty percent of residents require government subsidy.

4.7 Nine staff members work within NHS in the Department's central office. We were told that their main activity is performing inspections and serving as liaison with the nursing homes. They also serve on committees; liaise with other groups within the Department (Budget and Financial Reporting, Audit Services and Long Term Care Services); and help address significant issues, such as the strike in 2001 and the resident care needs project in 2002.

4.8 NHS is a mature program. The legislation was established in 1982, with few minor changes since then. There have been no newly established nursing homes since 1986 and the number of nursing homes has been stable since 1997.

4.9 As an Office, we are interested in issues involving the protection of vulnerable people and public safety. We provide information that can be used to hold the government accountable for legislation created to ensure the safety of the people of New Brunswick. Our interest in accountability for safety legislation led us to select the Nursing Home Services program for audit. This program is responsible for the safety of a vulnerable group, seniors and adults with disabilities, who may not be able to speak for themselves regarding the condition of their environment and the care they receive.

Scope

4.10 The objective for this audit was:

To determine if the Department of Family and Community Services has appropriate practices to:

- *ensure that licensed nursing homes are complying with the Province's legislation for nursing homes;*
- and*
- *ensure the Province's legislation and the departmental policies for nursing homes are reviewed and amended on a regular basis.*

4.11 To focus our efforts, we developed seven criteria to use as the basis for our audit. We discussed them with the Department and it was agreed that they were reasonable. The criteria addressed the following:

- licensing nursing homes;
- conducting inspections to measure compliance with the operating standards;
- enforcement actions when nursing homes do not comply with the standards;
- policies and procedures for the program;
- reviewing and amending the legislation, policies and procedures; and
- being accountable by reporting on the effectiveness of the program for licensing nursing homes.

4.12 Our work included the following:

- reviewing relevant documents;
- interviewing staff members of the Department;
- visiting two nursing homes and observing a two-day departmental inspection at one of these homes;
- testing a sample of nursing home inspection files; and
- analyzing program information.

4.13 The audit did not evaluate the quality of the standards.

4.14 We compared the audit evidence against the audit criteria to develop the findings, conclusions and recommendations presented in this chapter.

Results in brief

4.15 The Department of Family and Community Services does not have appropriate practices to ensure that licensed nursing homes are complying with the Province's legislation for nursing homes. Licensing of nursing homes is not conditional upon compliance with the legislation. Issuing a license to a nursing home is an administrative task that does not incorporate inspection results or incidents reported by the nursing homes or the public. While all sixty-one nursing homes are licensed to operate, the intent of the legislation is not being applied because the license that is publicly displayed at nursing homes is not an indication that the nursing home has met the government's standards. In addition, there are inconsistencies between the legislation and licensing practices.

4.16 Comprehensive inspections are performed by registered nurses at all nursing homes to measure compliance with operating standards. We found the frequency of inspections to be inconsistent and inadequate, and the inspection report was not always issued promptly.

4.17 While follow-up on inspection results is done and sometimes results in the timely correction of infractions, we found the Department's enforcement actions are inadequate. As a result, there is a high level of non-compliance with the standards and it is rare that an inspector finds a nursing home complying with all of the standards.

4.18 The Department does not have documented policies and procedures for licensing and inspecting nursing homes and enforcing the legislation. We identified the need for policies and

procedures in two additional areas: processing complaints reported by the public and addressing major incidents (such as infectious outbreaks or events involving the police, coroner or fire department) reported by the nursing homes.

4.19 The responsibility for reviewing the legislation and other documentation for the program is clearly assigned and it has been reviewed. The legislation was reviewed during 2001 and 2002 and the need for revisions was determined. The inspection report was reviewed, resulting in a revised report dated March 2001. The directives manual is currently under review.

4.20 The Province's legislation for nursing homes is in need of amendment. Despite the Department's own review of the legislation in 2002 identifying the need for revisions, amendments have not been made and none are scheduled. Our observations, including the inconsistent requirement for criminal record checks on employees in licensed facilities, indicate the need for changes.

4.21 The Department does not report on the effectiveness of the program for licensing nursing homes.

Licensing nursing homes

4.22 A license is required to operate a nursing home and it must be posted for public viewing. Operators of nursing homes must meet the requirements specified by the legislation (standards). Our first audit criterion addresses the licensing of nursing homes:

Licensing should be conditional upon compliance with the legislation and should incorporate the findings from an inspection process.

4.23 To determine whether this criterion is met, we reviewed the relevant legislation, we examined the Department's process and documentation for issuing licenses, and we talked with staff members. Our findings include the following:

- all sixty-one nursing homes are licensed to operate;
- the nursing home license, which is posted for public viewing, does not mean the nursing home is meeting the standards;
- there are inconsistencies between the legislation and licensing practices; and
- documented policies and procedures for licensing nursing homes do not exist.

All sixty-one nursing homes are licensed to operate

4.24 To ensure all sixty-one nursing homes were licensed to operate, we studied the process for issuing licenses and we examined photocopies of the signed licenses issued to the nursing homes for the fiscal year ending 31 March 2004.

4.25 We are pleased that all sixty-one nursing homes were licensed to operate. We are also pleased that the licensing process is consistent for all nursing homes. Licenses are issued annually on a timely basis and more frequently if circumstances require the issuance of a new license.

The license does not mean the nursing home is meeting the standards

4.26 Licensing is an administrative function that is separate from the inspection process. Issuing the annual licenses to the nursing homes is a routine procedure. Each March, the licenses for all of the nursing homes are prepared, signed and mailed.

4.27 We believe the intent of the legislation is that licensing be conditional upon compliance with the standards, because the Act states that a license is subject to the terms specified by the Regulation. The Act gives the Minister authority to revoke a license if the operator of a nursing home fails to meet the requirements specified by the legislation and by the Department. The Act gives the Minister authority to appoint inspectors. And, the Act gives the inspectors authority to enter and inspect to ensure compliance with the requirements.

4.28 Licensing and inspecting for compliance used to be integrated functions. Each nursing home was inspected annually and the license was issued following the inspection. During 1997, changes were made to both the licensing and inspection processes. The licensing process changed so all licenses are now issued at the same time for the same period, the fiscal year. All nursing homes are no longer inspected each year. Exhibit 4.1 shows the number of inspections performed at nursing homes in each of the past three years. It indicates that 79% of the nursing homes were inspected in 2003.

Exhibit 4.1 - Licensed nursing homes and inspections performed

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Licensed nursing homes ⁽¹⁾	61	61	61
Inspections performed ⁽¹⁾	48	47	53
Percentage of licensed nursing homes inspected	79%	77%	87%
All figures are provided on a fiscal year basis.			
(1) Source: <i>Nursing Home Services - Annual Statistical Report</i>			

4.29 While we were told that new nursing homes are inspected prior to licensing, opening a new nursing home is a rare occurrence and this alone does not integrate the two functions.

4.30 We believe the licensing process is inadequate because compliance information obtained by the Department during the year is not reviewed before issuing the licenses for the next year. For example, none of the following is reviewed: inspection results, major incidents reported by the nursing homes, complaints from the public and results of the work done by the Department's internal audit group. The licensing process could easily integrate information from all of these sources through a checklist completed by support staff. If all is well, the program director signs the license with confidence. However, if a nursing home were falling short in one or more areas, it would be detected through the checklist before the nursing home is licensed for the upcoming year.

4.31 Nursing Home Services - Annual Statistical Report 2003 provides the following definition for a licensed nursing home. "A private company, usually not for profit, which meets the provincial standards of licensure to provide nursing care services in order to meet the assessed needs of the residents." We think it is inappropriate to provide this definition to the public because the Department does not verify that the nursing home "meets the provincial standards" before issuing the annual license.

4.32 Licensing should be used to enforce the legislation and ensure compliance. Inspection results should support the issuance of every license.

Recommendation

4.33 The Department should ensure nursing homes are complying with all provincial nursing home standards before issuing a license.

Departmental response

4.34 *The Department will develop a Policy and Procedures Manual to support the licensing process of nursing homes. This work will begin during the fiscal 2004/05.*

There are inconsistencies between the legislation and licensing practices

4.35 The licensing practice is not reflective of the definition in the Act for a nursing home.

4.36 Section 1 of the Act provides this definition:

"nursing home" means a residential facility operated, whether for profit or not, for the purpose of supervisory, personal or nursing care for seven or more persons who are not related by blood or marriage to the operator of the home and who by reason of age, infirmity or mental or physical disability are not fully able to care for themselves but does not include an institution operated under the Mental Health Act, the Hospital Services Act, the Hospital Act or the Family Services Act.

4.37 Using this definition, we identified facilities which should be licensed that are not. Retirement homes have become very popular with the increase in the senior population. Many retirement homes meet the definition of a nursing home stated in the legislation. By allowing facilities that meet the definition to operate without a license, the Department is not enforcing section 3(2) of the Act, which states it is illegal to operate without a license. The current practice is not consistent with legislation. The Department informed us that it does not intend to license retirement homes and that the legislation needs to be changed.

4.38 We also observed an inconsistency in the licensing of veteran nursing homes. (Nursing home services for veterans are federally funded.) There are four stand-alone nursing homes for veterans in the Province, and there are specified veteran beds in a few of the licensed nursing homes in less populated areas. Our concern involves the inconsistent licensing of the four veteran nursing homes. We were told that three of these are operated by a nearby hospital, thereby excluding them from the legislated definition of a nursing home and eliminating their need to be licensed. The fourth is operated by a non-profit organization, therefore is not excluded from the definition, and

hence is required to have a license. It does not seem reasonable that one veteran nursing home is licensed, and inspected for compliance with the provincial standards, while three others are not.

Recommendations

4.39 The Department should take immediate corrective action to comply with the legislation for licensing nursing homes which requires all facilities meeting the definition of a nursing home to be licensed. This corrective action may require changes to the practices, to the legislation or to both.

4.40 The Department should review its inconsistent practice of licensing nursing home services provided to veterans and make appropriate changes if necessary.

Departmental response

4.41 The Department will review the legislation for licensing nursing homes and will undertake discussions with the Department of Justice for this task.

Documented policies and procedures for licensing nursing homes do not exist

4.42 Policies and procedures establish rules to help ensure a program is provided according to the legislation and the program is delivered consistently. Since the legislation does not specify the duration of a license, a policy setting this fundamental requirement would be expected. Procedures for issuing a license to a nursing home would also be appropriate. There are no documented policies and procedures for licensing nursing homes.

Recommendation

4.43 The Department should develop documented policies and procedures to guide them in licensing nursing homes.

Departmental response

4.44 The Department will develop a Policy and Procedures Manual to support the licensing process of nursing homes. This work will begin during the fiscal 2004/05.

Conclusion

4.45 This criterion is not met. Licensing is not conditional upon compliance with the legislation. Issuing a license to a nursing home is an administrative task that does not incorporate inspection results or incidents reported by the nursing homes or the public. The intent of the legislation is not being applied because the license that is publicly displayed at nursing homes is not an indication that the nursing home has met the government's standards. And, there are inconsistencies between the legislation and licensing practices.

Inspections

4.46 Legislation sets out the operating requirements for nursing homes. We refer to them as “standards”. The standards relate to:

- resident services (resident care and the components of a comprehensive care plan, food service, medication management, physician services, the use of restraints, etc.);
- human resources (nursing home employees, their orientation and training);
- the environment (the safety of the building, equipment and surroundings, etc.); and
- administration (license, board of directors, policies, resident records, financial reporting, etc.).

4.47 The legislation states that a license is subject to these standards. The legislation gives the Minister authority to appoint inspectors. And, the legislation gives the inspectors authority to enter and inspect to confirm compliance with the standards. These facts serve as the basis for our second criterion:

Inspections of nursing homes should be performed to measure compliance with legislation.

4.48 In assessing the effectiveness of the Department’s inspection of nursing homes, we examined:

- the assignment of resources to inspecting (nursing home inspectors);
- the planning of inspections (how they are prioritized and scheduled);
- how inspections are done; and
- how inspection results are documented and reported.

4.49 When an inspection reveals a standard that is not met, it is labelled an “infraction”.

Nursing home inspectors - the assignment of resources to inspecting

4.50 We wanted to know if the Department had assigned resources to inspecting nursing homes, and if so, were inspections being done by qualified staff members who were trained. We are very pleased with the following findings:

- Four positions are assigned inspection responsibilities. Each of the four inspectors is aware of their responsibilities for planning, conducting and documenting inspections and was actively performing inspections at the time of our audit. In addition to

their primary role of inspecting, these staff members have other responsibilities. These include consulting and corresponding with the nursing homes and serving on committees, which address challenges or help advance the program.

- The authority to inspect nursing homes is clearly assigned to the inspectors. Each of the four inspectors has identification indicating their authority to inspect.
- Inspectors are qualified and trained for their work. Each of the four inspectors is a registered nurse. New inspectors receive on-the-job training before being given full responsibility to inspect a nursing home. At the time of our audit, all four inspectors had over two years of experience inspecting nursing homes. Two of the inspectors had worked in a nursing home and this experience helps ensure the Department's expectations and recommendations are practical.

Planning - how inspection work is prioritized and scheduled

4.51 We wanted to know if the inspection coverage and frequency are adequate and if inspection work is appropriately prioritized and scheduled. Our findings include the following:

- all nursing homes are inspected;
- the frequency of inspections is inconsistent and inadequate; and
- inspection work is not prioritized.

All nursing homes are inspected

4.52 We are pleased with the inspection coverage. Each nursing home is assigned to one of the four inspectors and all sixty-one nursing homes are inspected. We are also pleased that the inspectors have an inspection schedule to guide their work. However, there is no process in place to review and approve the annual inspection schedule.

4.53 We examined the last inspection date for each nursing home to determine the age of the inspection. We made the following observations on inspections performed as of 31 December 2003:

- all licensed nursing homes were inspected within the previous nineteen months (The nursing home having the oldest inspection was inspected again before we completed our audit.); and
- fifty-one of the sixty-one nursing homes were inspected during the calendar year 2003.

The frequency of inspections is inconsistent and inadequate

4.54 The legislation does not state a frequency for inspecting and the Department does not have a policy regarding the frequency of inspections for nursing homes.

4.55 We examined the inspection dates, for the past three inspections at each nursing home, and found the frequency of inspections was not consistent. While some nursing homes appear to be inspected annually, others are not.

4.56 We determined the amount of time between the last two inspections at each of the sixty-one nursing homes and observed the following:

- the time between the inspections ranged from nine to twenty-one months;
- two nursing homes had twenty-one months between their inspections;
- over one and one-half years passed between the last inspections at ten nursing homes; and
- only nine or ten months passed between the inspections at three nursing homes.

4.57 We believe nursing homes should be inspected at least annually. This expectation is practical given government's inspection frequency for day care facilities and restaurants. It is also reasonable given other governments' inspection frequency for nursing homes. In Nova Scotia, nursing homes must be inspected at least twice each year. In Ontario, nursing homes must be inspected at least once each year.

Inspection work is not prioritized

4.58 Inspection work is not prioritized using risk management. A risk management approach would result in more frequent and/or in-depth inspections in nursing homes assessed as having a higher risk. Our review of past inspection dates indicated the time duration between inspections was not related to the size of the nursing home or the number of infractions experienced in the past.

4.59 Size and risk are often related. We consider larger nursing homes to have a higher risk due to the number of residents involved. Thirteen of the sixty-one licensed nursing homes have one hundred or more beds. Two of these larger nursing homes were not inspected during 2003.

4.60 The following observations involve nursing homes having 100 or more beds. They are cases where we believe the time between inspections was excessive.

- Twenty-one months passed between inspections in one nursing home. An inspection in February 2002 reported four infractions. An inspection in December 2003 reported seven infractions.
- Eighteen months passed between inspections in another nursing home. An inspection in March 2002 reported two infractions. An inspection in September 2003 reported four infractions.
- Seventeen months passed between inspections in another nursing home. An inspection in June 2001 reported four infractions. An inspection in December 2002 reported five infractions. No subsequent inspection had been done as of December 2003.

4.61 Performance and risk are often directly related. We consider nursing homes that have several infractions to have a higher risk because they are not meeting the standards. Since follow-up inspections are not done, a prompt annual inspection is warranted to ensure corrective action has occurred.

4.62 The following observations involve nursing homes we feel have higher risk due to their poor compliance performance. They are examples where we believe the time between inspections was excessive.

- The inspection of one nursing home in February 2002 reported seven infractions. They involved resident medical records and incident reports, prescribed medications, basic care supplies, monitoring the temperatures of food, and employee records. The next inspection in September 2003, nineteen months later, reported five infractions.
- The inspection of another nursing home in November 2000 reported seven infractions. They involved the storage of medication and cleaning products, the use of restraints, resident care plans and records, employee records and training, and dietary standards. The next inspection in January 2002, fourteen months later, also reported seven infractions. This time they involved the storage of cleaning and care products, the use of restraints, employee records, monitoring the temperatures of food

and refrigerators, an unmet order from the Fire Marshal regarding the sprinkler system, and the frequency of their Health and Safety meetings. The next inspection in September 2003, twenty months later, reported nine infractions.

- The inspection of another nursing home in November 2001 reported eight infractions. They involved monitoring the temperature of the hot water used by residents, the storage of hazardous products and the safety manual for these products, having more than fifteen hours between supper and breakfast, the use of restraints, resident activities, and the board of directors. The next inspection in March 2003, almost sixteen months later, reported nine infractions.

4.63 Our last significant observation regarding the planning of inspections involves the timing of inspections. Inspections are not performed during the month of July or the first three weeks of August. Since this is a common vacationing time, this could be a period of higher risk for nursing homes. For example, if experienced staff members in the nursing homes are replaced with temporary workers, who may not be as familiar with the nursing home, the residents, their care and the standards, then the risk of non-compliance is greater. We believe inspections should be conducted throughout the year.

Recommendations

4.64 The Department should establish a minimum frequency for nursing home inspections.

4.65 The Department should implement a formalized risk management approach for prioritizing nursing home inspections.

4.66 The Department should ensure the annual inspection schedule is approved. The inspection schedule should ensure inspections are planned throughout the entire year, including the summer months.

Departmental responses

4.67 *The Department will develop a Policy and Procedures Manual to support the inspection process of nursing homes. This will include the frequency of inspections of nursing homes. This work will begin during the fiscal 2004/05.*

4.68 *A risk management approach for the inspection and monitoring of nursing homes will be implemented in fiscal 2004/05 and will ensure that [inspectors] have an inspection schedule to guide their work.*

4.69 *A global schedule of inspections does exist. The Director has approved the 2004/05 schedule. Inspection scheduling practices have been changed and inspections did occur this summer.*

Conducting inspections

4.70 We shadowed an inspector during the entire inspection process for one nursing home. We were present while the inspector prepared for the inspection; we accompanied the inspector during the two-day inspection; and we attended the post-inspection meeting. We also spoke with each of the other inspectors and reviewed some of their working papers and inspection reports. We found the following:

- nursing home inspections are very comprehensive;
- there are a few weaknesses in the inspection process; and
- inspections are done in a consistent manner.

Nursing home inspections are very comprehensive and measure compliance with the legislation

4.71 During the week before an inspection, the inspector prepares by reviewing information on the nursing home, preparing documentation to take and informing the nursing home of the timing of their inspection. An information package is faxed to the nursing home requesting the availability of specific information and staff members.

4.72 The actual inspection is usually a two-day process; sometimes it takes a third day. It is very thorough and includes the following activities:

- physically examining one resident of the nursing home and observing while staff provide personal care;
- inspecting areas including: resident rooms, the kitchen, dining areas, the medication room, bathing areas, laundry area, maintenance and boiler rooms, storage areas and common areas;
- interviewing some staff members (managers and directors) and talking with residents;
- reviewing records: resident records, employee files, staff training records and fire drill records;
- reviewing reports regarding paid nursing hours; temperatures of refrigerators, prepared food and hot water; maintenance work on wheel chairs and lifts; financial status of residents' clothing and comfort allowances; and

- reviewing manuals on operating policies and procedures, hazardous products and minutes from meetings.

4.73 At the end of the inspection that we observed, the inspector met with the nursing home's management to inform them of the results. In addition to discussing the infractions and suggesting improvements, the inspector reported positive findings and observations.

4.74 We studied the legislation before the inspection and from our observations we conclude that inspections do measure compliance with the legislation.

Weaknesses noted in the inspection process

4.75 There are no documented policies and procedures for the inspection process. We observed the following weaknesses resulting from the lack of appropriate policies and procedures.

4.76 Inspectors notify nursing homes a few days in advance of their inspection. Normally inspections are more effective when there is no notification. The element of surprise is important to obtaining a true representation of operations. While we understand advance notice results in the inspection being more convenient for both the nursing home and the inspector, it provides the opportunity for the nursing home to "prepare" for the inspection and it may inhibit an inspection of the true operations. Conducting surprise inspections periodically could improve day-to-day compliance with the standards, as the nursing homes would know the inspector might arrive any day.

4.77 Sample selection is often done by the nursing home, thereby reducing the value of inspection. By giving the nursing homes advance notice of inspection and the freedom to choose the files and documents that the inspector will review, it is possible for the nursing homes to select those that would not result in infractions.

4.78 For example, in the pre-inspection requirements, which are faxed to the nursing homes in advance of the inspection, the inspector may state the need to examine five personnel files for staff members, working in various areas, who were hired within the past year. When the inspector arrives, the files are ready for review. However, the nursing home is aware the standards state that a medical examination must be obtained before hiring someone. The nursing home has the opportunity to select files that meet the standard. A second example

is the selection of the resident for the inspector to examine. There is a risk that the nursing home may selectively choose a resident whose examination would result in no infractions.

4.79 In order to ensure objective observations, the inspector should select the personnel files to be reviewed, the resident to be examined, and the other documents to be examined. We believe there is a need for documented guidance on selecting sample items and determining sample size and composition.

4.80 There are increased risks of incompleteness and inconsistency when procedures are lacking. For example, the bedside audit (examining a resident) takes a significant amount of time and involves a multitude of observations, yet results in the verification of only one standard. By talking with the resident, the inspector obtains information on their needs and the care being received. By observing the nurse giving the resident their bath and helping the resident get dressed and ready for the day, the inspector obtains information on the care being provided. By later reviewing the resident's file, the inspector obtains further information on the needs of the resident and the care planned. By integrating all of these observations and using their professional judgment, the inspector is able to assess whether the care cycle is appropriate and complete and determine if the standard is met. There is no documented guidance for conducting the bedside audit.

4.81 To ensure the complete and consistent verification of the standards, we believe each standard on the inspection report should have documented requirements to guide the inspector in ensuring the standard has been satisfied. Otherwise, the Department is at risk of investing its resources in inspections that do not properly measure compliance with legislation.

Inspections are done in a consistent manner

4.82 Without documented policies and procedures guiding the inspection process, there is an increased risk of inconsistency in how inspections are performed. While we did observe some minor inconsistencies, we are pleased to report there are practices in place to enhance consistency and, overall, inspections are conducted in a consistent manner. The following findings support our conclusion.

- New inspectors receive on-the-job training that includes shadowing a co-worker and then being shadowed.

- Common forms are used by all four inspectors when preparing for, conducting and documenting inspections.
- Inspection review meetings are held regularly to discuss inspection results and enhance consistency in reporting infractions.
- Our review of the last round of inspection reports indicated there is consistency in the number of infractions reported by each of the four inspectors.

Recommendations

4.83 The Department should develop documented policies and procedures to guide the inspectors in conducting consistent inspections at nursing homes. Monitoring practices should be developed to ensure the policies and procedures are followed and updated as needed.

4.84 The Department should conduct surprise inspections periodically to reduce the risk that nursing homes will “prepare” for an inspection when advance notice is given.

4.85 The Department, not the nursing home, should select the resident to be examined, the personnel files to be reviewed, and the other documents to be examined during the inspection of a nursing home.

Departmental responses

4.86 *A number of activities currently exist to support nursing home inspection consistency. However, the Department agrees to develop a Policy and Procedures Manual to support the inspection process. This work will begin during the fiscal 2004/05.*

4.87 *The Department agrees to conduct periodic surprise inspections.*

4.88 *Currently in most situations, the [inspector] will choose the sample of files to be reviewed. In future, all samples will be chosen by the [inspector].*

Documenting and reporting inspection results

4.89 After conducting the inspection and discussing their findings at the inspection review meeting, the inspector prepares the inspection report that is signed by the program director and issued to both the nursing home’s administrator and the board of directors. The nursing home must respond in writing, reporting their corrective

measures for each infraction. While our observations include several positive findings concerning the documenting and reporting practices, we did identify areas needing improvement.

Inspections are documented consistently

4.90 We are pleased that a common inspection report is consistently used by all four inspectors and that the completed report is issued to the appropriate people. The inspection report is a comprehensive document that includes a compliance schedule and a list of required external inspections, in addition to the nursing home standards. Throughout the report, there are references to the legislation demonstrating the authority for the requirements. It uses a checklist approach, which is an efficient way to report inspection results. While the inspection report is a very long document, containing over thirty pages and over two hundred attributes for verification, it is well organized and presented. The document is both relevant and understandable.

Completeness of the inspection report

4.91 To ensure completeness of the inspection report, we traced relevant sections of the Act and the Regulation to the inspection report. We are pleased that the inspection report covers all the areas set out in the legislation.

4.92 However, due to the nature of the inspection report, we are unable to conclude if complete inspections are always done. When preparing the report, exception reporting is used and one cannot evaluate completeness when exception reporting is used.

There are a couple of areas needing improvement

4.93 The length of time passing between the inspection and the issuance of the inspection report is too long in many cases.

4.94 While there are no written policies and procedures about documenting inspections, the Department expects that the nursing home will receive their inspection report within a month. We tested a sample of twenty-four inspection reports issued over the past two years and found that inspection reports were issued from eight days to six months following the inspection. Only seven of the twenty-four inspection reports had been issued within the expected thirty days. Eleven of the twenty-four inspection reports had been issued within thirty to sixty days. For six of the twenty-four inspection reports, more than two months had passed before its issuance. This is not appropriate. The timeliness of reporting needs improving.

4.95 There are a few formatting attributes that are frustrating and time-consuming when preparing the inspection report. These inconveniences not only take a little more time when preparing the report, but they also require that the final inspection report be carefully reviewed by the inspector before it is given to the director to issue to the nursing home. We brought these matters to the attention of senior staff members of the Department.

Recommendations

4.96 The Department should ensure the timely reporting of inspection results.

4.97 The Department should review their inspection reporting process and address areas of inefficiency and inconsistency.

Departmental response

4.98 *The Department agrees to develop a Policy and Procedures Manual to support the inspection process. Reporting of inspection results and the process will be included in the manual. This work will begin during the fiscal 2004/05.*

Conclusion

4.99 This criterion is partially met. While comprehensive inspections are performed by registered nurses at all nursing homes, we found the frequency of inspections to be inconsistent and inadequate, the inspection report was not always issued promptly, and there are no documented policies and procedures for the inspection function.

