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Chapter 1

Introductory Comments

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Introductory Comments

Volume III Reports our 2011 Value-for-Money Work

1.1 In this volume of our 2011 Report, we report on the following value-for money projects:

- Public-Private Partnership (P3) of the Eleanor W. Graham Middle School and the Moncton North School;
- Constituency Office Costs for Members of the Legislative Assembly and Executive Council;
- Canada Mortgage and Housing Corporation Social Housing Agreement; and
- Follow-up work on recommendations from past value-for-money reports.

1.2 The objectives of our work on the Public-Private Partnership (P3) of the Eleanor W. Graham Middle School and the Moncton North School were:

- to determine the process for identifying the two school project as a potential P3; and
- to assess the business case on which the Department's decision to adopt the P3 approach for the two school project was based.

1.3 The objective of our work on Constituency Office Costs for Members of the Legislative Assembly and Executive Council was to report on our observations,

findings and recommendations with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly and departments for these payments.

1.4 The objectives of our work on the Canada Mortgage and Housing Corporation Social Housing Agreement were to:

- examine the financial impact to the Province due to the decline in funding under the agreement; and
- assess whether the Department is managing and administering the program in accordance with four key agreement requirements.

1.5 This volume of our Report contains a Follow-up chapter. This is in response to concerns raised with respect to the omission of this chapter from our 2010 report. Although we have not returned to the level of follow up work carried out in years prior to 2010, we hope Members of the Public Accounts and Crown Corporations Committees will find the information that is presented useful during deliberations in the months ahead. Also included is Appendix A which contains a “Summary of Significant Audits Conducted in Departments and Crown Agencies over the Past Ten Years” and Appendix B, a “Detailed Status Report of Auditor General Recommendations Since 2007.”

Other 2011 Value-for-Money Work

1.6 Volume I of our 2011 Report on provincial wastewater commissions was released in October 2011.

1.7 Our objective was to examine the governance, accountability and financial practices of the Province’s three largest wastewater commissions.

1.8 Although I do not intend to repeat the contents of that report in this volume, I would like to make the following comments:

- There are hundreds of governing boards throughout the Province, created over many years by various pieces of provincial legislation. In all cases good governance and accountability principles apply.

- From time to time, my office will select other provincially created agencies, commissions or crown corporations for governance and accountability reviews.
- I would encourage all members of the various boards, agencies, councils and commissions, in organizations of all sizes, to:
 - consider our comments regarding the importance of good governance and appropriate accountability practices; and
 - review our findings on wastewater commissions in Volume I of our 2011 Report and on La Caisse populaire de Shippagan in Volume I of our 2009 Report.

A lot can be learned from the past.

Acknowledgements

1.9 Staff of the Office has worked hard in carrying out and reporting on the work contained in this volume of our Report. I thank them for all their efforts.



Kim MacPherson, CA
Auditor General

Chapter 2

Department of Supply and Services Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School

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Department of Supply and Services Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School

Summary

- 2.1** The purpose of this chapter is to inform the Legislative Assembly of New Brunswick about the review we did on the public-private partnership (P3) for the Eleanor W. Graham Middle School and the Moncton North School.
- 2.2** In May 2008, the government announced that two schools, one in Rexton and one in Moncton, would be delivered using a P3 model. In October 2008, the government announced that it would consolidate the construction, maintenance, and rehabilitation of these schools into one project. The net present value (NPV) of the project, including payments to the private sector as well as quantified risks, was estimated at \$93.9 million.
- 2.3** Our key findings and conclusions are listed in Table 2.1. The recommendations and the responses from various Departments are shown in Table 2.2.

Table 2.1 Results in Brief

Criterion	Findings	Conclusion
Objective 1 - To determine the process for identifying the two school project as a potential P3.		
No associated criteria	<p>Unsupported P3 decision:</p> <p>We found no evidence that a formal preliminary analysis was performed to support the decision of adopting a P3 approach before it was publicly announced. We were unable to determine the rationale for the decision. Subsequent to the announcements, the Department of Supply and Services (the Department) decided to prepare a value for money (VFM) assessment to see whether the P3 approach would deliver value for money.</p> <p>Approval by Legislature long after the agreement signed:</p> <p>The project was not included in the capital estimates (i.e. for approval by the Legislative Assembly) until fiscal year 2010-11, although the Province had already signed multi-year agreements with a successful bidder in September 2009. The commitment involves making annual payments of approximately \$5.1 million for a 30 year period. The Legislative Assembly had no opportunity to debate this commitment in advance of the decision being made.</p> <p>In our view, government should obtain approval of the Legislature through the budget process before a multi-year P3 contract is signed.</p>	We concluded there was no formal process to support the identification of this project as a P3 candidate.

Table 2.1 Results in Brief (continued)

Criterion	Findings	Conclusion
Objective 2 - To assess the business case on which the Department's decision to adopt the P3 approach for the two school project was based.		
All significant assumptions made by the Department should be supported and documented.	<p>We found that assumptions associated with discount and inflation rates, as employed in the VFM analysis, were supported.</p> <p>However we did not agree with the Department's assumption to include an additional net present value (NPV) of \$14.2 million for the traditional model to reflect the maintenance and life cycle deficit. The assumption was based on the expectation that the Province would not adequately fund these costs under the traditional model.</p> <p>Although we understand why this assumption was made, in our view, if the Province is willing to commit funds to maintain the school at documented standards under the P3 model, it should be willing to do the same under the traditional model. Treating one model differently in the VFM analysis distorts the comparison.</p> <p>Based on the VFM analysis, the Department concluded the P3 approach provided \$12.5 million VFM to taxpayers for this project over the traditional approach. However, after adjusting for the effect of the maintenance and lifecycle cost assumption (NPV \$14.2 million), the traditional model would deliver \$1.7 million VFM over the P3 approach.</p>	We concluded that not all significant assumptions were supported and documented. We had concerns about the appropriateness of certain assumptions made, and the accuracy of the resulting comparison between the P3 and traditional models.

Table 2.1 Results in Brief (continued)

Criterion	Findings	Conclusion
Objective 2 - To assess the business case on which the