Enforcement

4.100 Inspections by themselves only measure compliance with the standards. True value is obtained when deficiencies are both identified and corrected and when future deficiencies are prevented as a result of the inspection program. So, what happens when the inspection of a nursing home reveals infractions? Are infractions followed-up to ensure correction and compliance? What are the ramifications for non-compliance? While inspections measure compliance, the enforcement actions ensure compliance. Our third criterion looks at the enforcement process:

Enforcement actions should be taken when nursing homes do not comply with legislation.

4.101 The Act gives the Department authority to enforce the standards by revoking a nursing home's license and by refusing to renew a license. It also provides authority for the appointment of a trustee to replace the operator of a nursing home when a license is revoked or refused. We wanted to know what happens following an

inspection that indicates some standards are not met and if the legislated enforcement authority is exercised. Our findings include the following:

- there is a high level of non-compliance with the standards;
- repeat infractions indicate the nursing homes are not taking proper corrective action;
- the Department does have some enforcement procedures;
- enforcement actions are inadequate; and
- the Department is not using its legislated authority to enforce the standards.

There is a high level of non-compliance with the standards

4.102 The standards, which are stated in the legislation, have not changed significantly for twenty years and the same nursing homes have operated since 1986. From this perspective, this is a mature and stable program. While we were not anticipating full compliance for all nursing homes, we were expecting a very high level of compliance because of the stability of the program and the advance notice of inspection given to the nursing homes. We are disappointed in our findings.

4.103 The following observations indicate that there is a high level of non-compliance. We made these observations when reviewing summary information, provided by the Department, on the past three inspections at each of the sixty-one licensed nursing homes. We verified the accuracy of this information on a test basis. In reviewing the number of infractions reported from these 183 inspections, we found the following.

- Only two of the 183 inspections had no infractions. Two different nursing homes each had one inspection with no infractions.
- Seventy-three of the 183 inspections (40%) had five or more infractions.
- Ten of the 183 inspections had ten or more infractions. Ten different nursing homes each had one inspection with ten or more infractions. The greatest number of infractions reported was twelve.
- Only seventeen of the sixty-one nursing homes (28%) consistently had less than five infractions reported in each of their past three inspections.

- Seventeen of the sixty-one nursing homes (28%) had five or more infractions for two consecutive inspections. Six of these had five or more infractions in each of their past three inspections.

4.104 Common infractions we observed from our review of thirty-six inspection reports related to standards for:

- obtaining a medical report for potential staff members before hiring them;
- using restraints on residents;
- practicing fire drills monthly;
- monitoring the temperatures in refrigerators and of food served;
- the residents' care plans;
- the storage of cleaning products and other hazardous products; and
- the preventative maintenance program for equipment. Residents use a lot of specialized equipment. Their beds are adjustable and have side rails and locking wheels. Most residents use wheelchairs. Lifts help when moving some residents from their bed or chair and in and out of the bathtub. A preventative maintenance program is important to the safety of the residents and staff. It ensures all wheelchairs, lifts, beds, electrical appliances and other equipment are in proper condition for safe use.

Repeat infractions indicate the nursing homes are not taking proper corrective action

4.105 When there was non-compliance with the same standard for two consecutive inspections at the same nursing home, we refer to it as a "repeat infraction". A repeat infraction indicates the nursing home did not take proper corrective action when the non-compliance was detected and reported to them through the inspection process.

4.106 We tested a sample of twelve nursing homes that had five or more infractions on their last inspection report. We reviewed their past three inspection reports to identify repeat infractions in their past two inspections. We are disappointed with the following findings.

- Twenty-two of the twenty-four inspection reports had at least one repeat infraction.
- One of the largest nursing homes in the Province had six infractions in its 2003 inspection report; five of the six were repeat infractions. They involved the use of restraints, resident care plans, the preventative maintenance program for equipment,

the composition of the admission committee and providing basic care supplies.

- Another large nursing home, with over one hundred beds, had ten infractions in its 2003 inspection report; three of the ten were repeat infractions. They involved the accessibility of hazardous products, the provision of basic care supplies and charging some residents more than the approved rate.
- A medium-sized nursing home had five infractions in its 2003 inspection report; three of them were repeat infractions. They involved the preventative maintenance program and safety manuals.
- One nursing home had an infraction relating to the improper storage of cleaning products in each of three consecutive inspection reports. (The cleaning products were accessible to the residents, which could be very harmful if the product was ingested or spilled.)
- One nursing home had an infraction relating to their preventative maintenance program in each of three consecutive inspection reports prepared over four years.
- One nursing home had the same two infractions in each of three consecutive inspection reports we examined. One infraction related to the residents' care plans and the other to the composition of the board of directors.

The Department does have some enforcement procedures

4.107 While they are not documented, the Department does have some enforcement procedures that are understood by staff members. There is a process for following up on infractions found during an inspection. In addition, two form letters are used when a nursing home fails to correct the deficiency and comply within the allowed time.

4.108 Sometimes, the process works well. We tested a sample of twelve nursing homes that had several infractions. We reviewed their past three inspection reports to determine if the nursing home had properly corrected their infractions and if the corrections were made promptly within the assigned period. Our testing indicated that seventeen of the thirty-six inspection files (47%) had documentation showing the nursing home had taken proper corrective actions to

address their infractions. Fourteen of these had documentation indicating the nursing home had taken corrective actions within the time allowed.

Enforcement actions are inadequate

4.109 While our findings indicate enforcement actions are sometimes successful, our comments above on the high level of non-compliance with the standards and the occurrences of repeat infractions are indicators that enforcement actions are inadequate. The following findings indicate that infractions are not always corrected and not corrected by the assigned time.

- Nineteen of the thirty-six inspection files tested (53%) did not have documentation showing the nursing home had taken proper corrective actions to address all of their infractions.
- Twenty-two of the thirty-six inspection files tested (61%) did not have documentation showing the nursing home had properly corrected their infractions within the time permitted.

4.110 The responsibility for enforcement rests primarily with the inspectors. Once the inspectors have issued inspection reports showing infractions, it is their job to follow-up with the nursing home. However, without documented policies and procedures stating the Department's position regarding non-compliance to support their enforcement efforts, it is very difficult to obtain compliance from a nursing home that chooses not to comply. Current enforcement efforts are limited to letters to the nursing home to remind it of the non-compliance and to request immediate attention. These enforcement procedures stop at the director's level and there are no enforcement procedures involving the Minister of the Department.

The Department is not using its legislated authority to enforce the standards

4.111 Standards are established to ensure a level of safety and care. The Act gives the Department the responsibility and the authority to enforce the standards. Significant enforcement actions might include: revoking a license, not renewing a license, issuing a temporary license and publicly reporting nursing homes who fail to comply. None of these are being used, and none have been used for at least the past four years. There are no ramifications for non-compliance.

4.112 The Department does not have an enforcement policy, or documented procedures regarding enforcement. Typically, an enforcement policy describes the sanctions exercised to bring about compliance with the standards and states the ramifications of not

complying. Documented enforcement procedures usually specify the roles and responsibilities of the individuals involved, along with the timing of actions.

Recommendations

4.113 To protect the health and safety of nursing home residents better, the Department should establish an enforcement policy that ensures licensed nursing homes meet the standards.

4.114 The Department should develop and document procedures for enforcing the standards. Using temporary licenses and publicly reporting inspection results should be considered as enforcement actions.

4.115 The Department should monitor its enforcement actions to ensure all licensed nursing homes comply with the provincial standards for safe and proper care.

Departmental response

4.116 The Department agrees with these recommendations and will address them through a Nursing Home Policy and Procedures Manual for the Enforcement of Standards. This work will begin during the fiscal 2004/05.

Conclusion

4.117 This criterion is partially met. Follow-up on inspection results is done and sometimes results in the timely correction of infractions. However, the Department is not using its legislated authority to enforce the standards. As a result, there is a high level of non-compliance with the standards and it is rare that an inspector finds a nursing home complying with all of the standards.

Policies and procedures

4.118 Policies and procedures document the rules of a program and describe the proper steps in performing tasks. Not only do policies and procedures inform staff members how to fulfill their day-to-day responsibilities successfully, but they also provide a basis for monitoring activities to ensure consistency in operations. Our fourth criterion involves policies and procedures:

Policies and procedures for licensing and inspecting nursing homes and enforcing the legislation should be documented and followed.

4.119 Our findings include the following:

- the Department does not have documented policies and procedures for licensing and inspecting nursing homes and enforcing the legislation;
- we identified two additional areas where policies and procedures are needed; and
- the monitoring within the program needs improving.

No documented policies and procedures

4.120 The Department does not have a policies and procedures manual for the program to guide central office operations, such as licensing and inspecting nursing homes and enforcing the legislation. Several of our observations demonstrating the need for policies and procedures regarding the Department's legislated responsibilities are reported under our first three criteria. Some of the results of not having policies and procedures that we identified include the following:

- licensing is not being used to its potential to enforce the legislation and ensure compliance;
- the frequency of inspections is inconsistent and inadequate;
- there is inconsistency in the timely reporting of inspection results; and
- there is a high level of non-compliance with the standards, and repeat infractions indicate the nursing homes are not taking proper corrective action.

4.121 We have made recommendations to address these deficiencies.

Two additional areas where policies and procedures are needed

4.122 We believe the Department also needs policies and procedures for addressing complaints reported by the public and major incidents (such as infectious outbreaks or events involving the police, coroner or fire department) reported by the nursing homes. Given the Department's limited presence in the nursing homes, complaints and incidents reported to the Department could be key indicators of problems or risks requiring attention.

4.123 There is no formal process for addressing complaints received from the public to ensure they are handled promptly, properly and consistently. And, complaints are not monitored to identify trends with specific nursing homes or with specific standards. While our work in this area was limited, the Department told us that they respond to all legitimate complaints and they are developing a formalized method of processing complaints.

4.124 Section 19 of the Act states, “*The operator of a nursing home shall notify the Director as soon as possible of any major incident or accident that affects or may affect the health and safety of the residents or staff.*” While the Department does have a Directive to the nursing homes regarding reporting major incidents, it does not have documented procedures for their own work regarding major incidents.

4.125 Through our interviews with staff members and our review of some reports, we can conclude the Department has a process for receiving major incident reports from the nursing homes, following-up on the incident with the nursing home and documenting the incident. However, we observed the following weaknesses in the Department’s processing of major incident reports:

- major incident reports are not logged in a master list when received to ensure proper attention;
- while there is a form for documenting major incidents reported by the nursing homes, it is not consistently used by all inspectors;
- the Department does not monitor major incidents reported by the nursing homes to identify trends; and
- major incident reports are not reviewed as part of the annual licensing process.

4.126 The legislation requires that all major incidents be reported to central office, but does not define a “major incident”. A policy defining a major incident would be appropriate. In addition, procedures regarding how central office is to address, document and monitor major incidents would be appropriate.

Recommendations

4.127 The Department should develop documented policies and procedures to ensure complaints received from the public are investigated promptly, documented consistently, monitored to identify trends and considered during the licensing process. The Department should monitor compliance with the documented procedures to ensure the proper processing of complaints received from the public.

4.128 The Department should define “major incidents” and develop documented policies and procedures to ensure incidents reported by the nursing homes are addressed promptly, documented consistently, monitored to identify trends and considered during the licensing process. The Department should monitor compliance with the documented procedures to ensure

the proper processing of major incidents reported by the nursing homes.

Departmental responses

4.129 *The Department agrees to develop a documented process for dealing with complaints from the public. Work is already in progress on this area and it will include a monitoring mechanism.*

4.130 *A policy does exist for “major incidents”. The policy was reviewed in the summer of 2004. The Department agrees to further monitor major incidents that are reported by nursing homes.*

Monitoring within the program needs improving

4.131 Monitoring responsibilities for the program are assigned to the director and some good procedures are in place. They include: regularly held staff and inspection review meetings; reviewing the circulation file containing all correspondence for the program leaving the Department; and director access to the inspectors’ daily schedules. In addition, once or twice during each of the past four years, the infractions were reviewed and a memo was issued to all nursing homes informing them of a few problem areas and offering helpful information. Some monitoring is also done through the production of the Department’s annual statistical report.

4.132 However, some monitoring procedures that we would expect are not done. Examples of appropriate monitoring tasks, that are not done, include the following:

- the inspection report should be reviewed to determine the nursing home’s compliance with the standards before the license is issued;
- the inspection schedule should be approved and monitored to ensure complete coverage and appropriate frequency of inspection;
- inspection files, containing inspection reports and follow-up, should be reviewed periodically to ensure proper enforcement, consistency of the work done by the four inspectors and an overall quality in work performance; and
- non-compliance with the standards, major incidents reported by the nursing homes, and complaints received from the public, should be monitored and summarized to identify trends so timely corrective actions can be taken where appropriate (monitoring major incidents and complaints provides the opportunity to correlate these incidents with infractions noted during the inspections).

4.133 With the absence of policies and procedures that serve as a basis for monitoring, an adequate monitoring system has not been established. Without adequate monitoring of the program, problems may not be identified (and hence not corrected) in a timely fashion.

Recommendation

4.134 The Department should develop sufficient appropriate monitoring procedures for the nursing home services program.

Departmental response

4.135 *Monitoring does currently exist within the Nursing Home Services Program. These activities will be reviewed and enhanced where necessary.*

Conclusion

4.136 This criterion is not met. The Department does not have documented policies and procedures for licensing and inspecting nursing homes and enforcing the legislation.

Reviewing and amending legislation, policies and procedures

4.137 Since the establishment of the legislation in the early 1980s, the role and clientele of nursing homes have changed. In the mid 1990s, the change in the eligibility criteria for entering a nursing home led to the population becoming, on average, more frail. Nursing homes have changed from being “retirement homes” to being “extensions of hospitals”. Since nursing homes now have a different role serving a different clientele, we wanted to ensure that the program documentation had been reviewed and revised in response to these and other changes.

4.138 Our criteria were:

Regular reviews of the legislation, policies and procedures for Nursing Home Services should be conducted; and necessary changes to the legislation, policies and procedures for Nursing Home Services should be made in a timely manner.

4.139 As reported earlier, our findings indicate that there are no documented policies and procedures for the program. Therefore, in determining whether these criteria are met, we reviewed other information such as the inspection report used by the Department and the directives manual prepared for the nursing homes, in addition to the legislation.

4.140 In determining whether reviews and amendments are done to the legislation, inspection report and directives manual, we examined the current documents and older versions where possible. The

Department provided us with information on changes made to these documents within the past ten years. We talked with staff members. And, we reviewed working papers regarding reviews. Our findings include the following:

- the responsibility for reviewing the program's documentation is clearly assigned and it is reviewed;
- the legislation is in need of amendment; and
- the directives manual needs a thorough review and revision. The Department is currently working on this.

***The program's
documentation is being
reviewed***

4.141 While there is no policy for reviewing and amending the legislation and other documentation for the program, we are pleased the responsibility for reviewing the information is clearly assigned to one of the inspectors and it is being reviewed.

4.142 In conducting the review, the Department established a committee and obtained comments from the nursing homes and from coworkers within Nursing Home Services. Information on nursing home operations in other provinces was also considered. We are pleased that each of the documents we considered significant to the program was reviewed. The inspection report was reviewed and resulted in a revised inspection report dated March 2001. The legislation was reviewed during 2001 and 2002 and the need for revisions was determined. And, the directives manual is currently under review.

***The legislation needs
amendment***

4.143 A few administrative amendments were made; however, there have been no major amendments to the legislation since its creation in 1982-85. We identified the following two significant inconsistencies, which clearly indicate the legislation needs amendment.

4.144 Employees of nursing homes are not required to have criminal record checks. Employees of other regulated facilities licensed by the Department (such as day care facilities, special care homes and community residences) are required by legislation to have criminal record checks. In our opinion, the Department is not providing adequate protection by not requiring the criminal record check on employees in nursing homes.

4.145 The Department has a policy regarding criminal record checks. It is dated February 2002 and states, "This policy has been developed to ensure that programs and services funded and/or

approved by F.C.S. establish and maintain practices which protect children and vulnerable adults from being ... abused.” The policy states where it applies and where it does not. There is no mention of nursing homes. Based on the purpose of the policy as stated in the preamble, it would be appropriate for nursing homes to be included.

4.146 The second inconsistency involves the definition of a “nursing home”. As reported earlier under our first criterion, our findings under licensing indicate inconsistencies between current practice and legislation, thereby demonstrating the need for review.

4.147 Departmental correspondence, dated April 1999, listed nine proposed changes to the Regulation. The suggestions included: language and terminology needing to be updated, terms requiring definition (such as “incident”) and topics needing to be addressed (such as notifiable disease and oxygen). Again in 2002, the Department determined the need to revise the legislation. Additional areas for change included: licensing, care plans, sections that could be deleted and more terms needing definitions. No amendments have been made and we were told that none are likely in the near future.

The directives manual needs a thorough review

4.148 The Directives Manual for Nursing Homes was created along with the legislation in the early 1980s. This massive accumulation of guidelines, policies, program information, procedures, protocols, forms, reports and sample contracts is provided to all nursing homes.

4.149 Our observations regarding the directives manual clearly indicate the need for its revision. The volume of information, the manner in which it is organized and inconsistencies in terms impair the usefulness of the information presented in the manual.

4.150 The last major review and revision of the manual occurred in 1995. The Department recognizes the need for another major revision, and has been working on revising the manual since early 2002, a period of over two years. The Department told us that they expect a fully revised manual to be ready for circulation in the summer of 2004. The usefulness of the manual will be enhanced if reviews and revisions are done regularly to ensure the information presented in the manual is relevant.

Recommendations

4.151 **The Department should review the legislation for nursing homes and initiate amendments as appropriate.**

4.152 The Department should expand the application of its policy regarding criminal record checks to include the employees of nursing homes.

4.153 The Department should complete the revision of the directives manual.

4.154 The Department should develop policies and procedures for reviewing and amending the legislation, policies and procedures for Nursing Home Services.

Departmental responses

4.155 *A preliminary review of the Nursing Homes Act and Regulations has been carried out within the Department. The Department will undertake discussions with the Department of Justice for this task.*

4.156 *... a policy regarding criminal record checks will be developed and implemented.*

4.157 *The Department has completed the revision of the Directives Manual and new copies will be provided to the nursing home sector in September. Officials of Nursing Home Services will respond to questions from the nursing home sector at their Administrators meeting which will be held in mid September 2004.*

4.158 *The Department agrees to develop Policies and Procedures for reviewing and amending the legislation, policies and procedures for Nursing Home Services.*

Conclusion

4.159 Our first criterion in this section is met. The responsibility for reviewing the legislation and other documentation for the program is clearly assigned and it has been reviewed. The legislation was reviewed during 2001 and 2002 and the need for revisions was determined. The inspection report was reviewed, resulting in a revised report dated March 2001. The directives manual is currently under review.

4.160 Our second criterion is partially met. Necessary changes to the program's documentation are not always done in a timely manner. While amendments were made to the inspection report, no significant changes have been made to the legislation since its creation in the early 1980s. The directives manual has been under review for over two years and the review is not complete.

Accountability

4.161 Reporting on the effectiveness of the program for licensing nursing homes is a component of being accountable. Section 13(2) of the *Auditor General Act* mandates our Office to report cases in which we have observed that satisfactory procedures have not been established to measure and report on the effectiveness of programs. This serves as the basis for our final criterion:

The Department should report on the effectiveness of the program for licensing nursing homes.

4.162 Appropriate reporting procedures provide information for determining whether a program is meeting its objectives. Objectives, goals and performance indicators with monitoring procedures are important for any program. To determine whether this criterion is met, we gathered information to address the following questions:

- are there performance indicators with monitoring procedures for the program? and
- does the Department have relevant and accurate reporting on the effectiveness of the program?

Are there performance indicators with monitoring procedures for the program?

4.163 The Department informed us that they do not have goals or performance indicators with monitoring procedures for the program for licensing and inspecting nursing homes. While the Department is properly documenting inspections, they are not monitoring and reporting compliance performance.

Does the Department have relevant and accurate reporting on the effectiveness of the program?

4.164 The Department does not have relevant and accurate reporting on the effectiveness of the program for licensing nursing homes.

4.165 The only external reporting relating to inspections is very limited. The Department's annual statistical report states the number of inspections performed and the number of homes with infractions. There is no inspection information in the Department's annual report.

4.166 While a thorough report on statistics is published, we are disappointed that the Department has not developed any goals or performance indicators to link the statistical information to the measurement of program effectiveness.

Recommendations

4.167 To measure the effectiveness of the nursing home services program, the Department should establish program goals,

performance indicators and monitoring procedures for evaluating performance.

4.168 To provide better accountability to the public, the Department should report publicly on the performance of the nursing home services program.

Departmental responses

4.169 *The Department agrees to begin to establish program goals, performance indicators and monitoring procedures for evaluating performance.*

4.170 *The Department agrees to report internally and publicly on the performance of the Nursing Home Services Program.*

Conclusion

4.171 This criterion is not met. The Department does not report on the effectiveness of the program for licensing nursing homes.

Overall conclusion

4.172 Standards are established to ensure a level of safety and quality. When the public sees a license issued by the government in a nursing home, there is an assumption the government has verified that the nursing home is following the rules and it is a safe place for their loved ones to live. Our observations indicate this may not always be true.

4.173 We make several recommendations that we think will help the Department ensure that the legislation is followed and proper nursing home services are provided. We encourage the Department to be proactive with our recommendations and apply them in other programs where standards have been established.

4.174 We believe the implementation of many of our recommendations will help the Department achieve some of their goals as outlined in their Strategic Plan for the period 2003-04 to 2005-06. Our recommendation regarding criminal record checks for employees in nursing homes complements the Department's goals regarding "protection for those who need it". It also would serve the Department's goal for "consistent policies and procedures". Our recommendations under the last criterion should contribute towards the Department's goal to be "accountable". Moreover, many, if not all of our recommendations should contribute towards the Department's goal "to improve the quality and sustainability of the Nursing Home System."

4.175 We conclude that the Department of Family and Community Services does not have appropriate practices to ensure that licensed nursing homes are complying with the Province's legislation for nursing homes. While the Department does license nursing homes, inspection results are not reviewed to ensure that the nursing home is complying with the standards before the license is issued. While the Department does comprehensive inspections at nursing homes, full value is not received from this work because enforcement actions are inadequate and deficiencies are not always corrected.

4.176 We conclude that the Province's legislation for nursing homes is in need of review and amendment and that the Department of Family and Community Services does not have appropriate practices to ensure the Province's legislation and the departmental policies for nursing homes are reviewed and amended on a regular basis.

Chapter 5

Regional Development Corporation - Provincially Funded Programs and Projects

Contents

Background	97
Scope	99
Results in brief	100
Setting goals and objectives	100
Monitoring progress	104
Taking corrective action	109
Evaluating the results of programs	111
Reporting on the effectiveness of programs	113
Conclusion on objective	116
Non-compliance with legislation	116

Regional Development Corporation - Provincially Funded Programs and Projects

Background

5.1 The Regional Development Corporation (RDC) supports the development priorities of New Brunswick's regions and communities.

5.2 RDC is overseen by a Board of Directors, which is comprised of Deputy Ministers of provincial government departments and Presidents of Crown agencies associated with economic development. The Chairman of the Board is also the President of the Corporation. The Chairman is a senior government employee at the Deputy Minister level. The Minister responsible for RDC is the Premier and the Corporation reports to the Legislature through the Minister.

5.3 RDC describes its primary role in its Annual Report as working with other government agencies, institutions, and various groups to ensure that economically challenged regions within New Brunswick are provided with the necessary tools and infrastructure required to attain their full potential in terms of community and economic development. A major activity of the Corporation is to fund, coordinate, and monitor Funds and projects, with the intent of supporting provincial economic development endeavours.

5.4 Exhibit 5.1 describes the provincial Funds we reviewed that are administered and coordinated by RDC. Government has mandated RDC to manage all of these Funds. Our audit focussed on these Funds due to the large dollar amounts and number of projects.

5.5 Applications for funding are received by RDC from other government departments, outside organizations, privately owned companies and municipalities. The President, in consultation with

the Minister responsible for RDC, has the authority to grant approval for all projects except under the conditions in Exhibit 5.2.

Exhibit 5.1

Funds managed by RDC

Fund	Background	Amount	Duration	Term
Acadian Peninsula Economic Development Fund (APEDF)	Developed in response to challenges recognized by the Premier's Action Committee for the Economic Development of the Acadian Peninsula	*\$25 million	5 years	1 September 1999 – 31 August 2004
Total Development Fund (TDF)	Developed by government to provide financial support towards the implementation of strategies in forestry, mining, energy, aquaculture, agriculture, new technology and tourism sectors	\$30 million	**3 years	1 April 2001 - 31 March 2004
Restigouche-Chaleur Economic Development Fund (RCEDF)	Developed in response to recommendations by the Restigouche-Chaleur Task Force in July 2002	\$25 million	5 years	1 January 2003 – 31 December 2007
Miramichi Regional Economic Development Fund (MREDF)	Developed in response to recommendations by the Miramichi Prosperity Task Force in March 2004	\$25 million	5 years	1 May 2004 - 30 April 2009

* On 17 June 2004, the APEDF was increased to \$28 Million and extended to 31 March 2005.

**The Total Development Fund was initially announced as a three-year program. During our audit, RDC informed us that government subsequently extended the fund indefinitely.

Exhibit 5.2

Approval of projects

Fund	Amounts in excess of	Must be approved by
Acadian Peninsula	\$300,000	Cabinet
Restigouche-Chaleur	\$500,000	Cabinet
Miramichi Regional	\$500,000	Cabinet

5.6 Once projects are approved, financial assistance can take the form of a loan, loan guarantee, or a non-repayable contribution. Non-repayable contributions can either be an upfront cash disbursement (before expenses were incurred) or a reimbursement of incurred expenses.

5.7 Exhibit 5.3 details cumulative funding committed under specific funds up to 31 March 2004.

Exhibit 5.3

Funding committed to 31 March 2004

Fund	Number of Projects	Dollars allocated
Acadian Peninsula Economic Development Fund	285	\$22,991,669
Total Development Fund	30	\$15,472,569
Restigouche-Chaleur Economic Development Fund	71	\$5,107,288

Scope

5.8 The objective of our audit was:

To determine if the Regional Development Corporation has satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects which it administers.

5.9 In this chapter, we use the term Funds to refer to provincially funded programs.

5.10 This objective is tied to the *Auditor General Act* which includes in its list of reportable items cases where:

- *procedures have not been established to measure and report on the effectiveness of programs, where, in the opinion of the Auditor General, the procedures could appropriately and reasonably be used; or*
- *procedures established to measure and report on the effectiveness of programs were not, in the opinion of the Auditor General, satisfactory.*

5.11 We developed five criteria to assist us in determining whether the objective was met. This chapter is organized by these five criteria.

5.12 The scope of our audit was limited to the management of funds and projects that are 100% provincially funded and are administered and coordinated by the Regional Development Corporation (RDC). While RDC does administer federal/provincial agreements, we did not include these in our audit work.

5.13 Our audit work consisted chiefly of interviewing various staff members at RDC, and reviewing internally and externally prepared documents and several project files at RDC's head office.

5.14 We began our audit in October 2003. Our audit field work was substantially completed between April 2004 and August 2004.

Results in brief

5.15 RDC does not have satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects which it administers. The provision, monitoring and reporting on the success of measurable goals and objectives is necessary to provide accountability for the spending of government monies.

5.16 RDC has developed goals for its major Funds. However, RDC has not developed appropriate objectives for all of its Funds and projects.

5.17 In cases where goals were set, RDC is not ensuring adequate monitoring of whether or not these goals were achieved.

5.18 RDC has no adequate system for taking timely corrective action on projects that are not meeting stated goals and objectives.

5.19 RDC lacks policy to ensure a formal evaluation is completed for all major Funds.

5.20 RDC's annual report requires significant improvements in order to function as an appropriate accountability document.

Setting goals and objectives

5.21 Our first criterion was:

RDC should ensure it has appropriate goals and objectives for its provincially-funded programs and projects.

5.22 Government must be held accountable for results. In order to fulfill this obligation for accountability, information on intended and actual results must be presented to the Legislative Assembly and the public. An organization sets out its intended results through its goals and objectives.

5.23 The Canadian Council of Legislative Auditors (CCOLA) gives the following definitions for goals and objectives:

- Goal - a general statement of desired results to be achieved

- Objective - a specific statement of results to be achieved over a specified period of time. This statement may be described in terms of a target.

Funds have goals but are lacking appropriate objectives

5.24 We noted that RDC has developed goals for its major Funds. For example, the goal of the Acadian Peninsula Economic Development Fund is to “provide funding for economic and social development activities that are consistent with the objectives of the Action Plan.” However, the Funds do not have objectives that state specific results to be achieved over a specified period of time. In short, they lack targets. While it is not our role or intention to determine what the objectives or targets should be, some examples might be:

- to reduce the unemployment rate in a certain region by a certain percentage, within a specified period of time; or
- to increase the graduation rate to a desired level by a specified date.

5.25 It is these specific results that allow an organization to go back and readily measure what was accomplished for the dollars spent.

Recommendation

5.26 We recommended RDC develop measurable objectives for each of its Funds. Objectives should reflect specific statements of results to be achieved over a specified period of time.

RDC response

5.27 RDC has goals and objectives for all of its programs. They are developed in consultation with the partners that our funding supports and they are approved and authorized by the appropriate levels of the government of the Province of New Brunswick. Our regional development initiatives are seeking changes to the fundamentals of these regional economies and thus very specific outcomes are difficult to predict. We do agree, however, to strive for more quantifiable objectives in the design and/or renewal of regional development initiatives.

Projects lack appropriate goals and objectives

5.28 We were pleased to note that RDC has developed comprehensive management guidelines for each of its major Funds. These guidelines require that proposals for funding be well documented and fully explain aspects such as the purpose, costs, benefits, means of delivery, the deliverable product or service, the expected results, and the affected industries and regions. The

identification of expected results is important as it not only provides RDC with a mechanism for accountability, but also provides funding recipients with a clear understanding as to what requirements they must fulfill.

5.29 The project application form requires that project success indicators and measurable benefits be identified. We reviewed 25 project files to determine if these were both present and appropriate. We noted the following:

Measurable benefits identified	Benefits identified but not readily measurable	No benefits identified
*11	*10	*4

* number of project files

5.30 We were pleased to note that eleven of the project files we reviewed did identify measurable benefits. For example, \$299,500 was provided to fund a food industry project. The measurable benefit was to create 50 new jobs.

Benefits identified are often not measurable

5.31 We noted cases where benefits identified for projects were not measurable.

- RDC provided a total of \$1.5 million in funding to one project. While the purpose of the project was described as a means to implement an innovative odour control pilot project, no measurable success indicators were identified. As a result, we could not determine what specifically the project was supposed to accomplish. For instance, were odour levels supposed to be reduced to a certain level?
- \$260,500 was provided to develop e-commerce in the wood manufacturing industry. The funding provided was given in order to facilitate adoption of internet and e-commerce tools by wood manufacturers. But the files had no specific information regarding what measurable benefits the funding was going to provide over what time period.
- \$120,000 was provided to an entrepreneur to purchase a boat for a unique long term tourist attraction. We found nothing in the file that would indicate how success would be measured. For instance, a measure for a unique long term tourist attraction might be the ability to attract a certain number of tourists each year.

5.32 RDC staff informed us that in some cases they feel it is difficult to identify measurable benefits for the projects funded. In our opinion, in order to maintain accountability for monies spent, measurable benefits must be provided. This is also clearly required by RDC's own management guidelines.

No benefits identified

5.33 We noted that in most cases proposals within project files contained a description of what the funding was going to be used for. For example, funding would be requested for a new piece of equipment for a manufacturing plant. What was missing from several of the files we reviewed was an adequate description of what specifically the proposed project was going to accomplish and how this was going to contribute to the goals and objectives of the Fund. Examples we noted were:

- \$2 million was given to the Department of Agriculture, Fisheries and Aquaculture to support various projects in relation to agriculture and agrifood, commercial fisheries, aquaculture production and fisheries and aquaculture processing.
- A total of \$766,620 was given to a manure processing technology pilot project over the span of two years.
- A total of \$299,777 was given to the Department of Agriculture, Fisheries and Aquaculture to fund a total of 18 tasks.
- A total of \$500,000 was given to develop the New Brunswick Community College in the Acadian Peninsula.

5.34 None of these projects identified the benefits that would flow from the funding.

Recommendation

5.35 We recommended RDC ensure that goals and measurable objectives are developed for all approved projects. Such goals and objectives should be consistent with those of the overall Fund.

RDC response

5.36 *As you have confirmed in your comments, RDC does require success indicators and measurable benefits for all of its projects. Of the 25 projects which you have reviewed and setting aside three related to the Total Development Fund, there is one project where "no measurable benefits were identified".*

Our comments on RDC's response

5.37 As noted in the chart in this section, 14 of 25 projects we reviewed had no **measurable** benefits identified. In four cases, there were no benefits identified at all, and in ten cases, while some benefits were provided, they were not measurable. We expected to find measurable benefits for all projects, including those within the Total Development Fund.

Conclusion

5.38 This criterion was partially met. RDC has developed goals for its major Funds. However, RDC has not developed appropriate objectives for all of its Funds and projects.

Monitoring progress

5.39 Our second criterion was:

RDC should monitor the progress of its provincially-funded programs and projects to determine whether or not the goals and objectives are being met.

5.40 RDC recognizes the importance of monitoring the progress of its Funds and projects. This is evident in its own program management guidelines which specify RDC will:

- provide the overall management including co-ordination, financial and administrative management; and
- analyze, approve, evaluate and **monitor** each initiative. (emphasis ours)

5.41 Our findings are that RDC is not following all aspects of these management guidelines. We noted that while RDC is doing some level of monitoring for some of the Funds and projects it administers, there are several improvements that could be made. As discussed earlier, RDC does not have appropriate objectives for the Funds and projects it administers. And when objectives are provided, they are often not measurable. This criterion, therefore, could not be met. If objectives are not established and measurable, progress cannot be monitored.

5.42 Nevertheless, we were able to make a number of observations and recommendations regarding RDC's current level of monitoring.

No formal protocol for monitoring/inspection

5.43 We interviewed various RDC staff members regarding monitoring procedures and noted differences in what they felt the procedures to be. Appropriate levels of monitoring seemed to be more a function of availability of staff than any sound practices or procedures. Because there are no formal policies or procedures for

monitoring and inspecting the progress of Funds and projects, there is no assurance that monitoring procedures will be consistently and appropriately applied.

Recommendation

5.44 We recommended RDC formalize policy and procedures regarding the monitoring of Funds and projects.

RDC response

5.45 *We agree that documentation of formal monitoring procedures would ensure consistency of our reviews and we will strive to provide a policy and procedures guide for this purpose.*

Results are not monitored in relation to stated goals and objectives

5.46 Reporting on the progress of projects significantly lacks detail. Of the eleven project files we reviewed that did contain measurable goals and objectives, none of the projects were monitored to determine if goals or objectives were met.

5.47 We noted that RDC staff review receipts and cancelled cheques for invoices supporting expenditures for projects. While it is important to monitor where the monies were spent, this type of monitoring on its own is not complete. For instance, a company may apply for \$1,000,000 for manufacturing equipment. RDC could determine whether or not the monies were actually spent on the equipment by reviewing invoices and cancelled cheques and perhaps physically inspecting the assets. However, that doesn't show what, if anything, that \$1,000,000 expenditure accomplished.

5.48 In one example we noted in the files, RDC provided \$90,000 to an entrepreneur through Business New Brunswick. The number of incremental jobs the funding would create was provided. However, there were no inspections noted on file and no documentation that would show whether or not the increase in employment was attained.

Recommendation

5.49 We recommended RDC compare the results of projects to the specified objectives to ensure the projects accomplish intended results.

RDC response

5.50 *RDC, through its head office and regional staff and by collaboration with other departments, is certainly aware of the results of projects which it administers. The issue may be the degree to which this knowledge is documented in our files at head office. We will review and where necessary enhance our documentation procedures.*

RDC not taking pro-active role in monitoring Total Development Fund projects

5.51 RDC has not taken a pro-active role in monitoring the success of projects within the Total Development Fund, despite the fact it has funded over fifteen million dollars' worth of projects under the fund in the last three years. Twenty percent of the projects funded were provided with \$1 million or more.

5.52 Officials at RDC informed us that this Fund was initially set up to enable government departments to more readily access funding to assist projects that may have been subject to prior government cut-backs. The departments and organizations that were provided with funding were:

- Department of Agriculture, Fisheries and Aquaculture;
- Service New Brunswick;
- Department of Natural Resources;
- Department of Tourism and Parks; and
- Department of Intergovernmental and International Relations.

5.53 RDC staff informed us they feel their role for this Fund is more like that of a "banker". They provide the funds and expect the line departments involved to monitor the success of the projects. However, we could find no documentation that would clearly transfer this monitoring responsibility to other departments. Further, we noted there are no clearly developed monitoring standards for the various departments to follow. RDC is not adequately ensuring that departments are appropriately monitoring the projects. In any case, this practice would be in conflict with RDC's own management guidelines, which state that they will monitor the success of the projects under the Fund and report to Cabinet. RDC is accountable to the Legislative Assembly for the money it is given, and how it is spent.

Recommendation

5.54 We recommended RDC monitor the success of projects under the Total Development Fund as required in the management guidelines.

RDC response

5.55 *We will ensure that an annual activity report is received from departments for each activity approved under the TDF.*

Our comments on RDC's response

5.56 We are unclear as to the intended contents of the "annual activity report" and are thus unsure that it will meet the intention of our recommendation. As stated in our recommendation, we would anticipate that RDC monitor the success of projects under the Total

Development Fund. Monitoring the success of projects would include comparing outcomes to stated objectives.

RDC providing ongoing funding without proper analysis

5.57 We noted cases where RDC gave funding to individuals or organizations in consecutive years without ensuring the first allotment of funding was used appropriately and the project was a success. Specifically we noted that \$300,000 was approved and provided over three years to develop five youth complexes in the Acadian Peninsula. By the end of the three years only three complexes had been completed. We found no analysis on file that would show how the project was doing during the three-year period.

5.58 Funding is often initially approved to be paid in yearly instalments over a period of time. However, the initial approval of funding doesn't mean the project shouldn't be evaluated on an annual basis to determine the appropriateness of the continuance of funding. Yearly evaluation is important as it provides decision makers with an opportunity to determine whether to continue the project or not.

Recommendation

5.59 We recommended RDC ensure adequate documentation of monitoring for multi-year projects. An appropriate interim monitoring process should be completed before further funding is provided.

RDC response

5.60 *We agree with your recommendation and will enhance documentation of the monitoring activities conducted on multi-year projects.*

Problems with project status reports

5.61 RDC's management guidelines require reports from departments and organizations on the progress of projects. Project reports are required yearly for multi-year projects and at the completion of all projects. However, we noted the following problems with these reports:

- reports are not always being received;
- reports that are received are often not timely;
- reports are not standardized; thus RDC is receiving different types of information from various departments and organizations; and
- reports are often too scientific and detailed to be useful for monitoring purposes.

Recommendations

5.62 We recommended RDC develop a standardized project status document to ensure the appropriate monitoring information is received.

5.63 We recommended RDC ensure project status reports are received for all projects in a timely fashion.

RDC response

5.64 We agree with the recommendations.

Inconsistent physical inspection

5.65 Physical inspection is especially useful to monitor asset existence. We noted that RDC lacks policy regarding physical inspection and lacks resources to adequately inspect all projects.

5.66 There are no documented standards for what types of projects require an actual physical inspection. In our review of project files, we noted inconsistency in physical inspections. In some cases we noted inspection reports on file and in other cases not. Because inspection reports are not standardized, inspection reporting varies.

5.67 Physical inspection is especially important when providing funding for infrastructure. While receipts and invoices provide some comfort that monies were spent appropriately, a physical inspection is necessary to confirm that the intended structure was completed and is being used for the intended purpose.

Recommendations

5.68 We recommended RDC ensure processes are in place to ensure adequate physical inspection of assets purchased with government funding.

5.69 We recommended RDC develop and implement a standardized inspection form.

RDC response

5.70 RDC does conduct physical inspection of assets purchased from funding managed and administered by RDC, where such inspection is deemed appropriate. We agree that these inspections are not always documented in our files. We agree that the adoption of a standardized inspection form would enhance the documentation process.

RDC not monitoring benefits over the long term

5.71 There are no systems in place to ensure that project outcomes are monitored to see if they have any lasting benefits. RDC has no plan in place to monitor the long term outcomes of the projects sponsored within the Funds. It is of limited value to know that a

company employed 23 new staff persons at the time of funding. What is of more value for decision makers is knowing what, if anything, were the longer term benefits of the funding provided. For instance, how many of these 23 persons are still employed after five years?

Recommendation

5.72 We recommended RDC monitor the stated outcomes of funded projects for an appropriate period of time to determine what, if any, the longer term benefits were.

RDC response

5.73 RDC is monitoring outcomes over the term of the initiatives (five years). We will define our expectations and enhance our documentation of these procedures.

Conclusion

5.74 This criterion was not met. In some cases goals and objectives were not set. Therefore RDC could not monitor their achievement. In the cases where goals were set, RDC is not ensuring adequate monitoring of whether or not these goals were achieved. Project reports are sometimes missing from files and are not tied back to goals or objectives. There are no standards for physical inspection and no assurance that physical inspections are happening in all cases.

Taking corrective action

5.75 Our third criterion was:

Where results of monitoring are unsatisfactory, RDC should take corrective action in a timely fashion.

5.76 Sound management practices would dictate that if monitoring results were unsatisfactory (i.e. goals and objectives were not being attained), timely corrective action should be taken.

5.77 As discussed earlier, RDC's monitoring practices are primarily to ensure monies were spent on what the applicant said they were going to be spent on, not on whether pre-determined goals and objectives were met. In the previous criterion, we determined that RDC is not adequately monitoring whether goals or objectives are being met. Because of this, we have some concerns that RDC is not able to take corrective action as need be.

5.78 RDC's own program management guidelines state that RDC will report to Cabinet and to the Premier's Action Committee on the success of projects on a semi-annual basis. However, we determined that reporting to Cabinet consists of reports that detail the names of projects and dollars spent. There is no reporting of the success of the

project. It would be important, in our opinion, to provide the decision makers with information on whether or not projects are meeting their stated goals and objectives. This would provide Cabinet with the option to discontinue current projects and assist with the approval process for future projects.

Recommendations

5.79 We recommended RDC take appropriate and timely corrective action for projects not achieving their stated goals and objectives.

5.80 We recommended RDC's report to Cabinet include information on the success of projects in order to allow timely decisions to be made.

RDC response

5.81 RDC does take appropriate and timely corrective action as the need arises as we become aware of unsatisfactory situations. Our head office and regional staff maintain regular contact with officials in the regions and we conduct numerous site visits.

5.82 We agree that there is an opportunity to enhance the form and content of our semi-annual reports to Cabinet.

Our comments on RDC's response

5.83 Our recommendation specified that RDC take appropriate and timely corrective action for projects **not achieving their stated goals and objectives. In other words, RDC needs a more proactive approach. Because measurable objectives were not established for all projects, RDC was not able to take action when objectives were not met. We see taking action "as the need arises" as a reactive rather than a pro-active approach.**

Conclusion

5.84 This criterion was not met. Due to the lack of monitoring whether goals or objectives have been met, RDC has no adequate system for taking timely corrective action on projects that are not meeting stated goals and objectives.

Evaluating the results of programs

5.85 Our fourth criterion was:
RDC should formally evaluate the results of its provincially-funded programs and projects upon conclusion.

5.86 It is important to formally evaluate the results of a program upon conclusion. With \$105 million allocated to the Funds we

reviewed, we would expect to see provision for a formal evaluation of each Fund or major initiative.

5.87 An evaluation should answer the questions:

- Have benchmarks been established?
- Have appropriate measurement systems been established?
- Have targets been set?
- What outcomes have been achieved?
- Are there negative unintended outcomes?
- Can measured outcomes be attributed to the Fund (including consideration of other factors)?

RDC lacks policy to ensure evaluation

5.88 We noted that there are no formal policies and procedures that would direct RDC to evaluate the results of its Funds and projects upon conclusion. An appropriate policy should ensure that an evaluation does occur and that standard procedures are followed.

Recommendation

5.89 We recommended RDC develop policy to ensure a formalized evaluation upon program conclusion.

RDC response

5.90 *By way of long-standing practice, RDC has conducted formal evaluations of all of its major initiatives and will continue to do so in the future.*

No evaluation done for the Total Development Fund

5.91 RDC initially announced the Total Development Fund in February 2001 as a \$30 million fund to be spent over three years. At the end of this period, RDC had only spent approximately \$15 million. RDC staff informed us they still plan to spend another \$15 million on total development projects over an unspecified period of time in the future. RDC did not evaluate the results of the Total Development Fund despite the conclusion of the three-year announced time frame. In our opinion, government should have publicly reported at the end of that time period clearly stating what was accomplished.

Recommendation

5.92 We recommended RDC ensure a formal evaluation is done upon program conclusion. Results of such an evaluation should be reported to the Legislative Assembly and the public.

RDC response

5.93 *As indicated above, we conduct an evaluation for all major initiatives which fall under the mandate of RDC. The results of these evaluations are communicated to our stakeholders and to the public.*

Our comments on RDC's response

5.94 As noted above, RDC did not complete a formal evaluation of the Total Development Fund at the end of the announced time period. If Funds are to continue, we believe RDC should still report on what happened during the initial time period.

An Evaluation of the Acadian Peninsula Economic Development Fund (APEDF) was done

5.95 Even though the APEDF was not completed until 2004, we were very pleased to see that RDC undertook a formal program evaluation in 2003. Furthermore the consultant's report was made public and we see this as very positive.

5.96 The consultant observed that "unfortunately, for the purposes of this evaluation, the initiative itself did not provide any evaluation framework or identify success indicators for the various objectives."

5.97 What the consultant was referring to is that while the Fund had objectives, vague terminology such as "develop value-added projects", "maximize the use of existing infrastructure", "increase local awareness" and "intensify efforts to raise education levels in K to 12", makes it very difficult to measure success, or failure. Each objective should have a desired target. For instance an objective to "develop value added projects", may have a target of five such projects per year.

5.98 The consultant's reference to the lack of an evaluation framework, is recognizing that when the Fund was established there was no indication of what information was to be used in the evaluation process and how this information was to be captured. The result is that the consultant had to develop a number of data collection methods, which included interviews, surveys, focus groups, analyzing internal management documents and individual success stories. And in some instances data was used for time periods that did not coincide with the evaluation period. An example of this was using 2001 Census data to show that the Acadian Peninsula had gained 1,815 jobs between 1996 and 2001. This Census data did not cover the period of the Fund which only began in 1999.

5.99 In looking forward, the consultant recommended "That it is most important to develop an action plan and evaluation framework to measure the impact of any new initiative." And we agree totally with this recommendation.

Recommendation

5.100 We recommended RDC ensure that an appropriate evaluation framework is developed for each of its major Funds.

RDC response

5.101 *We agree with the recommendation.*

Conclusion

5.102 This criterion was partially met. RDC lacks policy to ensure a formal evaluation is completed in accordance with professional standards for all major Funds. An external report was prepared for the APEDF. However, the consultant noted the Fund lacked an evaluation framework and it did not establish success factors for the various objectives.

Reporting on the effectiveness of programs

5.103 Our fifth criterion was:

RDC should report the results of its programs and projects in its annual report in compliance with government policy.

5.104 Government policy describes a departmental annual report as the major accountability document for the Legislative Assembly and general public. This is consistent with our Office's own strategic goal to promote accountability and performance reporting by government, by individual departments and by Crown agencies.

5.105 The annual report serves as the "key public link between the objectives and plans of a government entity and the results obtained." The policy goes on to describe various elements or standards of content, as follows:

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.

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.

5.106 We examined RDC's 2001-2002 and 2002-2003 annual reports and noted a number of areas of non-compliance with government policy.

No clear account of goals and objectives

5.107 While RDC's annual reports give a description of the primary role of RDC, they lack in specific objectives and goals. A written description is provided for each Fund and the dollars spent within

that Fund for the year in question. While the program descriptions are useful, they do not provide the reader with a clear account of goals or objectives. In other words, they don't tell the public what RDC intended to achieve and how well it performed in achieving those goals.

No detail on the extent to which Funds continue to be relevant

5.108 Presumably programs for economic development funding are announced in response to a need. For example, the Acadian Peninsula Fund was established in response to a recognized economic need in that area. It is important to re-evaluate this type of decision in a timely fashion to ensure that Funds continue to be relevant. Just because a Fund was relevant at the onset, does not always mean it will continue to be relevant indefinitely. The RDC annual reports do not include any discussion on the continued relevance of programs.

Lack of analysis regarding client acceptance

5.109 It is also important to determine to what extent programs (Funds) are accepted by client groups. If government is spending millions of dollars on programs, taxpayers should be assured that such decisions are accepted by the client groups in a way that was intended. The RDC annual reports contain no information on client acceptance.

Lack of information regarding whether monies were spent the way they were intended

5.110 RDC does produce an annual listing of program expenditures. The listing details the projects that were funded and the dollar amounts provided to them. While this is somewhat useful, there is a lack of detail on whether monies were spent the way they were intended. For example, what was government attempting to accomplish, and did it happen?

5.111 RDC provides actual expenditures at both the Fund and project level. However what is missing is the budgeted information and explanation for the differences between the actual and budgeted amounts. The public needs to know not only what dollars were spent on projects, but what was initially budgeted and what explanation exists for any differences.

Costs only provided for one year

5.112 The annual report policy calls for the reporting of "other aspects of financial performance". Part of this could be to ensure readers are provided with adequate information on total project costs. Because RDC's annual reports simply provide detail on spending for the year in question, it is difficult for the reader to know cumulatively how much of the Fund has been spent. For example, the 2003 annual report states that twelve projects under the Total Development Fund

were funded and total expenditures amount to \$5,019,879. We are not told how much of the three-year Fund has been spent to date and how this compares to the total budget.

5.113 It is also useful for readers to know how much funding in total has been provided to a given organization or project. This information is not readily available with the current method of only reporting expenses for the year being reported on. To determine whether the same company or project had received funding in prior years, one would have to go back and look at prior years' reports. It would be more useful for the readers to have cash flow information by fiscal year on each project. Information should be provided for each year the project received funding.

Recommendation

5.114 RDC should ensure its annual report is in compliance with government policy. Specifically its reporting should include:

- **a clear account of goals, objectives and performance indicators;**
- **the extent to which a program continues to be relevant;**
- **how well the organization performed in achieving its plans;**
- **how well a program was accepted by its client groups; and**
- **actual and budgeted financial information in summary form and a narrative explaining major variances as well as other aspects of financial performance. In the case of RDC other important aspects of financial performance could be a description of program dollars spent to date, the total budget for the comparative period and a record of the cumulative amounts of funds provided to a single organization over the time span of a program.**

RDC response

5.115 *We agree that there is an opportunity to review the form and content of our annual report. We will provide a revised report beginning with the fiscal year ended March 31, 2004, taking into full consideration the guidelines offered in [government policy].*

Conclusion

5.116 This criterion was not met. RDC's annual report requires significant improvements in order to function as an appropriate accountability document.

Conclusion on objective

5.117 In summary, RDC does not have satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects which it administers. The provision,

monitoring and reporting on the success of measurable goals and objectives is necessary to provide accountability for the spending of government monies.

Non-compliance with legislation

5.118 Previously in this chapter we referred to the engagement of a consultant to undertake a formal evaluation of the Acadian Peninsula Economic Development Fund. The consultant was hired without a tender being issued.

5.119 While Section 4(1) of the *Public Purchasing Act* requires a tender to be issued, *Regulation 94-157* does provide for some exceptions.

27.1 Subsection 4(1) of the Act does not apply to the Minister or government funded bodies for the following supplies or services or in the following circumstances:

(b) purchase of services with a total value of less than one hundred thousand dollars where it can be shown that for reasons of specific skills, knowledge or experience, the choice of vendor is limited to one or a very limited number of individuals, provided that the exemption is not used to unduly restrict competition;

5.120 Officials at RDC informed us they feel the hiring of the consultant to do the evaluation falls within this exemption. However, due to a lack of documentation on the part of RDC we were unable to determine whether this exemption was justified. We could find no evidence showing why, for “reasons of specific skills, knowledge or experience”, the choice of vendor was limited to one consultant.

5.121 To prevent government funded bodies from using such exemptions inappropriately, regulation further requires the following:

Where the Minister or a government funded body purchases supplies or services under an exemption listed under section 27.1, the Minister or government funded body shall

(a) ensure documentation is in the file respecting the applicability of section 27.1 to the purchase made, and

(b) ensure that there is documentation from the Minister or head of the government funded body that, in the opinion of the Minister or government funded body, the situation exists that would justify action under section 27.1.

5.122 RDC is in non-compliance with this section of the regulation. RDC engaged a consultant to produce a report on the Acadian Peninsula Economic Development Fund. We could find no evidence of documentation that would justify an exemption under section 27.1 of the regulation.

Recommendation

5.123 We recommended RDC adhere to all aspects of the *Public Purchasing Act* when hiring for services.

RDC response

5.124 *We strive to comply with the provisions of the Public Purchasing Act that apply to RDC. In the case mentioned, we neglected to document the use of an exemption section as required. We will ensure that we comply with all applicable documentation requirements.*

Chapter 6

Program Evaluation in Government Departments

Contents

Background	121
Scope	122
Results in brief	123
Programs	124
The value of program evaluation	126
Formal program evaluations	128
How is the Office of the Auditor General involved in program evaluations?	129
Responses to our departmental program evaluation survey	130

Program Evaluation in Government Departments

Background

6.1 According to the 2004/2005 Main Estimates, the expenditure budget for the Province is in the range of \$5.7 billion, much of which is disbursed through program spending. The Prescription Drug Program, psychiatric services, regional development, Crown land management, and hundreds of other diverse programs vie for the limited public resources available. Legislators, senior government officials, program managers and staff are called upon regularly to make decisions about these programs.

6.2 The programs delivered by provincial departments and agencies do not remain static. Government policies and priorities change. New programs are created. Old programs are restructured or discontinued. Funding levels for individual programs are changed. Pilot programs are undertaken and evaluated.

6.3 In this era of tight budgets and limited resources, departments are being called upon to do “more with less.” And it appears these pressures will continue to increase. For example, an aging population will almost certainly require more emphasis on healthcare areas in the future.

6.4 Citizens rightly expect that the programs funded by their tax contributions are producing publicly desirable outcomes (e.g. improving the health, lifestyle, and economic wellbeing of New Brunswick citizens). Further, government has a responsibility to be a good steward of the resources entrusted to it. Given the current reality, it is vitally important that programs that are funded are relevant, successful in achieving their objectives and cost-effective. Decision-makers must make wise choices to ensure that funded programs are really “worth the money.” A failure to do this may mean that other, more publicly valuable, programming opportunities may never be pursued.

6.5 Among the program-related decisions that legislators, government, and departmental management and staff have to make are the following:

- Should a new program be created?
- Is an existing program still relevant to its target clients 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?

6.6 Underlying all these questions is the primary objective of providing the best possible programs for New Brunswick citizens. Therefore, an additional important question might be added:

- How do we “fix” a program that is not providing the most relevant, successful, and cost-effective services for New Brunswick citizens?

6.7 In answering these questions, decision-makers must attempt to draw together information that will help them make informed judgments. While anecdotal evidence and operating information can provide important insights, they do not offer sufficient information to serve as the basis for sound decision-making. Objective, verifiable evaluative information about program relevance, cost-effectiveness and success in achieving objectives is also needed. The major function of program evaluation is to provide such information.

6.8 Program evaluation is also necessary because government, in most situations, is the sole provider of a particular service or program. Very seldom do consumers of government services have choices. In the private sector the value of a service or product is made clear by consumer decisions. Government must have an evaluation process that compensates for the absence of a competitive market.

Scope

6.9 Our objective for this project was:

To determine the approach to program evaluation employed by provincial departments.

6.10 In completing this work, we sent a program evaluation survey to eighteen government departments. Completion of the survey and submission of responses to our Office was coordinated by the Executive Council Office.

6.11 Responses to our survey were tabulated and summarized and are presented in this chapter. We provide no recommendations, only information. It should also be noted that we did not attempt to audit or otherwise verify the departmental responses received.

6.12 In performing this work, we completed a significant amount of research including looking at program evaluation literature, and some best practices followed in other jurisdictions. Some of that information and our analysis is presented in this chapter to set the context for our survey.

Results in brief

6.13 Program evaluation is not a panacea. However, regular evaluations of programs can provide program 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.

6.14 Based on survey responses, we can make the following observations about program evaluation, as practiced by departments in the Province of New Brunswick.

- The two key factors in program decision-making appear to be financial information and the degree of linkage between the program and departmental/government-wide strategic plans.
- 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). Perhaps as a result, information relating to program effectiveness was selected less often as a key factor in program decision-making.
- There is a lack of formal program evaluation guidelines that specify standard departmental approaches to program evaluation.
- There appears to be an imbalance in program evaluation capabilities between departments.

- **Resource limitations appear to be restricting the ability of departments to improve their program evaluation processes.**
- **There appear to be a number of program evaluation “best practices” evident from survey responses, particularly among those departments with internal program evaluation units.**

6.15 In light of the valuable decision-making information that program evaluation can provide, and the potential for improvements indicated by responses to our survey, our Office plans to do additional work in this area. The next step in our work in relation to program evaluation will be to look at how specific programs administered by the Department of Health and Wellness are evaluated.

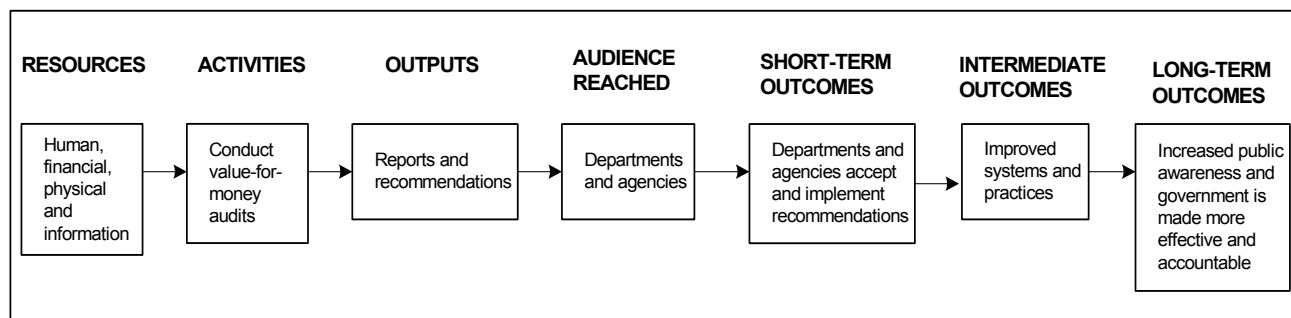
Programs

6.16 A program is an organized and directed accumulation of resources that are used to conduct an activity or series of activities in order to achieve one or more preset objectives. Implicit in the creation of a program is that a significant need of a segment of the population can be cost-effectively satisfied by that program.

6.17 There is a logical flow that must be achieved for any program in order for it to be successful. An example of such a flow is shown in Exhibit 6.1 below. We have used the flow for a significant program in our own Office, that being the conducting of value-for-money audits. This is an extract from our full logic model available on our website.

6.18 First, the resources assigned to a program must be arranged so that they can carry out the activities that program designers feel will lead to the achievement of the ultimate program objective. In the exhibit, human, financial, physical and information resources are used to conduct value-for-money audits.

Exhibit 6.1
Program logic model



6.19 Second, this activity of conducting value-for-money audits produces certain outputs. In our example the outputs are reports and recommendations.

6.20 Third, the production of these outputs is expected to lead to the achievement of some short-term outcomes. In the exhibit these short-term outcomes include departments and agencies accepting and implementing our recommendations. This in turn creates the intermediate outcomes of improved systems and practices for those departments and agencies.

6.21 Finally, these intermediate outcomes are expected to contribute to the achievement of the long-term outcomes of the program. So, as Exhibit 6.1 shows, achievement of the intermediate outcomes is expected to result in increased public awareness and government being made more effective and accountable.

6.22 This is how all programs work in theory. However, there are a lot of things that can go wrong with a program, thereby precluding it from being as relevant, successful in achieving its objective(s), and cost-effective as possible. Some potential problems may include:

- The needs of the target client population are not well understood and therefore the program does not address priority needs (e.g. an existing program is no longer needed, but continues to be funded and delivered).
- The ultimate objective of a program is unclear making it difficult to evaluate results achieved.

- Planned program outcomes and objectives do not flow logically from program activities and outputs (i.e. there are flaws in the design of the program).
- The social costs of providing for needs through the program exceed the social benefits.
- There are inadequate resources being provided to carry out the prescribed program activities.
- Program activities are not carried out in a cost-effective manner (i.e. resources are being wasted).
- There are alternative activities that would result in more effective or efficient achievement of program objectives.
- Observed changes in outcomes would have occurred with or without the program being in place (i.e. the program had no effect on the achievement of the objective). In such cases program expenditures are being wasted.
- Delivery of the program has no impact on its ultimate objective.
- The measurement of results for performance reporting purposes is not accurate, thereby providing faulty information to decision-makers.

6.23 Many of these problems may not be apparent by simply looking at financial and operating reports. Evaluative information is needed.

The value of program evaluation

6.24 Program evaluations can address:

- the needs of the target clients of a program (i.e. program relevance);
- the logic of the program's design;
- the efficiency and effectiveness with which program activities are being carried out and services delivered; and
- the extent to which the program has achieved its objectives (i.e. by focusing both on measurement of results and the degree to which those results can be attributed to the program).

6.25 Program evaluations can identify deficiencies in a program that may reduce the program's relevance, cost-effectiveness, and/or

success in achieving its objectives. Such information is very important for decision-makers, and often not readily available. Information provided by program evaluations can also be used by senior management, legislators, and the public in holding decision-makers to account for the achievement of positive, equitable results with resources provided to them. For example, the provincial annual report policy requires that certain evaluative information be included in departmental annual reports.

... 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.

6.26 The federal document, Family Violence Project Evaluation: A Guide, contains an excellent definition and description of the roles of program evaluation.

Program evaluation is the independent, systematic gathering and analysis of verifiable information to determine the continued need for a program, its success in meeting its objectives, its results both intended and unintended, and its cost-effectiveness compared with alternative means of program delivery. Specifically program evaluation should provide essential information on three issues of interest:

- Relevance: Does the program continue to be consistent with department and government-wide priorities and to realistically address an actual need?*
- Success: Is the program effective in meeting its objectives, within budget and without resulting in significant unwanted outcomes?*
- Cost-effectiveness: Is the program the most appropriate and efficient means for achieving the objectives, relative to alternative design and delivery approaches?*

Specifically, the roles of program evaluation are to:

- foster and support policy development;*
- provide guidance as to how to modify programs to increase productivity or services and more effectively employ*

- resources, and to market needed improvements to the quality of services;*
- define, measure, demonstrate and document program performance, and help managers develop a viable set of indicators to monitor and improve performance; and*
- determine client satisfaction with program delivery.*

6.27 The Treasury Board of Canada Secretariat, in the document, *Program Evaluation Methods: Measurement and Attribution of Program Results*, has also acknowledged the importance of program evaluation.

Evaluating program performance is a key part of the federal government's strategy to manage for results.

6.28 Program evaluation is not a panacea. However, regular evaluations of programs can provide program decision-makers with credible evidence on program relevance, cost-effectiveness, and success in achieving 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.

Formal program evaluations

6.29 Program evaluations can be performed on an informal basis by program managers and other staff members using information produced by established data systems and anecdotal evidence. They can also be done more formally by departmental program evaluation staff who are independent of program delivery, or externally-contracted consultants. Formal program evaluations generally require research to be completed and additional data to be gathered. They usually result in written reports identifying problems and suggestions for improvement.

6.30 There is a significant risk involved in relying solely on informal program evaluations.

- Informal evaluators may lack the time to perform comprehensive evaluations. In particular, program managers have other duties (e.g. ensuring service is delivered and day-to-day problems are resolved) that may preclude them from concentrating their efforts on program evaluation.

- Informal evaluators may lack evaluation expertise and experience. For example, informal evaluators may focus on outputs and not consider the extent to which a program is producing tangible outcomes. This is in part because they may lack the technical skills needed to clearly establish the link between program inputs, activities, outputs, and outcomes.
- Informal evaluators may lack independence and objectivity if they are directly involved in the day to day operations of the program being evaluated (e.g. program managers may have a vested interest in the status quo).

6.31 In general, the performance of formal program evaluations by dedicated evaluation staff or external consultants can address all of these limitations because it:

- involves staff or consultants with the time to perform comprehensive evaluations;
- involves staff or consultants with adequate training and experience in program evaluation;
- involves staff or consultants who are independent of programs being evaluated and who can therefore provide objective evaluative information;
- can clearly focus the evaluation on the outcomes produced by the program, rather than its outputs. Trained, experienced program evaluators can provide for better measurement of outcomes achieved and better analysis of the real contribution a program is making to those outcomes; and
- results in the collection of additional, verifiable data about the program that is needed by evaluators in order to make objective judgements about the program.

6.32 We would caution however, that program management and staff must be consulted regularly throughout the completion of a formal program evaluation. Otherwise, findings and recommendations may not reflect the realities of the program.

How is the Office of the Auditor General involved in program evaluation?

6.33 The *Auditor General Act* states:

13(2) Each report of the Auditor General under subsection (1) shall indicate anything he considers to be of significance and of a nature that should be brought to the attention of the Legislative Assembly including any cases in which he has observed that ...

(f) money has been expended without due regard to economy or efficiency;

(g) procedures have not been established to measure and report on the effectiveness of programs, where, in the opinion of the Auditor General, the procedures could appropriately and reasonably be used; or

(h) procedures established to measure and report on the effectiveness of programs were not, in the opinion of the Auditor General, satisfactory.

6.34 In other words, our Office has a clear, legislative mandate to indicate whether appropriate effectiveness reporting systems are in place. In recent Reports, we have identified deficiencies in the procedures in place to measure and report on the effectiveness of a number of programs. These have included:

- child day care facilities;
- salmon aquaculture;
- absenteeism management;
- environmental inspections; and
- employment development programs.

6.35 We continue to believe that improvements are needed in departmental effectiveness reporting. We also feel that enhanced departmental program evaluation has the potential to contribute to such improvements.

6.36 Program evaluation is complementary to the activities of our Office. It does not duplicate our work. Therefore, we feel it is important that we ensure that this important function is being adequately performed by provincial departments.

Responses to our departmental program evaluation survey

6.37 The following sections summarize the responses we received to our departmental program evaluation survey. Of the eighteen responses received, twelve departments responded on the basis of overall departmental operations. The other six departments responded from the perspective of one or more specific programs administered by the department. As the survey responses did not vary based on the basis of completion selected by the departments, we have chosen to aggregate the feedback of all eighteen departments.

6.38 In reading the survey summary, it should be kept in mind that departmental responses are a general approximation of the way evaluative information is produced and used. Practices within departments for specific programs may vary. It should also be noted that survey respondents for a few of the departments indicated that improvement initiatives are ongoing in the area of program evaluation. Responses provided reflect the situation as of October 2004.

Evaluation of ongoing programs

6.39 Most existing programs delivered by provincial departments fall under the category of ongoing programs. In a lot of cases these programs have been in place for many years. However, the length of time a program has been in place is not an indicator of how effective it is. It is very important that ongoing programs be evaluated periodically to ensure they continue to be relevant, cost-effective, and successful in achieving their objectives.

6.40 We asked departments to comment on the evaluation of ongoing programs. Departments were first asked what information is normally produced in relation to those programs. A summary of their responses is presented in Exhibit 6.2.

Exhibit 6.2

Information produced for ongoing programs

Type of Information	Number of Departments
Narrative-style activity reports	18
Cost-budget comparisons	18
Numerical activity reports	16
Client acceptance/satisfaction information	16
Full time equivalent staff working on the program	15
Formal evaluation reports	13
Reports comparing actual and targeted results for pre-defined performance measures	12
Other, generally department-specific information	11

6.41 From these responses, it appears that a wide variety of information is produced by departments in relation to ongoing programs that can be referred to by decision-makers.

6.42 We next asked departments if they evaluate the effectiveness of ongoing departmental programs on a regular basis. Thirteen of the eighteen departments indicated that they do. Some responses noted that departments delivering federal-provincial cost-shared programs are usually required to periodically evaluate the effectiveness of

those programs and report their findings to the Government of Canada.

6.43 Four of the five departments that do not regularly evaluate programs indicated that they do some evaluation of programs. Those departments indicated that a lack of resources available for the function, and/or departmental staff having higher priorities that take available time, preclude the regular evaluation of programs. One department indicated that there was no funding available for the function “*until recently*”. Comments from these five departments included:

Although program evaluation is a valuable tool to measure performance it requires additional resources that the Department does not currently have.

Staff shortages ... are such that programs can only be evaluated on a periodic basis. ...

6.44 Departments were then asked to identify which three types of information produced for ongoing programs are used most often in evaluating the effectiveness of ongoing departmental programs. They were also asked to provide some rationale for those choices. Exhibit 6.3 presents a summary of their responses. All eighteen departments responded to this question.

Exhibit 6.3

Information relied upon most heavily in evaluating program effectiveness - ongoing programs

Type of Information	Number of Departments
Numerical activity reports	11
Cost-budget comparisons	11
Narrative-style activity reports	9
Reports comparing actual and targeted results for pre-defined performance measures	8
Client acceptance/satisfaction information	7
Formal evaluation reports	4
Other, generally department-specific information	3
Full time equivalent staff working on the program	1

6.45 The following is a sample of the rationale provided by departments for their choices.

Numerical Activity Reporting is important because it provides quantitative measures and validates narrative reporting. Information can also be used for trending, benchmarking, and comparing programs in different regions.

Budgetary efficiency is viewed as a good indicator of overall efficiency. The ability to stay within budget is also considered to be a good indicator of successful planning.

Narrative or qualitative reporting is valuable; it promotes on-going communication and allows us to be kept abreast of the current state of the program. Most importantly it is able to flag potential pressures and challenges so that they may be addressed prior to becoming major challenges and/or a provincial issue.

Reports comparing actual and targeted results: Assuming appropriate targets have been set this is an accurate reflection of "success" ...

Client surveys are useful since they provide a relatively continuous indication of effectiveness and they are relatively cost-effective.

Formal evaluations are the most useful since they tend to provide the most objective, comprehensive information to management.

6.46 Departments were also asked to identify which three of the types of information produced for ongoing programs are used most often in determining whether or not to continue an existing program. They were again asked to provide some rationale for those choices. Exhibit 6.4 presents a summary of their responses. Not all departments responded to this question and a few of those that did provided less than three choices.

Exhibit 6.4

Information relied upon most heavily in determining whether to continue a program

Type of Information	Number of Departments
Cost-budget comparisons	10
Numerical activity reports	6
Client acceptance/satisfaction information	6
Reports comparing actual and targeted results for pre-defined performance measures	5
Narrative-style activity reports	4
Formal evaluation reports	4
Other, generally department-specific information	4
Full time equivalent staff working on the program	1

6.47 Cost-budget comparisons proved to be the most popular choice for departments. The following is a sample of the rationale provided by departments for their selections.

Cost/budget comparisons. Every dollar spent on programs is a scarce resource; therefore, in delivering programs it is essential that the cost of the program not exceed the budget allotment.

Numerical activity reports provide objective quantitative information that, in conjunction with other qualitative information, may help assess the on-going need for a program.

Client acceptance/satisfaction information. This provides information about the popularity of a given program by the general public or client group and is a good measure of overall performance.

... Comparing actual to targeted results allows senior management to address the efficiency of a program from a policy perspective.

Narrative activity reports. Narrative style reports are best able to capture the real-world consequences of a program cut. They are concise and easy to interpret.

A decision to discontinue a program would normally be made on the basis of the results of a formal evaluation. ...

The report not only has conclusions, it contains recommendations which have to be addressed by a management body and then approved by the departmental senior management committee.

6.48 One Department also provided the following comment in relation to this question.

Although not applicable, it should be noted that the most important considerations when determining whether to keep a program or cut it during a budget crunch has little to do with performance, but rather whether or not there is a legislated requirement to deliver the program. ...

6.49 We asked departments to indicate, in their opinion, the two most important factors that are considered in deciding upon the level of resources to be provided for individual programs during the budget process. Exhibit 6.5 summarizes departmental responses to that question. All eighteen departments responded to this question, although one department provided only one choice.

Exhibit 6.5

Key factors in allocating funding to programs

Type of Information	Number of Departments
The departmental budget	13
Priorities as identified in the departmental strategic plan.	13
Actual program expenditures in prior years	5
Program managers' recommendations	2
Recommendations from formal program evaluations	1
Other (i.e. government priorities)	1

6.50 From the responses, it is clear that departments in general focus heavily on the departmental budget and linkage with the strategic plan. Fewer departments chose performance-related factors such as actual expenditures, recommendations from formal program evaluations or other performance-related factors. Comments from departments relating to this question included:

It should be noted that the Senior Management Committee of the Department plays a significant role in interpreting and prioritizing various programs and initiatives. The

priorities in the strategic plan provide valuable context for such decisions.

The departmental strategic plan is tied to the government's prosperity plan and government's stated policy objectives. Therefore, it is a critical element in evaluating all departmental programs. ...

Evaluation of potential new programs

6.51 Perhaps one of the most difficult tasks associated with providing good programming to New Brunswick residents is creating effective new programs. There are many factors that must be taken into account and steps that must be taken to ensure that new programs are effective in achieving what was envisaged for them.

6.52 We asked departments to indicate the tasks that are completed when developing, designing and implementing a new program. A summary of their responses is shown in Exhibit 6.6.

Exhibit 6.6

Tasks completed in developing, designing and implementing new programs

Tasks	Number of Departments
Setting program objectives	18
Identification of target clients	17
Research to determine best practices	17
Preparation of operating budget	17
Preparation of program documentation	17
Research to support linkage between planned activities and achievement of program objectives	16
Design of information capture and reporting systems	16
Analysis of population needs	15
Hiring and/or reallocation of qualified staff	15
Program cost/benefit analysis	13
Development of performance indicators and targets	13
Preparation of logical flow diagrams	10
Other	7

6.53 Other items described by the departments included:

- determination of the wishes of government and government approval; and
- preparation of communication materials such as brochures and bulletins to advise the general public about new programs.

6.54 The survey then asked what departmental staff is assigned responsibility for new program development, design and implementation. Departments provided the following feedback. Note that in some departments, responsibility is shared between more than one group.

- Program directors/management are assigned responsibility in fifteen departments.
- The departmental planning branch is assigned responsibility in five departments.
- Senior management is assigned responsibility in four departments.
- A departmental team is assigned responsibility in one department. The department described their unique approach as follows:

Program Monitoring and Development Division is responsible for leading new program design but the department operates on a team based approach. A program design team would include members from the regions, and the finance, information technology, policy, and planning branches.

They also say:

The department has added a number of new programs in the past few years as a result of federal/provincial agreements. Program evaluation is a component of program design and the program evaluators participate in all program designs.

Evaluation of pilot programs

6.55 An alternative means of testing program ideas without going to the expense of full implementation of a program is to carry out a pilot program. Intrinsic in the use of pilot programs for program decision-making though, is the need to set clear objectives, capture data that will allow for the assessment of effectiveness of the pilot, and carry out that evaluation once the pilot program has been completed. In many cases a decision whether or not to continue or expand the pilot program and even fully implement the program on a global basis will be based almost entirely on the results of the pilot.

6.56 We asked departments if they had undertaken pilot programs in the last three years. Nine of the departments indicated that they had. Those nine departments reported that approximately forty pilot programs have been undertaken in the past three years, some of which are still ongoing. The Departments of Education, Tourism and Parks, and Family and Community Services have used pilot programs most often during the past three years.

6.57 We also asked departments what information is normally generated in relation to pilot programs. Exhibit 6.7 summarizes their responses.

Exhibit 6.7

Information produced for pilot programs

Type of Information	Number of Departments
Narrative-style activity reports	9
Numerical activity reports	9
Cost/budget comparisons	9
Client acceptance/satisfaction information	8
Full time equivalent staff working on the program	8
Formal evaluation reports	8
Reports comparing actual and targeted results for pre-defined performance measures	6
Other	3

6.58 Departments were then asked which three of these types of information are considered most useful when determining whether to continue, expand, defer, or discontinue a pilot program. A summary of their responses can be seen in Exhibit 6.8. One department provided four choices, all of which were included in our tabulation.

Exhibit 6.8

Information relied upon most heavily in evaluating a pilot program

Type of Information	Number of Departments
Cost/budget comparisons	7
Numerical activity reports	6
Formal evaluation reports	6
Narrative-style activity reports	3
Client acceptance/satisfaction information	3
Full time equivalent staff working on the program	2
Reports comparing actual and targeted results for pre-defined performance measures	1

6.59 The following is a sample of the rationale provided by departments for their choices:

Cost budget comparisons – At the pilot stage, the ability of a program to proceed within budget is a major consideration.

Numerical activity reports – These provide quantitative, statistical information about the performance of the program.

Formal evaluations form the basis for decisions to roll-out pilot projects.

Formal program evaluations

6.60 As we indicated earlier in this chapter, we feel that formal program evaluations provide a depth of information relating to program effectiveness that may not be available elsewhere. Consequently, the survey asked departments some questions about the use of formal program evaluations as a means of obtaining program decision-making information. For the purposes of this section, formal program evaluations should be defined as program evaluations resulting in reports with comments/recommendations relating to program effectiveness and accountability.

6.61 Of the eighteen departments surveyed, fourteen indicated that they complete formal program evaluations and four indicated that they do not.

6.62 Departments that do not carry out formal evaluations indicated that they are either not resourced for this function, or that alternate sources of evaluative information are considered sufficient. One department also made a valid point that has been a criticism of formal program evaluations in the past.

It is critical for the public service to provide timely information for the decision-making process. Formal evaluations often do not allow for this timely production of key data. ... In addition, formal evaluations tend to be time and resource intensive, require “technical” expertise that is not readily available, often take a long time to complete, and have not proven to be highly useful as timely decision-making tools. Evaluators are generally not particularly familiar with programs and often do not have the necessary

credibility with program managers and staff, re objectivity, environmental awareness/sensitivity, etc.

6.63 This comment points to the need to have program management involved throughout the process when formal program evaluations are being undertaken and to clearly establish up front the expected outputs of formal program evaluations and the deadline by which those outputs are needed.

6.64 Of the fourteen departments that indicated that they carry out formal program evaluations, three currently have program evaluation units within their departments. Units exist within the Department of Family and Community Services, the Department of Education, and the Department of Training and Employment Development. Among those units, one has recently added staff while the other two have had staff cuts. One other department had a program evaluation branch in the past, but it was eliminated during a recent restructuring exercise. That department's program evaluation responsibilities have been reassigned to its internal audit unit.

6.65 The following comments are from some of the eleven departments that do formal program evaluations but do not have a program evaluation unit.

Staff have evaluation responsibilities along with other responsibilities. Evaluations are managed as projects and staff are assigned to the project based on subject knowledge.

While we do not have staff that is dedicated solely to the task of "formal program evaluation", three or four of our staff members perform this function as driven by business requirements.

The role of the ... Division has been fundamentally changed as a result of budget decisions thus reducing significantly the [department's] capacity to do formal program evaluations either for internal use or for departmental clients.

6.66 All fourteen of the departments that said they carry out formal program evaluations indicated they have hired third party consultants to perform formal evaluations. On average each of the fourteen

departments has hired four to five third party consultants over the last three years.

Evaluation guidelines

6.67 We asked departments whether there is a departmental policy or framework for the evaluation of programs managed by their departments. Four indicated that such a document exists for their department and the other fourteen indicated that it does not. Some, but not all, of these frameworks are driven by the desire of the Government of Canada to have cost-shared programs evaluated. Completion of periodic evaluations is often a requirement to receive federal funding under these programs. For example, one department stated:

... The evaluation framework is included in the Implementation Agreement between the Government of Canada and the Government of New Brunswick ...

6.68 Various authorities recognize that having a comprehensive and effective program evaluation framework is very important in ensuring that programs are relevant, successful, and cost-effective. For example, the Treasury Board of Canada Secretariat has developed the document Program Evaluation Methods: Measurement and Attribution of Program Results, previously referred to in this chapter, to provide guidance to federal departments and agencies.

General departmental comments

6.69 We asked departments to rate the overall effectiveness of program evaluation as currently practiced in their departments. Four departments rated departmental effectiveness in evaluating programs as excellent; eleven rated it as being at an acceptable level; and three rated it as needing improvement.

6.70 Some examples of the comments made by departments in rating their program evaluation effectiveness follow.

The Department as a whole values program pilots, evaluation and ongoing monitoring. ...

Program evaluation at [the Department] is a formalized activity. An Audit and Evaluation Committee meets bi-monthly to develop/review annual evaluation work plans, to consider evaluation reports and management responses. This ensures that evaluations results are taken seriously in

program design and delivery. Program evaluation is a mandatory component of program or pilot design. ...

For those programs that are evaluated by the Department, the process used is considered effective. With additional resources, the Department would likely have a greater opportunity to broaden its evaluation practices. ... Resource limitations and the lack of formal guidance on how to conduct program evaluation have been identified as the limiting factors for such programs.

Currently, program evaluation is irregular, inconsistent and not part of regular management activities. Our formal internal process is in draft form and untested.

6.71 Departments were also asked what improvements they would like to see in the way programs are evaluated within their department. Here are some of the comments they provided.

Resources (human or financial) to carry out more regular evaluations would enhance capability to assess effectiveness and adjust programming on a regular basis.

... It would be helpful for a departmental evaluation model to be developed.

Increased publication of the Department's programs and their outcomes, including the release of evaluation information. A departmental guidance document for managers on how to properly conduct program evaluation. A greater focus on client needs. ... Ideally, a dedicated internal audit/evaluation group within the department would be able to provide a high quality evaluation service. However, with current budget pressures, this option is not feasible.

... In principle, an evaluation capacity should be built into every program. This means having clearly stated goals/objectives; and specified program performance measures and indicators that are collected, compiled, analyzed, monitored and reported on a regular, timely basis in a standard format to program and senior department managers. ...

6.72 Departments also provided other comments related to program evaluation. For example, one department summed up the trade-off implicit in any decision to provide more resources for the program evaluation function in government as follows:

A more formal evaluation process would require the reassignment of existing resources from program delivery to program evaluation. Due to the impact on clients, it would be difficult to justify such a reallocation of resources. ...

6.73 Several departments also indicated that while departments are involved in delivering programs, it is ultimately government that decides which programs are to be delivered. Comments included:

... many program decisions are based on changes to [program] goals and objectives by central government. ...

Determining if and when to implement changes identified/ recommended as being warranted is generally the prerogative of the elected government, not the public service ...

... elected governments determine what programs are started and continued, while the public service determines how they are designed and operated ...

6.74 The implication was that departments generally do not decide which programs they will deliver or what the objectives of those programs will be. However, we believe that departments are in a position to influence those decisions by providing accurate and timely evaluative information that will be used by governments in making programming decisions. As one department stated:

Making the best use of public sector resources is certainly an important and “timeless” concern, and identifying opportunities to improve effectiveness, efficiency and quality is an essential function of public sector managers and employees. ... It is the responsibility of the public service to provide elected officials with the timely, accurate and comprehensive information they need to make sound decisions on public policy and programs.

Chapter 7

Other Audit Work in Departments and Crown Agencies

Contents

Background	147
Scope	148
Department of Education - Payroll procedures in school districts	149
Department of Family and Community Services - NBCase System	150
Department of Justice - Pre-arranged Funeral Services Program	166
Losses through fraud, default or mistake	169

Other Audit Work in Departments and Crown Agencies

Background

7.1 The Legislative Assembly approves the budget that sets out the government's financial plans. The duties imposed on our Office require us to audit the actual financial results and report our findings to the Legislative Assembly.

7.2 Our audit work encompasses financial transactions in all government departments. As well, we audit pension plans and other trust funds, including the Fiscal Stabilization Fund.

7.3 We also audit the Crown Corporations, Boards, Commissions and other Agencies which are listed below.

7.4 Agencies included in the Public Accounts:

- Advisory Council on the Status of Women
- Algonquin Golf Limited
- Algonquin Properties Limited
- Kings Landing Corporation
- Lotteries Commission of New Brunswick
- NB Agriexport Inc.
- New Brunswick Advisory Council on Seniors
- New Brunswick Advisory Council on Youth
- New Brunswick Credit Union Deposit Insurance Corporation
- New Brunswick Crop Insurance Commission
- New Brunswick Highway Corporation
- New Brunswick Municipal Finance Corporation
- New Brunswick Public Libraries Foundation
- New Brunswick Research and Productivity Council
- Premier's Council on the Status of Disabled Persons
- Provincial Holdings Ltd.
- Regional Development Corporation
- Regional Development Corporation - Special Operating Agency

7.5 Other Agencies:

- Le Centre communautaire Sainte-Anne
- Legal Aid New Brunswick

Scope

7.6 To reach an opinion on the financial statements of the Province, we carry out audit work on the major programs and activities in departments. In addition, we audit major revenue items and a sample of expenditures chosen from departments. We also test controls surrounding centralized systems.

7.7 We take a similar approach to our testing of the Province's pension plans. Our objective in doing this work is to reach an opinion on the financial statements of each plan.

7.8 Because of the limited objectives of this type of audit work, it may not identify matters which might come to light during a more extensive or special examination. However, it often reveals deficiencies or lines of enquiry which we might choose to pursue in our broader scope audit work.

7.9 It is our practice to report our findings to senior officials of the departments concerned, and to ask for a response. Some of these findings may not be included in this Report, because we do not consider them to be of sufficient importance to bring to the attention of the Legislative Assembly, or because public attention to weaknesses in accounting controls before they are corrected could possibly result in loss of government assets.

7.10 Our work in Crown agencies is usually aimed at enabling us to give an opinion on their financial statements. During the course of this work, we may note errors in accounting records or weaknesses in accounting controls. We bring these matters to the attention of the agency, together with any recommendations for improvement.

7.11 This chapter of our Report summarizes issues related to departments and Crown agencies which we consider to be significant to the Members of the Legislative Assembly.

7.12 Our examination of the matters included in this chapter of our Report was performed in accordance with Canadian generally accepted auditing standards, including such tests and other procedures as we considered necessary in the circumstances. The matters reported should not be used as a basis for drawing

conclusions as to compliance or non-compliance with respect to matters not reported.

Department of Education

Payroll procedures in school districts

Termination procedures

7.13 As part of our audit of the financial statements of the Province for the year ended 31 March 2004, we audited payroll procedures in school districts.

7.14 During the course of our work, we found that school districts do not follow proper procedures when employees are terminated, especially for the termination of teachers. Employees are remaining active in the payroll system beyond their actual termination dates. We did see instances where staff had to re-deposit cheques produced in error for terminated staff. Consequently, we feel there is risk associated with leaving these employees active in the payroll system.

7.15 In addition, teachers who leave the employ of the school district at the conclusion of the school year continue to be paid on a bi-weekly basis until the pro-rated balance owed to them upon termination has been paid. According to the Department's Payroll Manual for School District Administrators, employees are to be terminated in the system when the employment is ended and are to receive a final cheque upon their termination.

Recommendations

7.16 We recommended the Department ensure that employees are terminated in the payroll system on the actual termination date.

7.17 We further recommended that any amounts owing to employees upon termination be paid to employees in the pay period in which the termination date falls.

Departmental response

7.18 *We will contact our school districts regarding this finding and inform them of the proper procedures to be followed when terminating employees. We will also emphasize the importance of adopting the proper procedures for the payment of teachers that are terminated at the conclusion of the school year. We will revise our payroll procedures to include the process to be followed for the termination and payment of teachers at the end of the school year.*

Documentation in personnel files

7.19 In two of the three districts tested we found a lack of adequate documentation in the personnel files of casual employees. At a minimum, one would expect to see a document authorizing the hiring of an employee on a casual basis, with an indication of the rate of pay

offered for the employment and any other conditions of employment. This information was not always found in the files of casual employees.

Recommendation

7.20 We recommended the Department ensure that the districts provide casual employees with proper documentation indicating the terms and conditions of their employment and that a copy of this documentation be maintained in the personnel file.

Departmental response

7.21 *We will be in contact with our school districts regarding this matter and will stress the importance of having appropriate documentation in all of the school district employee files.*

**Department of Family
and Community
Services**

NBCase System

Background

7.22 This section of our Report describes the results of our audit of NBCase, the social assistance payment and case management system in the Department of Family and Community Services (FCS). We chose this system because we believe it is a key computer application in the provincial government – it processes payments in excess of \$186 million. Our Office has a long range plan to audit all key computer applications in the Province to support our audit opinion on the provincial financial statements.

7.23 NBCase is the automated case management system, developed by Accenture Inc. (formerly Andersen Consulting) and FCS in the mid 1990s. Its main functions include: determining client eligibility, calculating client payment amounts, and maintaining client history information. In 2003, the NBCase system managed on average 27,000 cases representing approximately 50,000 clients and processed over 600,000 financial transactions. In May 2003, FCS and Accenture signed a three-year contract for Accenture to operate and maintain the NBCase system.

7.24 Accenture has a team of eighteen people who are responsible for operating and providing application maintenance and support to NBCase. The two FCS branches that manage the NBCase system are Operational Support and Information Technology Services (ITS). The Operational Support branch is responsible for all operational issues relating to NBCase, for example, prioritizing system changes, and approving system access. The Information Technology Services branch is responsible for monitoring the Accenture contract and providing help desk support to NBCase users.

Scope

7.25 In our computer application audits, we have an overall audit objective and use a standard approach to achieve the objective.

7.26 Our overall audit objective was:

To determine if we can rely on the NBCase system for purposes of expressing an opinion on the Province's financial statements for the year ended 31 March 2004.

7.27 Our standard approach is divided into two phases: computer control environment review and application control review.

7.28 In the first phase, we review and assess the adequacy of the computer control environment in which the application operates. To accomplish this, we assess controls such as system security, program changes and business continuity. Internal audit and its role with respect to the computerized application is also included in our review.

7.29 If we determine that the control environment is adequate, we proceed to the second phase of our audit where we examine the controls specific to the application. In this phase, we document the system, determine key system controls that help ensure that transactions are complete, accurate and authorized, and assess whether or not these controls are effective enough for us to rely on them for our financial statement work.

Results in brief

7.30 Based on our positive conclusions on the computer control environment and the application controls and transaction testing, we conclude that we can rely on the NBCase system for purposes of expressing an opinion on the Province's financial statements for the year ended 31 March 2004. We did, however, make a number of observations and recommendations.

Phase I: Computer control environment

7.31 During our audit of the NBCase computer control environment, we examined policies and procedures relating to:

- access to programs and data,
- program change controls,
- business continuity planning,
- security awareness and administration, and
- physical security and environmental controls.

<i>Conclusion on the control environment</i>	7.32 Based on our examination, we believe that the NBCase computer control environment is adequate to support the operation of the NBCase system. We noted a number of areas where improvements should be made. These areas are addressed in the following observations and recommendations.
<i>Access to programs and data</i>	7.33 As mentioned above, Accenture is responsible for operating and maintaining the NBCase system. To perform these functions, Accenture must have access to the Unix operating system on which NBCase is running. We noted a number of issues relating to this operating system environment. 7.34 In the NBCase user access section, we discuss issues noted in the procedures used by FCS to control system access to NBCase.
Unix operating system	7.35 While we did not conduct an in-depth review of the Unix operating system, we noted a number of practices that are not normally associated with “good” security procedures. 7.36 We believe the Department should perform a “threat/risk assessment” for the NBCase system. This would identify all potential threats to the system, the risk of their occurrence and how the Department plans to manage the threats.
NBCase user access <i>Approving access requests</i>	7.37 No formal process exists to approve user access requests for the NBCase system. A formal process would help ensure that all users are authorized to use the system. From our discussions with the Department, we learned that a number of informal processes are currently being used.
<i>Compliance with government standards</i>	7.38 In March 2003 the Government of New Brunswick released “Password Standard for User Accounts” which outlines baseline security for all user accounts. The NBCase system received a grandfathering exemption for these standards. However, this exemption does not alleviate the Department from its obligation to have security surrounding the system. During our audit, we noted that the NBCase system does meet certain requirements outlined in the standards such as using password masking and inactivity timeout intervals, but we also noted several other requirements that are not being met. In the following paragraphs, we discuss situations where NBCase is not meeting the government standards.

- The NBCase system is not automatically disabling accounts after ninety days of inactivity. We found approximately 180 user accounts that had not accessed NBCase in the last ninety days. In fact, 17 users had not logged into the system during the last five years and 43 users had never logged in at all. Not disabling inactive accounts increases the risk of unauthorized system access. The Department should modify the system to perform this function or should manually review and disable inactive accounts.

We are pleased to report that the Department has taken steps to identify and disable inactive accounts.

- The NBCase system does not require special characters to be used in passwords, nor does it require users to change their passwords every sixty days. Increasing the complexity of passwords and changing them frequently, reduces the risk of unauthorized access to the system. The Department should modify the system to comply with the government standards, or should establish alternate procedures to enhance security.
- NBCase users may be assigned more than the minimum system privileges required for them to perform their work. No document is communicated to FCS staff outlining the system privileges of each “desk role”. Users being assigned more privileges than their job requires, increases the risk of unauthorized transactions occurring in the system.

Recommendations

7.39 We recommended the Department perform a threat/risk assessment for the NBCase application. This assessment would identify all potential security risks and help the Department to manage these risks.

7.40 We recommended the Department formalize a process to approve new NBCase user access requests. This process should identify individuals who are responsible for approving user access requests.

7.41 We recommended the Department modify the NBCase system to automatically disable user accounts after 90 days of inactivity or develop a manual process to perform this function.

7.42 We recommended the Department modify the NBCase system to comply with the government baseline security requirements for passwords. If modifying the system is not feasible, then the Department should establish alternate procedures to enhance security.

7.43 We recommended the Department provide a document outlining user “desk role” privileges to all people responsible for determining system access. These people should be instructed to provide the minimum access required for users to perform their job duties.

Program change controls

7.44 Program changes are necessary for information systems to meet the needs of users. Proper control of program changes ensures that only authorized and tested changes are made. The two types of program changes that are usually made to a system are scheduled and emergency changes.

7.45 With the NBCase system, scheduled changes are made using a release method. With this method, a number of changes are “bundled” together and then implemented at one time. FCS usually implements three or four releases per year. Changes that must be made immediately are performed by changing the program code or by correcting the data (datafixes) depending on the situation. Emergency changes are relatively risky and thus require tight control procedures to ensure that only authorized program changes and data corrections are made.

7.46 We reviewed the process for controlling emergency changes (datafixes) and system releases. From our review, we believe adequate control procedures are in place to control emergency changes.

7.47 We examined the procedures for the November 2003 release and found that all program changes in the release were pre-authorized by FCS, tested by Accenture and FCS, and approved for production by FCS.

Business continuity planning

7.48 A business continuity plan (BCP) outlines the procedures to follow and the resources needed to ensure systems continue to operate if an interruption or disaster occurs. Business continuity planning includes such things as a business impact analysis,

emergency response procedures and an information technology recovery plan.

7.49 FCS has not formalized many components of a business continuity plan, such as:

- determining and documenting the maximum acceptable downtime of the NBCase system (component of a business impact analysis);
- documenting backup procedures and contact lists for the Department (component of emergency response procedures); and
- assigning responsibilities should a disaster occur (component of emergency response procedures).

7.50 We noted that FCS does have an extensive information technology recovery plan for the NBCase system. Accenture updates the plan whenever the NBCase infrastructure or hardware changes. Each year, part of the plan is tested through the routine transfer of information from the NBCase server to the training server.

7.51 Not having a complete business continuity plan means that the Department may be unable to process social assistance payments if an interruption or disaster occurs. The Department should assess this risk and its impact on the public. Plans to manage these risks should be developed if necessary.

Recommendation

7.52 FCS should develop and document a complete BCP to help ensure that social assistance clients are not seriously affected if an interruption or disaster occurs. The BCP should be reviewed and tested whenever changes to the NBCase system occur.

Audit Services

7.53 The Audit Services unit is responsible for measuring and evaluating internal control systems. Two sections in the unit are Caseload Sampling and Telephone Case Review. The work of these two sections represents detective controls for the social assistance program. The Caseload Sampling section is responsible for monitoring the continuing eligibility of social assistance clients, while the Telephone Case Review section complements the case management process by confirming client information. They report the results of their work to an Audit and Evaluation Committee which consists of ten members including the Deputy Minister and three Assistant Deputy Ministers. The purpose of the committee is to act as

a decision making body and to provide leadership and support to Audit Services.

7.54 We reviewed the work and the findings of the Caseload Sampling and the Telephone Case Review sections to determine if we can rely on their work for our audit opinion. We assessed factors such as the scope, knowledge, competence and due care of the Caseload Sampling and Telephone Case Review sections. We also tested two Caseload Sampling and one Telephone Case Review projects. While we found that we could rely on their work for our purposes, we observed areas where improvements could be made.

Caseload Sampling section

7.55 Each year, the Caseload Sampling section (CSS) selects statistical samples of social assistance payments. Samples are divided into two groups – Target and Basic. The target group represents clients who have the potential to become self-sufficient in the near future. The basic group represents clients who have less potential to become self-sufficient and who will likely require a longer period of assistance.

7.56 The CSS tests the continuing eligibility of approximately 1,600 clients each year. For each region, one month is selected and a sample of roughly 145 clients is tested. All errors are provided to case managers for review and correction. The errors are projected over the monthly population. An estimate of both the amount of ineligible payments and the expected error rate for the month is produced. The CSS compares this error rate to the tolerable error rate of 2% set by the Department.

The projected error rate exceeds the tolerable level set by the Department

7.57 For the past four years, the average projected error rate for all regions has been greater than the 2% rate set by the Department. For example, the average projected error rate in 2003 was 4.68%. Although the CSS has consistently calculated the error rate for all regions to be above 2%, we saw no evidence that the Audit and Evaluation Committee has tried to determine the cause of this problem or to established a plan to try to reduce the amount of errors.

7.58 To estimate the annual amount of ineligible payments made by FCS, we projected the average monthly error rate over the annual population. While this approach is not statistically correct and assumes that the amount of error is consistent from month to month, we believe it is a reasonable approximation. Using the average error

rate of 4.68% and an annual population of \$173 million, we estimate the error amount to be approximately \$8.1 million. The Department's tolerable error amount would be \$3.5 million based on the 2% tolerable error rate.

CSS does not use a risk based approach for sample selection

7.59 The CSS is not using a risk based approach for selecting its statistical sample. Adopting this approach would allow the CSS to focus its limited resources in the areas where errors are most likely to occur. To identify areas of risk or trends, the CSS should analyze its past reports. We examined the reports of the CSS for the past five years and provided Audit Services with the results. We noted the following:

- The basic group error rate has improved more than the target group error rate. For example, the basic group error rate improved from 10.82% to 4.19%, while the target group error rate improved from 13.92% to 9.25%. The CSS has not changed its sample selection method despite these results.
- On average, the regions with large cities have higher error rates than the regions with smaller communities. For example, the average total error rate was 11.10% for the three regions of Saint John, Moncton and Fredericton, while the average total error rate was 8.83% for the other five regions. On average, the CSS sample sizes are the same for each region.

Audit services does not use the results of the regional investigators work

7.60 Audit Services is not using the work of the regional investigators when planning its work. The regional investigators investigate clients based on complaints. We analyzed the detailed results of the regional investigators and found that the Interim Assistance program had the highest error percentage. We believe that this information would be useful to Audit Services when planning its yearly audit so that it focuses its efforts on the riskiest programs.

CSS does not verify client payments and overpayments

7.61 CSS is not verifying the calculation of client payments and overpayments as part of its testing. Given the continuous upgrading of the system and the users ability to override system calculated amounts, having the CSS verify these amounts would help ensure the accuracy of client assistance. In our testing, we found one case where an overpayment was identified by CSS, but set up incorrectly by the case manager. The CSS did not discover this error.

7.62 The Office of the Comptroller's review of the Income Security Program in 2000 also recommended that CSS verify client payment amounts.

*Department is not implementing
CSS recommendations*

7.63 We believe that the Department is not successfully implementing the recommendations of the CSS. For example, for the past three reviews, the CSS found that one region did not always comply with FCS policies, procedures and legislation (e.g. third party payment policy). While the CSS discussed these findings with the regional director, the fact that the same issue has occurred for the past three reviews indicates that the problem is not being corrected.

7.64 From our discussions, we learned that the Audit and Evaluation Committee is not receiving the recommendations of the CSS. This information should be provided to the Committee so that it is aware of the problems and can put plans in place to implement the recommendations. This would also allow the Committee to do high-level analysis of issues and trends.

Telephone Case Review

7.65 Each year the Telephone Case Review section (TCRS) contacts selected groups of social assistance clients by telephone to confirm client information. Examples of TCRS project groups are: dependants aged 18 and over, and single parents aged 25-30 with no earned income. The TCRS reviews 2 – 4 groups of clients each year. The results of its work are reported to the Audit and Evaluation Committee. In one year, this section identified 91 overpayments in a test group of 2,675 and determined a net monthly savings total of \$119,762. We found that the results of the TCRS are not compared to the Caseload Sampling section's work to identify risk areas or trends.

Recommendations

7.66 We recommended the Department review annually the population error rate estimated by the CSS. If this error rate is above the tolerable departmental error rate, the Department should implement additional procedures to reduce the error rate to the tolerable level.

7.67 We recommended the CSS adopt a risk based approach to selecting its audit sample. This would include analyzing trends from its previous years' reports and the work of both the regional investigators and the TCRS to identify the highest areas of risk in the population.

7.68 We recommended the Audit Services' Caseload Sampling section verify the calculation of client payments and overpayments as part of its routine testing.

7.69 We recommended the Audit and Evaluation Committee receive all recommendations made by Audit Services.

7.70 We recommended the Audit and Evaluation Committee ensure that appropriate action is taken on the recommendations of the Caseload Sampling section.

Phase II: Application controls

7.71 For a social assistance payment system to be effective, we determined that the following five risks must be controlled:

- assistance payments are inflated by ineligible clients;
- assistance payments are inflated by ineligible benefits;
- errors occur in assistance payment calculation;
- recovery of overpayments is not correct; and
- clients are not paid for all benefits each month and that each month's payments are not recorded.

7.72 In the sections below, we discuss each of the risks; identify the controls in place that help manage the risks; and recommend changes that will improve the controls' effectiveness.

7.73 Given the nature of the system, ensuring a client's continued eligibility is difficult and thus is the highest risk area. Once clients are on assistance, the onus is on the clients to inform the Department if their situation changes. Often clients do not provide this information for various reasons. Therefore, the Department must implement detective controls to identify clients that are no longer eligible to receive assistance. The proper functioning of these detective controls is essential to ensure the continued eligibility of clients.

Conclusion on application controls

7.74 Based on our examination, we believe that the NBCase application controls are adequate to ensure transactions are complete, accurate and authorized. We believe we can rely on these controls in combination with tests of transactions for our provincial audit opinion.

Risk that assistance payments are inflated by ineligible clients

7.75 We reviewed the key controls which help ensure that assistance payments are not inflated by ineligible clients. We

determined that the following controls were in place and working well for fiscal 2004.

- Client eligibility is determined appropriately by the NBCase system. This control helps to ensure that only valid clients are paid by the system.
- Unclaimed assistance cheques are controlled. This control helps ensure that only eligible clients receive cheques.
- Cheque preparation and cheque signing functions are separated. This control helps to ensure that only authorized cheques are produced.
- Client eligibility and existence is supported by documents on file. This control helps to ensure that only authorized clients are paid.

7.76 The following controls were in place for fiscal 2004 but need improvement. The first four controls detect instances where clients' situations have changed. We believe these four controls are essential in confirming the continued eligibility of social assistance clients.

- Assistance payments are audited regularly (at least yearly) by Audit Services (discussed previously in Audit Services section).
- NBCase data is cross referenced with third party data and discrepancies followed up.
- Complaints and internal requests are followed up by regional investigators.
- Client reviews are performed regularly.
- Medicare and social insurance numbers are validated by the system.

NBCase data is cross referenced with third party data and discrepancies followed up

7.77 Discrepancies between NBCase data and third party data are not always followed up in a timely fashion. Our audit revealed that a significant number of discrepancies between NBCase, EI and CPP data have not been reviewed. Case managers are responsible for following up EI and CPP discrepancies.

Recommendation

7.78 We recommended the Department continue to perform cross referencing of third-party data and ensure all discrepancies are followed up appropriately.

Complaints and internal requests are followed up by regional investigators

7.79 FCS has approximately seventeen regional investigators who investigate client cases for possible ineligibility. These cases are identified by case managers, the public, needs assessors or summer

students. The investigators are expected to examine between 28 – 32 cases per month.

7.80 During the course of our audit, we spoke with two regional investigators and analyzed investigation reports. We made the following observations.

- We found a number of regional inconsistencies that require further explanation by the Department. For instance there were large variations between regions in the follow-up percentages.
- The number of cases reviewed by regional investigators is less than expected.

Recommendations

7.81 We recommended the Department obtain explanations for the inconsistencies between regions that we observed.

7.82 We recommended the Department centrally monitor the regional investigators to ensure that their work load is distributed appropriately and that follow up is completed in a timely manner.

Client reviews are performed regularly

7.83 FCS policy requires social assistance clients to have regular case reviews. During a case review, an FCS employee meets with a client to update the information on file and to confirm that the client is still eligible to receive assistance. Most clients are required to receive a case review every twelve months.

7.84 Our testing of 26,000 records revealed that a small number (124) of case reviews were at least one year overdue.

7.85 We also analyzed the Audit Services Caseload Sampling testing for 2002/2003 and found that 6.8% of the financial errors related to clients who did not have a timely case review as required by policy.

7.86 We saw evidence that FCS was aware of the overdue case reviews and that it had put procedures in place to complete them by the end of summer 2004.

Recommendation

7.87 We recommended the Department ensure all case reviews are completed on time as required by policy.

Social insurance and medicare numbers are validated by the system

7.88 FCS policy requires social assistance clients to provide specific information to the Department within four months of being placed on assistance. If this information is not provided, the NBCase system will automatically terminate the client case. The following information must be provided within four months of being placed on assistance:

- a social insurance card (SIN) and a Medicare card for each adult client; and
- a medicare card and birth certificate for each child under 16.

7.89 We found examples of clients still on the system after four months, even though the above information had not been provided.

Recommendations

7.90 We recommended the Department determine why the system did not terminate the clients who were on assistance for more than four months and who were missing SIN and/or Medicare numbers. If exceptions to the policy exist, then the policy should be modified to reflect the exceptions.

7.91 We recommended the Department identify all NBCase clients who have no recorded SIN and/or Medicare number and ensure that these clients comply with departmental policy.

Risk that assistance payments are inflated by ineligible benefits

7.92 We reviewed the key controls which help ensure that assistance payments are not inflated by ineligible benefits. We determined that the following controls were in place and working well for fiscal 2004.

- Client benefit amounts are determined appropriately by NBCase. This control helps to ensure that clients are eligible for benefits paid.
- Exceptions or unusual payments are reviewed. This control helps to ensure payment amounts are approved and appropriate.
- Supporting documents are received and approved by case managers or needs assessors. This control helps to ensure that client benefit amounts are accurate.
- An audit trail that links system transactions to system users exists. This control helps to ensure that only authorized changes are made to client data.
- Information is verified/edited by the system before it is accepted. This control helps to ensure only authorized and accurate information is entered into the system.

7.93 The following controls were in place for fiscal 2004 but need improvement.

- Policies and legislation are known by case managers and needs assessors.
- Assistance payments are audited regularly (at least yearly) by Audit Services (discussed previously).
- Complaints and internal requests are followed up by regional investigators (discussed previously).
- Client reviews are performed regularly (discussed previously).

Policies and legislation are known by case managers and needs assessors

7.94 A significant number of policies are associated with the NBCase system. Applying these policies consistently and accurately is necessary to ensure that all clients are treated fairly. To do this, NBCase users need to quickly and easily research up-to-date policy information. The research tool they use is on-line help. On-line help is built into NBCase, is available in French and English and is updated regularly by the Department.

7.95 We spoke with eleven NBCase users to determine the usefulness and accuracy of on-line help. Eight users had concerns with the on-line help tool. The most common complaint was that it is difficult and time consuming to use. Users indicated that researching policies could take hours, as information could be searched for in various ways and each way could provide different results. Users noted that they often print out policies and keep their own copies at their desks. This practice increases the risk that users may use out-of-date policies.

Recommendation

7.96 We recommended the Department review on-line help and determine if it can be modified so that users can find information faster and easier. If this is not possible, the Department should provide users with training on how to use on-line help more effectively and efficiently.

Risk that errors occur in assistance payment calculations

7.97 We reviewed the key controls which help ensure that there are no errors in assistance payments. We determined that the following controls were in place and working well for fiscal 2004.

- Assistance payments are calculated by NBCase accurately. This control helps to ensure payments to clients are correct.

- System changes are approved and supported by documentation. This control helps to ensure only authorized and accurate changes are made to the system.
- Client inquiries are followed up. This control helps to ensure that client payments are authorized and accurate.
- Supporting documents are received and approved by a case manager or a needs assessor (discussed previously).
- Exceptions or unusual payments are reviewed (discussed previously).
- Information is verified/edited by the system before it is accepted (discussed previously).

7.98 The following controls were in place for fiscal 2004 but need improvement.

- Training is provided to NBCase users.
- Assistance payments are audited regularly (at least yearly) by Audit Services (discussed previously).
- Complaints and internal requests are followed up by regional investigators (discussed previously).
- Client reviews are performed regularly (discussed previously).

Training is provided to NBCase users

7.99 FCS does not have a formal training program for new NBCase users; each region provides its own method of training. The completeness of user training varies from region to region because departmental training standards do not exist. To process social assistance payments correctly, case managers need to learn both the NBCase system, and all of the departmental policies associated with the system.

Recommendation

7.100 We recommended FCS develop minimum training requirements for all new NBCase users to complete. These training requirements should focus on system as well as policy training.

Risk that recovery of overpayments is not correct

7.101 We reviewed the key controls which help ensure that the recovery of overpayments is correct. We determined that the following controls were in place and working well for fiscal 2004.

- Overpayment deductions are calculated automatically by the system. This control helps to ensure that client payments are reduced by the correct amounts if an overpayment is set up.

- Cheque stubs are provided to clients giving details of benefits and overpayment deductions. This control promotes third party verification of the accuracy of deductions.
- Client inquiries are followed up (discussed previously).

7.102 The following controls were in place for fiscal 2004 but need improvement.

- Overpayment amounts are calculated properly by the system.
- Training is provided to NBCase users (discussed previously).

Overpayment amounts are calculated properly by the system

7.103 Overpayment amounts are calculated automatically by NBCase. In our discussions with FCS staff, several noted concerns with the automatic overpayment calculation function. They noted instances where they believed overpayments were improperly calculated and that they found it difficult to correct an overpayment once it was set up.

Recommendation

7.104 We recommended the Department modify the NBCase system to make reviewing, tracing and verifying overpayment amounts easier for system users.

Risk that clients are not paid for all benefits each month and that each month's payments are not recorded

7.105 We reviewed the key controls which help ensure that clients are paid for all benefits each month and that each month's payments are recorded. We determined that the following controls were in place and working well for fiscal 2004.

- Total assistance payments are reconciled to the general ledger. This control helps to ensure that general ledger expenses are complete and accurate.
- Client inquiries are followed up (discussed previously).
- Supporting documents are received and approved by a case manager or a needs assessor (discussed previously).
- Cheque stubs are provided to clients giving details of benefits and overpayment deductions (discussed previously).

7.106 The following controls were in place for fiscal 2004 but need improvement.

- Assistance payments are audited regularly (at least yearly) by audit services (discussed previously).
- Training is provided to NBCase users (discussed previously).

Other observations***Delegation of authority***

7.107 During the course of our work, we noticed a number of policy exceptions that were “approved by the Minister”. We saw no evidence of the Minister’s written approval authorizing these payments. We reviewed departmental legislation to determine who is authorized to approve all payments (not just exceptions) and act on behalf of the Minister. The *Family Income Security Act* defines the Minister as “the Minister of Family and Community Services and includes any person designated by the Minister to act on the Minister’s behalf”. We saw no evidence that the Minister has explicitly designated any individual in the Department to act on his behalf. We believe this delegation of authority should be formally documented to comply with legislation and to protect those individuals who are acting on the Minister’s behalf.

Recommendation

7.108 We recommended the Minister’s delegation of authority be formally documented.

Departmental response

7.109 The Department responded positively to our report, and indicated their agreement with substantially all our recommendations.

**Department of Justice
Pre-arranged Funeral
Services Program****Background**

7.110 The Consumer Affairs Branch of the Department of Justice is responsible for the administration of the pre-arranged funeral services program.

7.111 The Department defines a pre-arranged funeral plan as “a formal agreement with the funeral director which allows a person to make personal funeral arrangements, in consideration of payment in advance by a lump sum or by instalments.” A funeral director who wishes to offer this service must be licensed under the *Pre-arranged Funeral Services Act*.

7.112 The Act provides for the establishment of a Compensation Fund to ensure better protection for the purchasers of pre-arranged funeral services. The Fund receives fees from the funeral directors and is administered by the Board of the New Brunswick Funeral Directors and Embalmers Association. The balance of this Fund at 31 March 2004 was approximately \$1.9 million.

7.113 The Department indicated that as of 31 December 2003 there were 67 licensed funeral directors in the Province and approximately 15,500 pre-arranged funeral service contracts outstanding. This translates into approximately \$80 million being held in outstanding

pre-arranged funeral service contracts between consumers and the funeral homes. The Act requires that this money be kept in separate trust funds at approved financial institutions.

Scope

7.114 The objective of this audit was:

To determine if the Province has taken the appropriate steps to protect the interests of the public with respect to pre-arranged funerals.

Conclusion

7.115 As a result of our work, we concluded that the role played by the Department and the Province is one that reasonably protects the interests of the public with respect to the pre-arranged funerals program. While we were generally satisfied, we did present a number of recommendations to the Department which we feel could further improve the protection of the public.

How compliance with legislation is measured

7.116 The Examinations Branch of the Department is responsible for auditing funeral homes to measure compliance with legislation. The Department has a policy manual in place to organize the audit function. In addition the Department has detailed audit programs that they consistently use when conducting an audit in the funeral home. Based on the results of our examination, the Branch testing appears to adequately cover the sections of the Act that set out the compliance requirements.

7.117 However, we are concerned with the frequency with which the Examinations Branch is auditing funeral homes. The number of funeral home audits by year, for the last five years, was as follows:

Fiscal year	No. of inspections per year
2003-2004	12
2002-2003	4
2001-2002	16
2000-2001	25
1999-2000	28

7.118 As stated earlier, as of 31 December 2003 there were 67 funeral directors in the Province licensed to sell pre-arranged contracts. The Department indicated they had been trying to visit each funeral home on a two-year cycle. As shown in the table above, this is not happening. At the time of our audit in the Examinations Branch, there were eight vacant positions: six examiner positions, one director position and one manager position. These vacancies had

existed for more than three years. There was just one examiner assigned to examine the funeral homes.

7.119 We are concerned about the current audit cycle because the Act only provides a two-year window to pursue a prosecution. Section 9.1 of the Act states:

A prosecution for a violation of or a failure to comply with this Act shall be commenced within two years from the time of the violation or the failure to comply.

7.120 It appears that any violation of the Act identified by the examination cycle after the two-year deadline could not be addressed.

7.121 Subsequent to our audit, the Department contracted with an external auditor to perform approximately fifteen examinations.

Recommendation

7.122 We recommended the Department make a formal commitment to a standard audit frequency for funeral homes. The Department should ensure that the audit frequency allows them to take action under section 9.1 of the Act when it is necessary.

Departmental response

7.123 *Once staffing of the Examinations Branch is completed, the audit schedule will be revisited to ensure that all licensees are inspected within a 24 month schedule and are inspected at least once every 24 months thereafter.*

7.124 *As noted in the report, in the interim, external audit services have been retained and will be continued, pending completion of staffing to permit the performance of audit functions.*

How compliance with legislation is enforced

7.125 The Department is using the Examinations Branch to identify cases of non-compliance. Once identified, these cases of non-compliance are then reported to the Consumer Affairs Branch of the Department. Consumer Affairs then issues a copy of the report and a letter to the funeral home requesting a written response. Generally they give the funeral home a specified length of time to respond to the points in the report.

7.126 We examined ten cases that were handled by the Consumer Affairs Branch and found three cases where the information was not complete. In each of these three examples there was no response on

file from the funeral home. After we pointed out these three situations, the Department completed the necessary follow-up.

Recommendation

7.127 The Consumer Affairs Branch should take the necessary steps to ensure the funeral homes submit their responses to the Branch's enforcement communications on a timely basis.

Departmental response

7.128 *The Consumer Affairs Branch, since the audit, has taken and will continue to pursue a more regimented follow-up process to require written responses to enforcement communications. The Branch will develop guidelines to trigger further follow-up activity.*

Losses through fraud, default or mistake

7.129 Section 13(2) of the *Auditor General Act* requires us to report to the Legislative Assembly any case where there has been a significant deficiency or loss through fraud, default or mistake of any person.

7.130 During the course of our work we became aware of the following significant losses. Our work is not intended to identify all instances where losses may have occurred, so it would be inappropriate to conclude that all losses have been identified.

Department of Education

- Missing equipment, money and supplies
in various school districts \$16,137

Department of Family and Community Services

- Theft of cash \$14,007

Department of Health and Wellness

- Missing equipment and money,
and ineligible medicare service claims \$11,878

Department of Justice

- Missing equipment and cash shortages \$7,466

Department of Natural Resources

- Missing equipment and cash shortages \$2,511

Department of Tourism and Parks

- Missing equipment \$7,700

Department of Training and Employment Development

- Missing equipment and cash shortages in various community colleges \$19,031

Department of Transportation

- Missing equipment and supplies in various districts \$8,264

7.131 Losses reported by our Office only include incidents where there is no evidence of break and enter, fire, or vandalism.

7.132 The Province reports in Volume 2 of the Public Accounts the amount of lost tangible public assets (other than inventory shortages).

7.133 In 2004, the Province reported lost tangible public assets in the amount of \$204,035 compared to a loss of \$108,065 reported in 2003.

Chapter 8

Follow up on Prior Years’ Recommendations

Contents

Background	173
Scope	173
2000 recommendations	175
2001 recommendations	185
2002 recommendations	194

Follow up on Prior Years' Recommendations

Background

8.1 Our policy is to track the disposition of our recommendations for a period of four years after they first appear in our Report.

8.2 We do not prepare an update after the first year as we wish to provide the departments and agencies the opportunity to take action. After years two, three and four we prepare a status report, which shows the success achieved in meeting the recommendations.

8.3 This follow-up process provides us with the information necessary to measure our success in achieving one of the three goals we have set for the Office:

Departments and agencies accept and implement our recommendations.

8.4 We believe that the actions taken in response to our recommendations are an indicator of the value that we add in promoting accountability in government.

8.5 In preparing the information in this chapter, we request written updates from the respective departments and agencies. We follow up on these updates by meeting with appropriate officials in each department or agency to review the action described in the updates.

Scope

8.6 This chapter includes an update on our 2000 and 2001 recommendations and for the first time we present an update on our 2002 recommendations. In prior years we disclosed that a number of recommendations from the 2000 and 2001 years had been accepted and implemented, or, in some cases recommendations had been disagreed with. The details of these recommendations are not carried forward to this Report.

Summary of the audits covered in this chapter

Department/Agency	Audit area	2000	2001	2002
Agriculture, Fisheries and Aquaculture	Review of legislation	x		
Environment and Local Government and Health and Wellness	Domestic well water quality	x		
Natural Resources	Private forest lands	x		
Supply and Services	Land management fund	x		
Transportation	Engineering consulting and road construction materials	x		
Office of the Comptroller	Provincial financial accounting system	x		
Education	Pupil transportation		x	
Health and Wellness and Family and Community Services	Prescription Drug Program		x	
Natural Resources	Crown lands management		x	
Public Safety	High risk drivers		x	
Supply and Services	Provincial Archives of New Brunswick		x	
Supply and Services	Purchasing		x	
Supply and Services	Contracts for IT Professionals		x	
Environment and Local Government	Environmental inspections			x
Finance	Pension plan governance			x
Health and Wellness	Client Service Delivery System			x
Public Safety	Office of the Fire Marshal			x
Supply and Services	Cellular phones			x
Training and Employment Development	Employment Development Programs			x
Transportation	Vehicle Management Agency			x
Various	Accounts receivable			x
Public Safety	Motor vehicle revenue			x

8.7 There are three types of recommendations that will not be updated in this follow-up chapter:

- those that are accepted and implemented in the same year as the recommendation is made;
- those that require no specific future action on the part of the department or agency; and
- those that are now irrelevant due to changes in government or government programs.

8.8 The reason some recommendations do not require future action is that they are directed to a specific situation, time or event. Although the recommendations have a value in future decisions or actions, the time is past to address the specific situation identified in the audit. While these types of recommendations are not tracked in this chapter, it should be clear that they can still have general

application to government processes and can result in future improvements.

8.9 This chapter refers to the original recommendations made by our Office and provides a current update. We do not refer to recommendations in full detail. So in order to fully understand the issues that gave rise to our original recommendations, it may be necessary for the reader to refer to the Auditor General's Report where we first discussed the audit and our findings.

8.10 The following chart shows how many of the audit recommendations have been accepted by the departments and agencies over the last three years.

Audit year	Recommendations			
	Total	Accepted	Not accepted	Percentage
2000	90	77	13	86
2001	187	179	8	96
2002	150	134	16	89
Total	427	390	37	91

8.11 The next chart focuses on the recommendations that were accepted and shows the number of recommendations implemented and partially implemented for each of the years.

Audit year	Recommendations			
	Total accepted	Implemented	Partially implemented	Percentage
2000	77	44	16	78
2001	179	119	37	87
2002	134	59	37	72
Total	390	222	90	80

8.12 Responsibilities assigned to departments and agencies can change from time to time, as can their names. For the purposes of this chapter, we refer to the department or agency that is currently responsible for the audit area.

2000 recommendations

8.13 This is the last year we will be updating the outstanding recommendations from the 2000 Report. It is the third consecutive

year in which an update has been presented. The emphasis on our reporting this year will be on the 2000 recommendations that have not been implemented.

Department of Agriculture, Fisheries and Aquaculture

Review of legislation

8.14 Legislators have a responsibility to ensure that legislation they approve is effective in meeting its intended purpose. Legislation is assigned to government departments to administer and it is reasonable to expect the departments to be held accountable for the efficient and effective administration of the legislation.

8.15 We have reported our concerns, in the past, that legislation was not always complied with. In response to this we conducted a project with the objective of concluding whether appropriate systems and practices were in place:

- to ensure compliance with legislation;
- to measure and report on the effectiveness of the legislation; and
- to ensure that resources committed to the administration of legislation are managed with due regard for economy and efficiency.

8.16 While we chose the Department of Agriculture, Fisheries and Aquaculture (DAFA) in which to conduct our audit, our hope was that the results of the audit and the recommendations could be applied to all government departments, not just DAFA.

8.17 We made ten recommendations to the Department at the conclusion of the audit. Two of the recommendations have been implemented and two have been partially implemented. The Department agrees with the remaining six recommendations, but has made no significant progress towards implementation.

8.18 The following two recommendations are partially addressed.

8.19 We recommended that the Department report on its administrative activities related to legislation through the departmental annual report. Where annual targets have not been met, explanations (e.g. negative impacts of resource limitations) should be provided.

8.20 We recommended that the Department consider the continued need for legislation to support the apiary industry in the Province and make appropriate recommendations to

government with regard to the *Apiary Inspection Act* and Regulation.

8.21 The following six recommendations were agreed with but not acted on.

8.22 For the first three of these recommendations, the Department responded that since we had proposed that three of the matters be considered for all legislation and all departments, it would be appropriate that they be submitted to government for their consideration and appropriate action rather than looking just to DAFA for action.

8.23 We recommended that a clear statement of purpose be included in all proposed new legislation. We further recommended that a statement of purpose be included for existing legislation whenever such legislation is being amended.

8.24 We recommended that the Department provide the Legislative Assembly with regular (e.g. every three or four years) written reports on the effectiveness of the legislation it administers in meeting intended purposes.

8.25 We recommended that the Department develop performance indicators that it can use to evaluate administrative activities undertaken by the Department in support of legislation.

8.26 We recommended that appropriate steps be taken to improve the effectiveness of the *Agricultural Land Protection and Development Act* in achieving its purpose of allowing farmers to farm without undue restrictions and to protect farmland from urban sprawl. This will require improvements in rural land use planning in general, not just amendments to this Act and Regulations.

8.27 We recommended that the Department consider extending the coverage of the *Livestock Operations Act* to more livestock operations and make recommendations to government as considered appropriate.

8.28 We recommended that the Department develop a workable alternative to the current *Topsoil Preservation Act* and Regulation that will better achieve the purpose intended for the

legislation. That alternative should be presented to government for consideration. If a workable alternative cannot be developed in the near term, the Department should strongly consider recommending to government that the Act and Regulation be suspended until such an alternative has been developed.

8.29 This recommendation was originally made to DAFA but the responsibility for the relevant legislation was subsequently transferred to the Department of the Environment and Local Government. We understand that this recommendation will be addressed jointly by the two departments.

8.30 There was one recommendation that DAFA has already implemented that we would like to highlight further. We continue to believe that this is a recommendation worthy of consideration by all government departments, not just DAFA.

8.31 We recommended that reviews of legislation under departmental administration be conducted periodically (e.g. every four years) to ensure it is up-to-date, that its stated purposes are still valid, and that it provides an effective framework within which those purposes can be achieved. Results of such reviews could be communicated to the Legislative Assembly.

**Departments of the
Environment and Local
Government and Health
and Wellness**

Domestic well water quality

8.32 Our Office has had an ongoing interest in public safety and the environment. In connection with this focus we decided to examine the area of safe drinking water. Water quality from the perspective of individuals with newly drilled domestic wells was examined. The Province has set regulations and safety standards under the *Clean Water Act* that relate to these wells. We concentrated our work on two regulations under this Act, the *Water Well Regulation* and the *Potable Water Regulation*.

8.33 At the completion of this audit we issued twenty-nine recommendations to the Departments of Health and Wellness and Environment and Local Government. We can report that twenty-four of these have now been adopted. The Department of Health and Wellness has implemented eight of its nine recommendations while the Department of the Environment and Local Government has implemented sixteen of twenty recommendations.

8.34 Five recommendations remain outstanding and any further progress made will not be updated by our Office. We consider the following three recommendations to be partially implemented.

8.35 We recommended that the Department of the Environment and Local Government begin to license well diggers and educate them as to their requirements under regulation.

8.36 The Department is educating the well diggers but they are still not licensing them.

8.37 We recommended that the Department of the Environment and Local Government, in conjunction with the Department of Health and Wellness, develop an administration protocol for the *Potable Water Regulation*, clearly delineating various departmental responsibilities regarding domestic wells.

8.38 The two departments have agreed to a protocol, in principle, but it has not been approved for implementation.

8.39 We recommended that the Department of the Environment and Local Government review procedures in place for reporting program results for the *Potable Water Regulation* and *Water Well Regulation* to ensure they are accurate and useful to readers. As part of this effort the Department should establish goals or targets that clearly relate to the objectives of the regulations.

8.40 The Department indicated that relevant data will be reported in the Department's 2003-04 annual report, however no objectives, goals or targets have been formalized as yet.

8.41 The remaining two recommendations have the support of the departments but no significant progress has been achieved.

8.42 We recommended the Department of Health and Wellness improve the discussion of its work related to the *Potable Water Regulation* with respect to domestic wells in its annual report. Information should be focused on the degree to which program activities have achieved intended results.

8.43 We recommended that the Department of the Environment and Local Government establish performance

measures for the broad suite of programs established to prevent drinking water problems for individuals on domestic well water.

Department of Natural Resources

Private forest lands

8.44 New Brunswick is Canada's most forested province with 85% of its land covered with forests. Approximately 50% of this forest land is owned by the Crown. The *Crown Lands and Forests Act* identifies three distinct categories of non-Crown land which are referred to as "private forest lands". The three categories are; private woodlots (30% of forest lands), freehold lands (18% of forest lands) and private lands consisting of an aggregate of 5,000 (or more) hectares which are owned by one person.

8.45 We conducted an audit to determine if appropriate systems and practices were in place to encourage the management of private forest lands as the (sustainable) primary source of timber for wood processing facilities in the Province.

8.46 We made seventeen recommendations to the Department of Natural Resources. The total number of recommendations that have been implemented remains at six, the same as was reported last year. The Department expressed its agreement with ten of the remaining recommendations and, in six cases, has made significant progress towards the eventual adoption of the recommendations. For the final five recommendations, the Department agrees with four and disagrees with one.

8.47 The following recommendations have been partially implemented at the time of our final update.

8.48 We recommended that the Department establish a measurable goal or objective to assist it in determining the level of subsidy required for silviculture activity on private woodlots. The goal and the level of subsidy should give due consideration to the funding from all sources.

8.49 We recommended that the Department adopt some form of contractual commitment for landowners who benefit from the silviculture funding. The commitment should be viewed by the Department as a means of encouraging private forest land to be the primary source of timber for wood processing facilities in the Province.

8.50 We recommended the Department comply with the monitoring provisions of sections 29(7.1) and 29(7.2) of the Act.

8.51 We recommended that the Department obtain and develop objective and timely information on the sustainable harvest figures for private woodlots.

8.52 We recommended that the Department monitor the difference between the annual allowable cut and the actual cut from private forest lands to ensure that they are harvested at a sustainable rate.

8.53 We recommended the Department carry out an evaluation of the Forest Products Commission to determine if it has fulfilled the object and duties outlined in the *Forest Products Act*. The results should be tabled in the Legislative Assembly.

8.54 The Department agrees with the following recommendations but has achieved no significant progress.

8.55 We recommended that the Department revisit the *Crown Lands and Forests Act* and all relevant legislation dealing with private forest lands. We recommended several key components to the review.

8.56 We recommended that the Department conduct a long term planning exercise to establish appropriate goals and objectives that adequately address the Department's mandate relating to private forest lands.

8.57 We recommended that the Department disclose its key goals and objectives for private forest lands in its annual report.

8.58 We recommended that as part of a planning exercise to review its mandate and goals and objectives for private forest lands, the Department should develop appropriate performance indicators for its private forest lands programs. The Department should then revisit its annual report to determine how it might best report on its programs for private forest lands in accordance with the requirements of the government's annual report policy.

8.59 During the past year it became apparent that the Department did not agree with the following recommendation.

8.60 We recommended that as part of the Main Estimates process, the Department formally recognize the importance of its

legislated monitoring responsibilities for private forest land by designating a new program component. A title such as “Timber Utilization on Private Forest Lands” may be suitable for such purposes.

Department of Supply and Services

Land management fund

8.61 The Province owns over 7,000 properties which make up roughly three million hectares of land. The Province also owns an additional 2.1 million hectares of submerged lands. Given the significance of the amount of land the Province owns and uses in delivering its programs and the importance of exercising stewardship over this valuable resource, we decided to carry out work on various land management issues. We chose to focus our audit on the Land Management Fund due to its central role with respect to the Province's land portfolio.

8.62 Eleven recommendations resulted from our audit. In this, the third and final year of follow-up, we report that four recommendations have been implemented, including one in the past year. Two recommendations are partially implemented and one is agreed with, but there has been no significant progress. As reported earlier, the Department had expressed disagreement with four recommendations.

8.63 The recommendations that have not been implemented are the following.

8.64 We recommended that adequate information on maintenance costs be accumulated on a property-by-property basis to assist in the decision-making process with respect to holding or selling land.

8.65 The Department responded that maintenance costs will be tracked in future enhancements to the new inventory system.

8.66 We recommended that compliance with government policy on disposal of real property be actively enforced. Alternatively, if the policy is not appropriate, it should be appropriately revised.

8.67 Draft revisions to the policy have been prepared. However implementation has been delayed. The revised policy is expected to be in place by December of 2004.

**Department of
Transportation*****Engineering consulting and
road construction materials***

8.68 We recommended that the Departments of Transportation and Supply and Services work together to develop strategies to identify surplus properties on a more timely basis.

8.69 To some extent, the future of this recommendation may be influenced by the revisions to government policy.

8.70 In the years leading up to this audit in the Department, we had reviewed inventory and purchasing systems and the process used to purchase engineering consulting services. We found significant opportunities for improvement, at that time, and made recommendations accordingly. Although many of these recommendations were accepted, some were not.

8.71 We decided to examine the present day purchasing and inventory operations to see how the Department had improved. Twenty recommendations were made to the Department. Six of the recommendations have now been implemented including one in the past year. There is agreement with five of the remaining recommendations and in one of these cases progress has been achieved by the Department. It has been established that the Department does not agree with seven of the recommendations including two which were explained in earlier reports. The time of relevance for two of the recommendations has passed.

8.72 There has been progress in meeting the requirements of the following recommendation.

8.73 We recommended the Department implement End Result Specifications in aspects of road construction in addition to paving, where it is cost beneficial to do so.

8.74 While there continues to be agreement with the recommendations, there was no significant progress in implementing the following.

8.75 We recommended management review, update and communicate its Purchase/Inventory Control/Issuing Procedures to ensure that standards exist for the proper management and control of all inventories.

8.76 We recommended management ensure compliance with the Department's inventory policy.

8.77 We recommended that the computerized inventory system be fully integrated with the departmental maintenance management system and the accounting system of the Province.

8.78 We recommended the Department develop an inventory system that allows senior management and others responsible for inventory review to better manage and monitor both district and departmental inventory. The system should allow head office staff to produce timely and comprehensive inventory reports.

8.79 During the past year it became apparent that the Department was not in agreement with the following recommendations. The Department informed us that, based on the results of a pilot project using a request for proposals (RFP), it found that direct project costs were similar to situations where no RFPs were sought. They also stated that while design standards were maintained, there were additional administrative costs to the Department and the overall timeframe was extended using RFPs. We are currently evaluating the adequacy of the pilot project as the basis for not accepting our recommendations. We will report on the results of our review in our 2005 Report.

8.80 We recommended the Department publicly advertise each engineering consulting project so that all consulting firms have the opportunity to express their interest in the available work.

8.81 We recommended the Department ask for proposals from several qualified consultants for each engineering contract.

8.82 We recommended the process by which the Department chooses consultants to request proposals from be formalized and documented. The process, associated evaluation criteria and results of the process should be transparent to all consultants.

8.83 We recommended that the Department require the cost of the project to be included in the proposals received from the competing consultants.

8.84 We recommended the process by which the Department chooses which consultant to hire be formalized and documented. Cost should be an important component of this. The methodology, associated evaluation criteria and results of the process should be available to all consultants.

Office of the Comptroller***Provincial financial
accounting system***

8.85 For a few years the Office of the Comptroller (OC) had been developing and implementing a new financial accounting system. Software called Oracle Financials was being customized by the OC for use by the Province. Because of its significance and the fact that we rely on it in conducting our audit of the financial statements of the Province, we decided to review the system. Our review focussed mainly on system security.

8.86 We made six recommendations following our review of this system. Two of these remain partially implemented at this time.

8.87 We recommended that the OC review documentation for the Oracle application and ensure there is adequate documentation for anything that is unique to its installation and necessary in case of personnel turnover. This includes the unique functions of the Database Administrator, the System Administrator and any other key personnel.

8.88 We recommended that the OC implement some key aspects of traditional system development methodologies and project management practices. In particular, we would like to see a future project plan and budget. We also recommended that the OC track project costs and compare such costs to the budget. This should assist in managing the future work.

2001 recommendations

8.89 We are updating the recommendations we made in our 2001 Report for the second time. A detailed update was first prepared last year.

Department of Education***Pupil transportation***

8.90 Thousands of New Brunswick school children travel to public schools each day aboard provincially owned or contracted buses. Parents have entrusted the Province to implement a safe and reliable pupil transportation system.

8.91 We believe that the Department of Education must have sound systems and practices in place to ensure the safe transportation of the students. Further, the Department must demonstrate compliance with safety standards and regulations set by the Province.

8.92 In our 2001 Report, we made 74 recommendations as a result of an audit of the Pupil Transportation Branch within the Department of Education. Last year we reported that the Department had

implemented a total of fifty recommendations by the time of our first follow-up on this audit.

8.93 During the past year three more recommendations were implemented.

8.94 We recommended that the Department monitor employment standards for contracted school bus drivers to ensure they are consistent with the stated Acts and Regulations.

8.95 We recommended the Department develop an appropriate evaluation of driver performance while driving with children in a vehicle. Results of such an evaluation should be clearly documented in employee files.

8.96 The Department should develop standards for successful completion of the Behind the Wheel Driver Training. Such results should be clearly and consistently documented in employee files.

8.97 There are twenty-one recommendations which have not been implemented. Twelve of these have been partially implemented and two are agreed with, but no significant progress has been demonstrated. As reported last year there were four recommendations that were disagreed with and two which became irrelevant with the passage of time.

8.98 During the past year, one more recommendation became irrelevant due to changing circumstances.

8.99 With the establishment of the District Education Councils, the responsibility for acting on the following recommendation was effectively transferred to the individual Councils. The Department, however, has advised the Councils on the importance of the driver guidelines.

8.100 We recommended that the Department ensure parent/volunteer drivers are provided with guidelines as developed by the Department.

**Departments of Health and
Wellness and Family and
Community Services**

Prescription Drug Program

8.101 Our interest in the healthcare services provided by the Province led to our review of the Prescription Drug Program. This program was established in 1976. It makes specified drugs available to selected groups of people who can least afford the high cost of

prescription drugs and those with specified medical conditions. Approximately 15% of the population receive benefits under the program.

8.102 The program consists of several “plans”. The plan examined in our audit provides drug benefits to people who receive income assistance and those who have drug expenses for which they do not have the resources to pay.

8.103 While the Prescription Drug Program (PDP) is the responsibility of the Department of Health and Wellness, determining the eligibility for financial help with drug costs for this plan is the responsibility of the Department of Family and Community Services (FCS).

8.104 Our audit objective was to determine if the two departments had appropriate systems and practices in place to ensure that all eligible persons are offered the plan and that the benefits are not granted to ineligible persons.

8.105 The audit resulted in seventeen recommendations. Ten of the recommendations were issued to both departments, as it is necessary to have co-operative action to address the issues raised. Seven recommendations were issued just to the Department of Family and Community Services.

8.106 Last year we reported that the two departments had little success in addressing the recommendations. None of the recommendations had been implemented and only six of the seventeen had shown significant progress at that point in time.

8.107 We have a somewhat more positive result to report this year. Seven recommendations have now been implemented and in eight other cases there has been significant progress towards implementation. For the remaining two recommendations there is agreement without significant progress.

8.108 During the past year the departments agreed to form a joint committee for the purpose of addressing the issues raised in the audit. While the joint committee had not begun to operate at the time of our update, Terms of Reference had been drafted and agreed upon. We are hopeful that the committee will facilitate the departments’

implementation of the remaining audit recommendations over the upcoming year.

8.109 The following recommendations were implemented in the past year.

8.110 Since some staff are confused with the services provided to “health card only” and “section 4(2)(b)” clients, we recommended that training needs be identified and assessed. A training plan should be established to reflect these needs, and it should be incorporated into the financial budget.

8.111 We recommended that the registration process be reviewed and amended, where necessary, to ensure that controls are in place to identify applicants having other drug coverage and to prevent these individuals from obtaining a health card. The review should ensure that the NBCase features that we identified as control weaknesses are addressed.

8.112 Since issuing health cards to Natives is a recurring error, we recommended that workers in the regions be informed of the importance of identifying Natives in NBCase. Cases in doubt should be identified and followed-up with the federal group responsible for Native drug coverage. We also recommended that someone be assigned the responsibility of monitoring to ensure Natives are not issued health cards.

8.113 To bring more consistency to the issuance of health cards, we recommended the following:

- Explanations for the existing inconsistencies in the office ratios of “health card only” clients to “basic assistance” clients should be obtained. Inappropriate procedures should be identified and corrected.
- Explanations for the existing inconsistencies in the financial assessments performed on “health card only” applicants should be obtained. Inappropriate procedures should be identified and corrected.
- The guidelines for expenses for “health card only” applicants should be reviewed, and amended if necessary. All regional

workers involved with the registration process should be informed of the proper usage of the guidelines.

- **Controls should be established in the registration process to ensure that health cards are issued consistently to all eligible applicants and that health cards are issued only to those applicants that meet the eligibility requirements.**

8.114 We recommended that FCS provide the PDP Division with a copy of all the current policies and procedures relating to the plan.

8.115 We recommended that FCS assign someone the responsibility of collecting all required updates to policies and procedures and annually making the changes to keep the information relevant and correct.

8.116 Since providing financial assistance to individuals to cover expenses relating to participation fees and monthly premiums for private health coverage could reduce costs to government, we recommended that FCS determine why these services are not being used and make corrections as necessary.

Department of Natural Resources

Crown lands management

8.117 The *Crown Lands and Forests Act* (the Act) has assigned the Minister of Natural Resources responsibilities for both Crown and private forest lands. In the autumn of 1999 we began a two-year audit process to examine the Minister's responsibilities under each of these areas.

8.118 In our 2000 Report we examined the Minister's responsibilities for private forest lands as mandated under section 3(2) of the Act. In 2001 we continued with phase II of our work by reporting on the Minister's responsibilities for Crown lands.

8.119 We made ten recommendations to the Department. Last year we reported that the Department had implemented three recommendations and acted on a fourth. No further recommendations were implemented during the past year. However the Department made progress on our overarching recommendation to "establish measurable goals and objectives that adequately address the Minister's four responsibilities as assigned under subsection 3(1) of the *Crown Lands and Forests Act*." The actions taken on the report

produced by the Special Committee on Wood Supply may have a direct impact on the goals and objectives.

8.120 Closely related to the goal setting process, we also “recommended that as part of establishing objectives related to its responsibilities under the Act, the Department develop suitable performance measures and that it report on them on an appropriate basis.” We would hope to see improvements in this area as well.

8.121 We also made a third closely related recommendation “that departmental goals and objectives be linked to the spending estimates and they be disclosed at an appropriate level to the MLAs and the general public.” The Department informed us this year that it “does not see the urgency at this time to change” its budgeting and financial systems to align them with subsection 3(1) of the *Crown Lands and Forests Act*.

8.122 Of the remaining three recommendations, two relate to improving financial reporting in the annual report. We have not seen much progress in this regard. The other relates to reporting of the licensee evaluations. The next evaluation is scheduled for 2007.

Department of Public Safety

High risk drivers

8.123 Our Office’s continuing interest in public safety led us to look at the area of road safety. After some analysis of this area, we decided to focus on the so-called high-risk drivers of private passenger vehicles. The bulk of our work was performed in the Department of Public Safety. However we also contacted policing agencies, the insurance industry, academic researchers and an expert in adaptive driving services.

8.124 At the completion of this audit, we issued eighteen recommendations to the Department of Public Safety. Last year we reported that the Department had implemented six of the recommendations. During the past year one more has been implemented. The status of the other recommendations is that seven are partially implemented and, for four, no significant progress has been demonstrated.

8.125 The following recommendation was implemented since the last Report.

8.126 We recommended that the Department discuss [variances in pass/fail rates between examiners of student drivers] with

Service New Brunswick to ensure consistent and equitable testing. Additionally, the Department needs to develop better statistics that identify the type of license and reason for testing to allow for better variance analysis.

Department of Supply and Services

Provincial Archives of New Brunswick

8.127 The information contained in the records preserved by the Provincial Archives of New Brunswick (PANB) is irreplaceable and has a significant value to New Brunswickers. Caring for this information is a major responsibility and one that has a number of risks associated with it. We conducted an audit in which we looked at the acquisition, appraisal, selection, arrangement and description of records. We also looked at preservation risks and completed general reviews of the organizational mandate and performance reporting.

8.128 A total of twenty-five recommendations were made to the Department following the completion of our audit. Sixteen of these recommendations have now been implemented, including an additional four recommendations in the past year. Another five are partially implemented. Of the remaining four recommendations, the Department is in agreement with three of them and it disagrees with one.

8.129 The following four recommendations were implemented in the past year.

8.130 We recommended that the resource requirements of PANB be reviewed as part of the upcoming strategic planning process for the organization. Representations should then be made to government as part of the next budget cycle requesting necessary increases in funding.

8.131 We recommended that a tracking system be developed to capture data relating to the acquisition, appraisal, selection, arrangement, and description of records. This data can be used for management and performance reporting purposes, as well as to support organizational strategies, requests for additional resources, etc.

8.132 We also recommended that the lack of wheelchair accessible washrooms at the Bonar Law building be addressed at the earliest possible date.

**Department of Supply and
Services**
Purchasing

8.133 We recommended that PANB ensure that its facilities are inspected by the provincial fire marshal on a regular basis.

8.134 We conducted an audit in the Department of Supply and Services with the objective of determining if the Department had appropriate systems and practices in place to ensure the Minister was fulfilling some key responsibilities assigned by the *Public Purchasing Act*.

8.135 The audit focussed on: tendering and soliciting bids for purchases; granting exemptions and preferences; and ensuring compliance of government funded bodies and departments with their responsibilities under legislation.

8.136 Overall we were pleased with the Department's performance in fulfilling its responsibilities. However, we did find instances where improvements could be made. In light of this we made seventeen recommendations.

8.137 Last year we reported that the Department had implemented two of these recommendations. This year we can report that an additional four recommendations have been implemented. Two recommendations have been partially implemented at this point, while seven have seen no significant progress. The Department does not intend to act on the remaining two recommendations. One of these two recommendations was reported last year and the other is shown below.

8.138 The following four recommendations have been implemented in the past year.

8.139 We recommended that the Department review the current process surrounding the granting of exemptions on the basis of economic benefits to see if a change can be made that will involve more suppliers and, in turn, create more competition before a final decision is made.

8.140 We recommended that the Minister review exemptions from time to time to ensure they continue to be justified. Where necessary, they should be restricted or eliminated.

8.141 We recommended that the Minister of Supply and Services formally communicate to the Comptroller, the failure to meet legislated responsibilities.

8.142 We recommended the Minister ensure departments submit the annual purchasing reports as required by legislation.

8.143 During the year it was determined that the Department was not in agreement with one of the recommendations.

8.144 We recommended that the Department establish a formal policy for educating all parties subject to the Act. This would ensure that a commitment is in place to provide the basic training on a cyclical basis.

8.145 The Department will continue to provide information seminars to the extent permitted by current resources. However, they do not plan to formalize the commitment.

Department of Supply and Services

Contracts for IT professionals

8.146 The Department of Supply and Services established a contract of supply for departments to use in purchasing the services of various information technology (IT) professionals. We reviewed the contract to determine departmental compliance with the terms and conditions of the contract.

8.147 At the completion of the audit, we issued seven recommendations to the Department of Supply and Services for improvements to the process. We explained last year that the Department had implemented six of the recommendations and a plan was in place to address the final recommendation. The status of the final recommendation did not change in the past year.

2002 recommendations

8.148 The recommendations from our 2002 Report are being updated for the first time.

Department of the Environment and Local Government

Environmental inspections

8.149 The protection of our environment has a significant impact on whether or not we have a healthy and safe place in which to live. The Legislative Assembly recognizes this significance and has passed several Acts and regulations to protect our environment. The Department of the Environment and Local Government is responsible for the administration of much of this legislation.

8.150 Our interest in the preservation of the environment led to our review of how the Department monitors compliance with the environmental legislation in the Province.

8.151 Our audit objective was to determine if the Department of the Environment and Local Government has an adequate inspection process, with appropriate policies and practices, to monitor and report compliance with environmental legislation in the Province.

8.152 The audit resulted in twenty-one recommendations. The Department has successfully implemented five of the recommendations. In addition, the Department has partially implemented four of the recommendations. Two of the recommendations are no longer applicable due to reorganization within the Department. For the remaining ten recommendations, there is agreement without significant progress.

8.153 The following recommendations were implemented.

8.154 The Department should establish a standard orientation program for new inspectors.

8.155 The Department should establish a training policy and standard training for inspectors.

8.156 The Department should proceed with the training of all inspectors in the fall of 2002 as planned.

8.157 The Department should establish standard procedures for performing and documenting inspections. The approved procedures should be distributed to all inspectors.

8.158 In pursuit of compliance with government policy, the Department should continue its implementation of the employee performance review system.

Department of Finance

Pension plan governance

8.159 A pension plan governor has the highest level of authority over the management of a pension plan. In general, the governor has the objective of achieving the mission of the plan.

8.160 We selected two of the provincially sponsored pension plans to determine whether the governors of the pension plans have established satisfactory procedures to measure and report on the

effectiveness of the asset management activities. Asset management is one of five key areas of responsibility in a pension plan. The other four are compliance, plan funding, benefit administration and communication.

8.161 We examined a plan that involved the New Brunswick Investment Management Corporation (NBIMC) as its investment manager, the Public Service Superannuation Plan, and one that used other outside investment managers, Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts.

8.162 A total of twenty-three recommendations were made following the completion of the audit. Twenty-one of these were addressed to the Department of Finance and the remaining two were sent to the NBIMC.

8.163 Our first update on the progress made in implementing the recommendations shows that none have been fully implemented. However we note that there has been progress in some areas.

8.164 In ten of the recommendations, there has been satisfactory progress demonstrated towards the implementation of the recommendations. For nine of the recommendations the Department is in agreement but no measurable progress has been made.

8.165 Disagreement was expressed with four recommendations including the following three that had been issued to the Department of Finance in relation to the Public Service Superannuation Plan.

8.166 The governor has never formally approved the investment policy and we recommended the appropriate approval be sought.

8.167 We recommended the role of the plan governor be formalized to ensure that the governor's approval is required for certain changes to the investment policy (i.e. asset classes and allocation percentages).

8.168 The Department of Finance responded that the responsibility for investment policies has been assigned to NBIMC through legislation. The Department indicated that future amendments to the policy should be presented to the Department, but for information purposes only. There is no plan to formalize the role of the plan governor.

8.169 We recommended the actuarial review committee be used by the governor to provide information that can be used to assist in making well-informed decisions on the investment policy of the plan.

8.170 The Department agreed that the committee could be used by the governor to make well-informed decisions on the investment policy. However as stated earlier, future amendments to the investment policy are planned to be made available to the Department for information purposes only.

8.171 The fourth recommendation, for which disagreement was expressed, was issued to NBIMC. It too related to the Public Service Superannuation Plan.

8.172 We recommended the investment policy include the requirement for appropriate communication with the plan governor when changes to investment policy are prepared.

8.173 NBIMC believes that communication with the plan sponsor is extremely important, however it also believes the investment policy is not the appropriate place to outline communication protocol.

Department of Health and Wellness

Client Service Delivery System

8.174 Effective project managing and monitoring is essential if information technology projects are to be completed on time and on budget. In this audit, we reviewed the managing and monitoring process used by the Department of Health and Wellness in developing and implementing the Client Service Delivery System (CSDS).

8.175 The CSDS is a 24-hour, on-line, bilingual system that tracks all services received by a client and thereby assures an appropriate continuum of care through coordinated and joint planning and delivery. The CSDS took six years to implement and cost the Province in excess of \$26.9 million. This timeframe and cost was significantly more than originally budgeted. In our Report, we outlined possible causes for the cost and time overruns and areas where the Department did not comply with contract terms, legislation and government policy. We made one recommendation relating to how the Department could improve its processes for managing and monitoring future information technology projects.

**Department of Public
Safety*****Office of the Fire Marshal***

8.176 The Department agreed with the recommendation. Since we made our recommendation, the Department has initiated two major information technology projects. The Department has already implemented some parts of our recommendation and it plans to adopt the remaining points as the projects progress.

8.177 Our interest in the safety of New Brunswickers led to our review of the operations of the Office of the Fire Marshal (OFM) in the Department of Public Safety. The OFM is the senior fire authority in the Province with respect to fire safety and prevention.

8.178 The *Fire Prevention Act* provides the OFM with its authority and responsibilities. Proper administration and enforcement of the Act is important; and the results of non-compliance with the Act have the potential to seriously affect every resident of this Province.

8.179 Our audit objectives were:

- to assess whether the Office of the Fire Marshal is adequately carrying out the provisions of the *Fire Prevention Act*; and
- to assess whether the Office of the Fire Marshal has appropriate human resource systems and practices in place to sufficiently deliver provincial fire prevention and protection programs that are dedicated to the reduction of fire related losses in lives, injury, and property.

8.180 The audit resulted in twenty-three recommendations. We are pleased with the OFM's success to date in implementing fourteen of the recommendations. In addition, the OFM has partially implemented five of the recommendations. For the remaining four recommendations, there is agreement without significant progress.

8.181 The following recommendations were implemented.

8.182 We recommended that the OFM offer refresher training sessions on the Act to ensure appointees remain aware of their duties and responsibilities under the Act and to inform them of any changes made to the Act since the last session was given.

8.183 We recommended that the OFM look into the possibility of having expiry dates on the OFM-issued ID cards used for appointment purposes (for example, three years, five years).

8.184 We recommended that the OFM incorporate compliance with the Act into its work plan.

8.185 We recommended that OFM management include OFM staff from all levels in the creation of the OFM work plan where possible. It should be clearly reviewed and discussed with staff so they see the “big picture” and know where they fit in with the organization.

8.186 The OFM should carefully monitor compliance in the future. In effect, we are recommending the Fire Marshal take a proactive role and “champion” the Act.

8.187 We recommended the OFM get all of the fire reports into the Fire Reporting System on a timely basis and ensure they are kept up to date.

8.188 We recommended the OFM review the benefits and costs of implementing an Internet version of the Fire Reporting System for use by fire departments.

8.189 We recommended that employment standards not be lowered to meet the qualifications of the existing applicants.

8.190 We recommended the Department/OFM look into whether a fire service background is a desirable or an essential requirement of the Assistant Fire Marshal position.

8.191 We recommended that the OFM consider whether the technical sessions held for Assistant Fire Marshals and plan review officers should be held more frequently than twice per year and whether it would be beneficial to include all staff.

8.192 We recommended the OFM take an active role in ensuring that all fire prevention officers responsible for fire inspections in the Province are adequately trained.

8.193 We recommended that key responsibility areas of all OFM positions be identified in work plans and key success indicators for each responsibility area be developed. Employee performance should be evaluated based on how well they met the key success indicators for each key responsibility area of their position.

8.194 We recommended the OFM ensure that local assistants who perform fire investigations have the same Canadian Fire Investigation School training as those who hold appointments as fire investigators.

8.195 We recommended the OFM consider the costs and benefits of certification through the Canadian Fire Investigation School for all fire investigators. If it is determined that this is not a feasible solution, the OFM should ensure that those not certified receive refresher training periodically to ensure their skills and knowledge are kept current.

8.196 While the solution was not as expected for the final two recommendations, due to the abolishment of the Canadian Fire Investigation School, we feel that they were implemented through other acceptable training initiatives.

Department of Supply and Services

Cellular phones

8.197 As cellular phones have become a more integral part of both business and personal communications, so too has their importance and usage increased within government. At the time of the audit in 2002, we estimated that there were over 3,100 cellular phones in use by government costing at least \$2.5 million annually.

8.198 We conducted an audit to determine if the government had an adequate system in place to administer the acquisition and use of cell phones. Our report on the results of this audit included seven recommendations. These recommendations were directed to the Department of Supply and Services, the Board of Management or to both, depending on the nature of the specific recommendation.

8.199 Since our 2002 annual Report was issued, a total of four recommendations have been partially implemented and no significant progress has been made for the remaining three. None of the recommendations have been fully implemented.

8.200 In our opinion, the most significant recommendation was that government begin tendering airtime and long distance usage for cell phones. We are pleased to report that government has tendered for these services and is currently determining the successful bidder or bidders. Once the contracts have been awarded, it appears that the information requirements of government, established through the tender, will allow for a number of the other recommendations to be implemented.

**Department of Training and
Employment Development*****Employment Development
Programs***

8.201 The Employment Development Programs offered through the Department of Training and Employment Development meet a number of different needs and serve a variety of clients. There are five main programs: work ability; work expansion; training and skills development; student employment and experience; and employment services.

8.202 Our main focus in the audit was on the management of the programs. We wanted to see how the Department was doing in attempting to meet the economic and employment strategic goals and objectives of the Province.

8.203 The objectives of the audit were:

- to assess the adequacy of the Employment Development Tracking System internal controls designed to provide timely and reliable financial information;
- to assess the adequacy of management and control processes over the approval and payment of Employment Development funding; and
- to determine if there were adequate procedures in place to measure and report on program effectiveness.

8.204 We made twelve recommendations to the Department as a result of the audit. Six of these have now been implemented. The Department has made progress towards implementing four of the recommendations and for the remaining two there is agreement but without significant progress.

8.205 The following recommendations have been implemented.

8.206 We recommended that the policies and procedures of the various programs give clear guidance on what documentation is to be sent to be imaged under each of the programs and what should be kept by the Program Officers and Employment Counsellors.

8.207 We recommended that the Letter of Offer or the Application for the Work Ability Program be amended to include a clause specifying that the employer agrees to send in the client performance evaluation form as part of the Attestation of Salary.

8.208 We recommended that the draft guidelines be finalized as soon as possible and any future program changes be supported by documented guidelines at implementation.

8.209 We recommended that the Department provide application forms for all of the Employment Development Programs.

8.210 We recommended that the programs' policies and procedures include suggested turn-around times for the approval process.

8.211 We recommended that the planned guidelines for program evaluation identify a process to respond to recommendations resulting from program evaluations.

**Department of
Transportation**

Vehicle Management Agency

8.212 The Vehicle Management Agency provides a full range of vehicle services to government departments. The Agency functions as a Special Operating Agency with a mission to "provide fleet management and vehicle maintenance services to Government, on an economical basis and according to established standards, to enable clients to deliver quality services to the public."

8.213 We decided to conduct an audit of the Agency with a focus that was limited to light trucks, cars, and executive vehicles. The objective of the audit was two-fold:

- to determine if the Vehicle Management Agency was providing repair and maintenance services for government cars, executive vehicles and light trucks in a manner which minimized costs and maximized efficiency; and
- to determine if the Vehicle Management Agency had adequate systems and practices in place to monitor and control the usage of fuel for government cars and light trucks.

8.214 We made a total of forty recommendations as a result of the audit. We can report that the Vehicle Management Agency has implemented seventeen of these recommendations and partially implemented a further seven. Four recommendations were agreed with, but no significant progress has been demonstrated to date. One recommendation is no longer relevant as it related to a policy that subsequently changed.

8.215 As reported in our 2002 annual Report, the Department disagreed with eight of the recommendations at the time of our audit. No follow-up work was conducted on these recommendations. It has recently been determined that the Department disagrees with a further three recommendations.

8.216 The following recommendations were implemented.

8.217 We recommended the Agency analyze the economics of using overtime as a means of supplementing staff requirements.

8.218 We recommended the Agency complete the casual staffing study as described in the 1999 Business Plan. Part of this study should analyze the cost effectiveness of using casual staff.

8.219 We recommended the Agency reconcile repair costs recorded in [its own information system] to [the government financial information system] on a regular basis. Any material discrepancies should be investigated.

8.220 We recommended the Agency ensure that executive users are aware of the policy regarding service provision.

8.221 When there are no applicable standing agreements, we recommended the Agency ensure that more than one quote is obtained for servicing required. Further, we recommended the best vendor (best service with lowest cost to government) be selected.

8.222 We recommended the Agency monitor the appropriateness of dollars spent on in-house service provision versus external service provision.

8.223 We recommended the Agency ensure that all in-service assets have preventative maintenance servicing on a timely basis, by making drivers and vehicle co-ordinators more aware of required servicing.

8.224 We recommended the Agency ensure all drivers submit "driver's vehicle condition reports" as required.

8.225 We recommended the Agency formalize policy to ensure that all manufacturer recalls are completed on a priority basis.

We further recommended that serious safety related items be given high priority.

8.226 We recommended that the Agency ensure drivers are provided with up to date listings of discounts from external vendors.

8.227 We recommended the Agency ensure that executives are aware of all aspects of policy, notably the requirement to submit credit card slips when submitting mileage reports.

8.228 We recommended the Agency ensure it has accurate records of fuel card and credit card assignments.

8.229 We recommended the Agency monitor fuel usage in accordance with government policy.

8.230 We recommended the Agency improve communications with departmental vehicle co-ordinators regarding the expectations for fuel monitoring to ensure adequate monitoring at the department level.

8.231 We recommended the Agency ensure fuel exception reports are not only produced monthly, but reviewed monthly. Any exceptions should be followed up in a timely manner.

8.232 We recommended the Agency clearly document follow up on exceptions in fuel reports.

8.233 We recommended the Agency ensure that vendors are complying with the terms of the contract [regarding non-fuel purchases]. This would include producing and reviewing exception reports for large and unusual items charged as convenience store items.

8.234 Disagreement was expressed with the following recommendations.

8.235 We recommended that the results of the comparable pricing review be used to determine the most economical means of providing repair and maintenance services to government-owned vehicles.

8.236 We recommended the Agency develop standards and measures for mechanic effectiveness. Further, the Agency should consider the benefits and costs of extending these standards and measures to its performance evaluation process for mechanics.

8.237 We recommended the Agency formalize and enforce policy regarding work to be done on executive vehicles prior to disposal.

Various departments

Accounts receivable

8.238 Most governments emphasize the controlling of expenditures more than collecting of revenues. With minor exceptions, provincial departments do not have the authority to spend the revenue that they collect. As a result, there is often no budgetary motivation for departments to spend time and effort in maximizing collection activities.

8.239 We conducted an audit of the management of accounts receivable in three departments. The purpose of our audit was to determine if the departments had a comprehensive collection process, which is in compliance with government policy.

Business New Brunswick

8.240 Six recommendations were issued to the Department of Business New Brunswick in relation to the Department's accounts receivable balance, which exceeded \$277 million at the time of the audit. Most of these accounts receivable were loans outstanding in relating to economic development, fisheries and agriculture. We are pleased to report that all six recommendations have been implemented.

8.241 We recommended that the Department establish and document a system to monitor and collect overdue receivables. Proper follow-up procedures should be enacted to ensure all payments are made on time and in the correct amounts.

8.242 We recommended a system to report on outstanding accounts be developed. Receivable reports should be produced on a regular basis and distributed to senior management for review and comment.

8.243 We recommended the Department ensure procedures are developed to provide information, in a timely manner, in order to update client records. This should ensure an accurate aged receivable report.

8.244 We recommended collection of fees and follow up of outstanding balances be made a priority. In each case it should be decided if outstanding monies should be collected before economic incentives are given or extended.

8.245 We recommended all files be updated on a regular basis and the client status reviewed even if no action was taken. All files should include up-to-date agreements.

8.246 We recommended old receivables be written off promptly when it is deemed they will not be collected.

Finance

8.247 The main focus in the Department of Finance was on property tax receivables, which totalled \$579 million at the time of the audit. We issued nine recommendations to the Department following the completion of the audit. We are pleased to report that all of the recommendations have been implemented, and they are shown below.

8.248 The Department should put in place appropriate follow-up procedures to ensure all repayments are made on time and in accordance with the terms of the agreements.

8.249 The Department should review its policies in regards to the timing of client contacts. It may be appropriate to contact certain clients sooner than others.

8.250 All files should be updated as they are reviewed. Files should include all agreements as well as backup for the agreements.

8.251 The rationale and documentation for reductions and forgiveness of interest and penalties should be included in the files.

8.252 Receivables should be written off when it is deemed they will not be collected.

8.253 The Department should decide on a course of action to deal with these delinquent taxpayers.

8.254 The Department should set a target level(s) for receivables collection based on the best collection experience of other jurisdictions and aim to meet or exceed that level.

8.255 The Department should determine appropriate performance measures for staff and set clear, measurable goals related to its programs for collecting overdue taxes. It should also monitor performance relative to these goals.

8.256 Public reporting should include financial information and performance measures relating to the collection function. The Department could include, as part of the accountability information it provides to the Legislative Assembly, year-to-year comparisons of: the number and dollar value of taxpayer defaults during the year; recoveries and write-offs; timeliness of collection; costs of programs for collecting overdue taxes; and the balance of overdue accounts at year end.

Justice

8.257 Nine recommendations were made to the Department of Justice, which had accounts receivable in excess of \$20 million at 31 March 2002. At this time, none of the recommendations have been implemented. However there are two recommendations that are partially implemented and a number of others that will be impacted by changes the Department is planning in the upcoming year. In the plans are a pilot project designed to improve collections and a new accounts receivable system for one of the main revenue sources.

8.258 One of the recommendations was disagreed with on the basis that financial benefits may be outweighed by the costs.

Department of Public Safety

Motor vehicle revenue

8.259 We conducted an audit of the systems in place to control revenue from *Motor Vehicle Act* fees and fines, and motor vehicle inventory. Two recommendations were issued to the Department as a result of this audit. Our follow-up work confirms that both of the recommendations have now been implemented. Following are the two recommendations.

8.260 We recommended the Department formalize a new agreement with Service New Brunswick (SNB) to clarify its expectations with regard to motor vehicle revenue and inventory.

8.261 We recommended that only copies of paid and void tickets be forwarded to SNB by police agencies. Tickets destined for court should be taken to the courts as court dates occur. The court should then keep its copy and forward all other copies to the Department for processing. The SNB copy would then be sent to SNB and the ticket inventory updated. This would provide assurance that all tickets processed through the court system are properly accounted for and that the Department's record system is updated as required. This would also provide more meaningful and accurate tracking of *Provincial Offences Procedure Act* ticket inventory by SNB.

Chapter 9

Office of the Auditor General

Contents

Background	211
Office role and relevance	211
Strategic plan	212
Performance indicators.....	212
Financial information.....	217
Staff resources	218

Office of the Auditor General

Background

Exhibit 9.1
Self assessment checklist

9.1 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 2004 is presented below.

	2004	2003
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

9.2 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

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

Office relevance

9.4 Volumes 1 and 2 of our 2003 Report generated significant interest. 475 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.

9.5 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.

9.6 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.

9.7 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

9.8 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.

9.9 We have developed strategies around each of these goals, along with specific objectives and actions. Each year we will develop a business plan that sets targets for each of our objectives. We have identified twelve performance indicators that we are using to measure our progress.

Performance indicators

MLA survey

9.10 This year we surveyed and interviewed Members of the Public Accounts and Crown Corporations Committees in order to measure our effectiveness in meeting their needs.

9.11 The responses to the survey indicate 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%.

9.12 Members of the committees were satisfied with our Report, and with the process we follow to communicate its contents to them. They considered the topics chosen for review to be relevant, and our recommendations to be practical and achievable. They believe that our Office provides taxpayers with good value for money.

Auditee survey

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

9.14 The responses to the survey following our 2003 audits indicate a high degree of satisfaction, especially with the financial audits we conducted. We converted all the responses into a numerical index, which produced an overall satisfaction rate of 87.0%.

9.15 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. Some concerns were expressed that in our value-for-money and detailed systems audits our knowledge of the organization could be improved. We will take these comments into account in our future work.

Employee survey

9.16 In the fall of 2003 we conducted our first-ever employee satisfaction survey. We wanted to receive 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 62.6%.

9.17 We were not satisfied with this result and have been addressing the issues raised in the survey at the management level, and through the use of staff committees. Significant issues raised include training, timely feedback on performance, resources and recognition.

Acceptance and implementation of recommendations

9.18 Chapter 8 of this Report provides an overview of the recommendations included in our 2000 through 2002 Reports. It details the responses to our recommendations, and our assessment of the acceptance and implementation of these recommendations.

Completion of audits on time and within budget

9.19 In general, we are pleased with the actions taken by departments and Crown agencies in response to our work and reports.

9.20 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.

9.21 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.

9.22 The audit of the Province of New Brunswick was not completed by 30 June. Our auditor's report on the Province's financial statements was dated 1 September.

9.23 We are the auditors of twenty Crown agencies, six pension plans and the Fiscal Stabilization Fund. We completed thirteen of the Crown agency audits and three of the pension plan audits by 30 September. 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. However, all seven were completed and reports issued by 9 November. We did not have the resources to complete the audits of the Fiscal Stabilization Fund and three of the pension plans in time to meet our 30 September target.

9.24 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.

9.25 The actual time spent on our audit of the Province's financial statements exceeded the budgeted time by 570 hours. The excess is mainly attributable to extra time spent on the audit of NBCase, the social assistance payment and case management system in the Department of Family and Community Services. The results of that

audit are reported in chapter 7 of this Report. The significance of the system, and its complexity, were factors in our selection of this computer application for audit, and also contributed to the audit taking more time than we had anticipated.

9.26 All of the sixteen Crown agency and pension plan audits we completed by 30 September were carried out within or close to budget, with the exceptions of Algonquin Properties Limited and Algonquin Golf Limited. The time spent on these two audits, which are closely linked and carried out concurrently, greatly exceeded the budget. There were a number of reasons for this, including a significant internal control matter that had to be resolved, and a large amount of time spent dealing with accounting issues rather than auditing.

9.27 We undertook four major value-for-money audits during the past year that led to chapters in our 2004 Report. Only one took significantly more time than we had budgeted. This was our audit of salmon aquaculture, where we underestimated the amount of time that would be incurred as a result of working cooperatively with two other legislative audit offices. We believe the extra time was a sound investment, and that our final report benefited greatly from the interaction with the other offices.

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

9.28 Four of our performance indicators attempt to assess the relevance of the work we do by tracking the interest in our work and Reports.

9.29 As mentioned earlier, we monitor the number of times our web site is visited to access our Report. In the period from December 2003 to June 2004, covering the release of volumes 1 and 2 of our 2003 Report and the subsequent four months, there were over 7,000 visits to the complete Reports. In addition to this there were specific visits to individual chapters. On 9 December 2003, the day we released volume 1, there were over 2,500 visits, or “hits”, to our web site. On 18 February 2004, the day we released volume 2, there were over 3,700 hits.

9.30 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 no longer routinely prepared.

9.31 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. For example, we have made presentations to the Crown Corporations Committee on Crown agency governance and the Public Accounts Committee on departmental annual reports. We also provide orientation sessions for new committee members.

Use of time

9.32 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.

9.33 A detailed analysis of staff time for 2003 indicates that 58.88% 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

9.34 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 beginning to track 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.

9.35 The data we have compiled to date is relatively unsophisticated, and will be further refined in the years to come. It shows that the cost of the audit of the Province of New Brunswick's financial statements is approximately \$200,000. The total cost of the sixteen Crown agency and pension plan audits we completed by 30 September was approximately \$115,000. The total cost of the four major value-for-money audits included in this Report was \$273,000. The cost of preparing our 2003 Report, including the work we do to

follow up on recommendations made in previous Reports, was approximately \$100,000.

Financial information

9.36 Budget and actual expenditure for 2002-03 and 2003-04 by primary classification is shown in Exhibit 9.2. The approved budget for the 2004-05 year is presented for comparative purposes.

9.37 As we indicated in our 2003 Report, in our budget submission for 2004-05 we requested an increase in funding of \$200,000. This would have enabled us to hire two additional senior auditors and increase our investment in training, technology and other support services. This request for additional funds was rejected by the Board of Management.

9.38 Staff costs continue to account for approximately 90% of our budget and were underspent by \$58,200 for the year ended 31 March 2004. This was the result of staff turnover, and the inevitable delays in filling vacant positions.

9.39 Other services were underspent by \$19,600 and property and equipment costs were underspent by \$26,800. These savings were largely due to restrictions in expenditures in response to a request from Board of Management to institute an in-year budget reduction of 5%.

Exhibit 9.2

Budget and actual expenditure (thousands of dollars)

	2005	2004		2003	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,513.8	1,473.8	1,415.6	1,446.5	1,382.2
Other services	135.6	138.2	118.6	124.2	169.5
Materials and supplies	9.0	8.4	10.9	8.1	7.8
Property and equipment	32.6	52.6	25.8	76.2	93.2
	1,691.0	1,673.0	1,570.9	1,655.0	1,652.7

9.40 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

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

9.42 Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, four staff members left the Office. We were pleased to see that three of these individuals remained within the public sector.

9.43 Our staff complement, based on our available budget, was reduced during the year from 24 to 23. Brent White, CA, Paul Jewett, CA and Phil Vessey, CA are the directors for our three audit teams. At 31 March 2004 there were fourteen professional staff with accounting designations. Our staff also included five students enrolled in accounting programs. Two other members of our staff provide administrative support services. Two positions were vacant, and have subsequently been filled. The following is a list of staff members at 31 March 2004:

Lorna Bailey ⁽¹⁾	Nick McCarthy ⁽²⁾
Mylène Chiasson ⁽²⁾	Bill Phemister, CA
Cathy Connors Kennedy, CA	Ken Robinson, CA
Duane Dickinson ⁽²⁾	Al Thomas, CA
Kim Embleton ⁽²⁾	Phil Vessey, CA
Debbie Graye ⁽²⁾	Brent White, CA
Deidre Green, CA	Darlene Wield ⁽¹⁾
Eric Hopper, CA	Daryl Wilson, FCA
Peggy Isnor, CA	Tania Wood-Sussey, CA
Paul Jewett, CA	Shauna Woodside, CA
Cecil Jones, CA	

⁽¹⁾ Administrative support

⁽²⁾ Student enrolled in a professional accounting program

Appendices

Contents

Summary of significant audits conducted in departments and Crown agencies over the past seven years	221
Sections of the <i>Auditor General Act</i> relevant to the responsibilities of the Auditor General	229

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

The following is a list of value-for-money audits reported in a separate chapter of our annual Report over the last seven 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, Fisheries and Aquaculture

Salmon Aquaculture (2004)

The Report 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

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 and Local Government

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

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 and Wellness

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 Natural Resources and Energy**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 Training and Employment Development

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 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.

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.

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.

**Sections of the Auditor General Act
Relevant to the Responsibilities of
the Auditor General**

Key Definitions

1 In this Act

"agency of the Crown" means an association, authority, board, commission, corporation, council, foundation, institution, organization or other body

(a) whose accounts the Auditor General is appointed to audit by its shareholders or by its board of management, board of directors or other governing body,

(b) whose accounts are to be audited by the Auditor General under any other Act or whose accounts the Auditor General is appointed by the Lieutenant-Governor in Council to audit,

(c) whose accounts are to be audited by an auditor, other than the Auditor General, appointed by the Lieutenant-Governor in Council, or

(d) the audit of the accounts of which the Auditor General is required to review or in respect of which the auditor's report and the working papers used in the preparation of the auditor's statement are required to be made available to the Auditor General under any other Act,

and includes

(e) (Repealed)

(f) regional health authorities as defined in the *Regional Health Authorities Act*,

(g) the New Brunswick Liquor Corporation established under the *New Brunswick Liquor Corporation Act*,

(g.1) the New Brunswick Power Corporation under the *Electric Power Act*,

**Articles de la Loi sur le vérificateur général
se rapportant aux fonctions du
vérificateur général**

Définitions-clés

1 Dans la présente loi

«organisme de la Couronne» désigne une association, une autorité, une régie, une commission, une corporation, une fondation, un conseil, une institution, une organisation ou un autre corps

(a) dont la vérification des comptes est confiée au vérificateur général par ses actionnaires ou son conseil de gestion, conseil d'administration ou autre corps directeur,

(b) dont les comptes sont vérifiés par le vérificateur général en vertu de toute autre loi ou dont les comptes sont vérifiés par le vérificateur général par le fait de sa nomination par le lieutenant-gouverneur en conseil,

(c) dont les comptes sont vérifiés par un vérificateur, autre que le vérificateur général, nommé par le lieutenant-gouverneur en conseil, ou

(d) dont la vérification des comptes doit être révisée par le vérificateur général ou à l'égard duquel le rapport du vérificateur et les documents de travail utilisés dans son compte-rendu doivent être mis à la disposition du vérificateur général en vertu de toute autre loi;

et s'entend également

(e) (Abrogé)

(f) des régies régionales de la santé telles que définies dans la *Loi sur les régies régionales de la Santé*,

(g) de la Société des alcools du Nouveau-Brunswick établie en vertu de la *Loi sur la Société des alcools du Nouveau-Brunswick*,

(g.1) de la Société d'énergie du Nouveau-Brunswick en vertu de la *Loi sur l'énergie électrique*,

(g.2) the Workplace Health, Safety and Compensation Commission under the *Workplace Health, Safety and Compensation Commission Act*, and

(g.3) the Atlantic Lottery Corporation Inc.,

but does not include

(h) a trust company carrying on business under the *Trust Companies Act* whose books are to be audited by an inspector or auditor appointed by the Lieutenant-Governor in Council under section 12 of the *Trust Companies Act* or a loan company or trust company carrying on business under the *Loan and Trust Companies Act* whose books are to be audited under any provision of that Act,

Examination of Accounts

8(1) The Auditor General shall audit on behalf of the Legislative Assembly and in such manner as he considers necessary the accounts of the Province relating to

- (a) the Consolidated Fund,
- (b) all public property, and
- (c) all trust or special purpose funds.

8(2) Where the accounts of an agency of the Crown are not audited by another auditor, the Auditor General shall perform the audit.

8(3) Where the accounts of an agency of the Crown are audited other than by the Auditor General the person performing the audit shall

- (a) deliver to the Auditor General forthwith after completion of the audit a copy of his report of his findings and his recommendations together with a copy of the audited financial statement of the agency of the Crown;

(g.2) de la Commission de la santé, de la sécurité et de l'indemnisation des accidents au travail en vertu de la *Loi sur la Commission de la santé, de la sécurité et de l'indemnisation des accidents au travail*, et

(g.3) la Société des Loteries de l'Atlantique Inc.,

mais ne comprend pas

(h) une compagnie de fiducie faisant affaire en vertu de la *Loi sur les compagnies de fiducie* dont les livres doivent être vérifiés par un inspecteur ou un vérificateur nommé par le lieutenant-gouverneur en conseil en vertu de l'article 12 de la *Loi sur les compagnies de fiducie* ou une compagnie de prêt ou une compagnie de fiducie exerçant ses activités en vertu de la *Loi sur les compagnies de prêt et de fiducie* dont les livres doivent être vérifiés conformément à une disposition de cette loi;

Examen des comptes

8(1) Le vérificateur général doit vérifier au nom de l'Assemblée législative de la manière qu'il juge nécessaire les comptes de la province concernant

- (a) le Fonds consolidé,
- (b) tous les biens publics, et
- (c) tous les fonds en fiducie ou fonds destinés à des fins spéciales.

8(2) Le vérificateur général doit vérifier les comptes et les opérations financières concernant un organisme de la Couronne et qui ne sont pas vérifiés par un autre vérificateur.

8(3) Lorsque les comptes et les opérations financières d'un organisme de la Couronne ne sont pas vérifiés par le vérificateur général, la personne qui les vérifie doit

- (a) transmettre au vérificateur général, une fois la vérification achevée, une copie des conclusions de son rapport avec les recommandations et la copie de l'état financier vérifié de l'organisme de la Couronne;

(b) make available forthwith to the Auditor General, when so requested by him, all working papers, reports, schedules and other documents in respect of the audit or in respect of any other audit of the agency of the Crown specified in the request; and

(c) provide forthwith to the Auditor General, when so requested by him, a full explanation of work performed, tests obtained, and any other information within his knowledge in respect of the agency of the Crown.

8(4) Where the Auditor General is of the opinion that any information, explanation or document that is provided, made available or delivered to him by the person referred to in subsection (3) is insufficient, he may conduct or cause to be conducted such additional examination and investigation of the records and operations of the agency or corporation as he considers necessary.

- 9 The Auditor General may, at his discretion,
- (a) examine debentures and other securities of the Province that have been redeemed and determine whether such securities have been properly cancelled, and
 - (b) participate in the destruction of redeemed, cancelled or unissued securities.

Report on Financial Statements

10 The Auditor General shall examine the several financial statements required by section 48 of the *Financial Administration Act* to be included in the Public Accounts and shall express his opinion as to whether they fairly present information in accordance with stated accounting policies of the Province and on a basis consistent with that of the preceding year, together with any reservations he may have.

Special Assignments

11(1) Whenever the Legislative Assembly, the Standing Committee on Public accounts, the Lieutenant-Governor in Council, the Chairman of the Board of Management or the Minister of Finance so requests, the Auditor General may, if in his opinion such an assignment does not interfere with his primary

(b) rendre disponibles sans délai au vérificateur général, sur demande de celui-ci, tous documents de travail, rapports, bordereaux et autres documents concernant la dite vérification ou toute autre vérification de l'organisme de la Couronne précisés dans sa requête; et

(c) communiquer sans délai au vérificateur général, sur demande de celui-ci, des explications complètes sur le travail accompli, les épreuves obtenues et tous autres renseignements qu'elle possède sur l'organisme de la Couronne.

8(4) Lorsque le vérificateur général trouve insuffisants les renseignements, explications ou documents qui lui sont fournis, rendus disponibles ou transmis par la personne mentionnée au paragraphe (3), il peut, s'il le juge nécessaire, procéder ou faire procéder à un examen ou à une enquête portant sur les dossiers et les opérations de l'organisme ou corporation.

9 Le vérificateur général peut à sa discrétion

- (a) examiner les débentures et autres titres de la province qui ont été rachetés et déterminer si ses titres ont été dûment annulés et
- (b) participer à la destruction des titres rachetés annulés ou non émis.

Rapport sur les états financiers

10 Le vérificateur général examine les différents états financiers qui doivent figurer dans les comptes publics en vertu de l'article 48 de la *Loi sur l'administration financière*; il indique s'il est d'avis que les états sont présentés fidèlement et conformément aux conventions comptables établies pour la province et selon une méthode compatible avec celle de l'année précédente et indique les réserves qu'il peut avoir.

Projets spéciaux

11(1) Le vérificateur général peut sur demande de l'Assemblée législative, du Comité permanent des comptes publics, du lieutenant-gouverneur en conseil, du président du Conseil de gestion ou du ministre des Finances, faire enquête et rapport sur toute question relative aux affaires financières ou aux biens de la

responsibilities, inquire into and report on any matter relating to the financial affairs of the Province or to public property or inquire into and report on any person or organization that has received financial assistance from the Province or in respect of which financial assistance from the Province is sought.

11(2) For the purposes of this section, the Auditor General has the powers of a commissioner under the *Inquiries Act*.

Content of Annual Report

13(1) The Auditor General shall report annually to the Legislative Assembly

- (a) on the work of his office, and
- (b) on whether, in carrying on the work of his office, he received all the information and explanations he required.

13(2) Each report of the Auditor General under subsection (1) shall indicate anything he considers to be of significance and of a nature that should be brought to the attention of the Legislative Assembly including any cases in which he has observed that

- (a) any person wilfully or negligently failed to collect or receive money belonging to the Province;
- (b) public money was not accounted for and paid into the Consolidated Fund;
- (c) an appropriation was exceeded or applied to a purpose or in a manner not authorized by the Legislature;
- (d) an expenditure was made without authority or without being properly vouched or certified;
- (e) there has been a deficiency or loss through fraud, default or mistake of any person;
- (f) money has been expended without due regard to economy or efficiency;

province ou aux biens publics ou sur toute personne ou organisation qui a reçu ou sollicite une aide financière de la province si le vérificateur général estime que pareille demande n'entrave pas l'exercice de ses principales attributions.

11(2) Aux fins du présent article, le vérificateur général détient les pouvoirs que confère à un commissaire la *Loi sur les enquêtes*.

Contenu du rapport annuel

13(1) Le vérificateur général doit faire rapport annuellement à l'Assemblée législative

- (a) sur le travail de son bureau, et
- (b) sur le fait qu'il a reçu ou non dans l'exécution du travail de son bureau toutes les informations et tous les éclaircissements qu'il a demandés.

13(2) Le vérificateur général doit indiquer dans chaque rapport préparé en vertu du paragraphe (1) tout fait qu'il estime significatif et qui par sa nature doit être porté à l'attention de l'Assemblée législative y compris les cas dans lesquels

- (a) une personne a, volontairement ou par négligence, omis de percevoir ou de recevoir des sommes appartenant à la province;
- (b) il n'a pas été rendu compte de deniers publics et ceux-ci n'ont pas été versés au Fonds consolidé;
- (c) un crédit a été dépassé ou a été affecté à une fin ou d'une manière non autorisée par la Législature;
- (d) une dépense a été engagée sans autorisation ou sans avoir été dûment certifiée ou appuyée de pièces justificatives;
- (e) il y a eu manque ou perte par suite de fraude, faute ou erreur d'une personne;
- (f) des sommes ont été dépensées sans due considération pour l'économie ou l'efficience;

(g) procedures have not been established to measure and report on the effectiveness of programs, where, in the opinion of the Auditor General, the procedures could appropriately and reasonably be used; or

(h) procedures established to measure and report on the effectiveness of programs were not, in the opinion of the Auditor General, satisfactory.

(g) des procédures n'ont pas été établies pour mesurer l'efficacité des programmes et en faire rapport, lorsque, de l'opinion du vérificateur général, les procédures pourraient être utilisées de façon appropriée et raisonnable; ou

(h) des procédures établies pour mesurer l'efficacité des programmes et en faire rapport n'étaient pas, de l'opinion du vérificateur général, satisfaisantes.

Submission of Annual Report

13(3) Each annual report by the Auditor General to the Legislative Assembly shall be submitted to the Speaker of the Legislative Assembly on or before the thirty-first day of December in the year to which the report relates and the Speaker of the Legislative Assembly shall table each such report before the Legislative Assembly forthwith after receipt thereof by him or, if the Legislative Assembly is not then in session, within ten days following the commencement of the next ensuing session of the Legislative Assembly.

13(4) If the Legislative Assembly is not in session when the Auditor General submits his annual report, the Speaker shall cause a copy of the report to be filed with the Chairman of the Standing Committee on Public Accounts for review by that Committee if the Committee has been authorized to sit after prorogation by a resolution of the Legislative Assembly pursuant to the *Legislative Assembly Act*.

Other Reporting Responsibilities

14(1) Whenever it appears to the Auditor General that any public money has been improperly retained by any person, he shall forthwith report the circumstances of the case to the Minister of Finance.

14(2) 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 matter to the attention of officers and employees engaged in the conduct of the business of the Board of Management.

Présentation du rapport annuel

13(3) Chaque rapport annuel du vérificateur général à l'Assemblée législative est soumis à l'Orateur de l'Assemblée législative au plus tard le trente et un décembre de l'année à laquelle il se rapporte, et L'Orateur doit le déposer devant l'Assemblée législative immédiatement, ou, si l'Assemblée ne siège pas, dans les 10 jours de l'ouverture de la session suivante.

13(4) Si l'Assemblée législative ne siège pas lors du dépôt du rapport annuel par le vérificateur général, l'Orateur doit en faire déposer une copie auprès du président du comité permanent des comptes publics pour être examiné par ce comité si le comité a été autorisé à siéger après prorogation par une résolution de l'Assemblée législative conformément à la *Loi sur l'Assemblée législative*.

Autres rapports à présenter

14(1) Le vérificateur général adresse, sans délai au ministre des Finances un rapport circonstancié sur tous les cas qui, à son avis, constituent une rétention irrégulière de deniers publics.

14(2) Le vérificateur général peut informer les cadres et employés concernés de la Fonction publique du Nouveau-Brunswick des faits découverts au cours de ses examens et notamment signaler ces faits aux cadres et employés affectés aux affaires du Conseil de gestion.

Assistance to Public Accounts Committee

15 At the request of the Standing Committee on Public Accounts, the Auditor General, or any employee of the Office of the Auditor General or any person appointed pursuant to a contract for professional services who is designated by the Auditor General, shall attend at the meetings of the Committee in order to assist the Committee

- (a) in planning the agenda for review of the Public Accounts and the annual report of the Auditor General, and
- (b) during its review of the public Accounts and the annual report of the Auditor General.

Aide au comité des comptes publics

15 Sur la demande du comité permanent des comptes publics, le vérificateur général, ou tout employé de son bureau ou toute personne nommée par suite d'un contrat de services professionnels et désignée par le vérificateur général doivent assister aux réunions du comité pour l'aider

- (a) à préparer l'ordre du jour de l'examen des comptes publics et le rapport annuel du vérificateur général, et
- (b) à conduire l'examen même des comptes publics et le rapport annuel du vérificateur général.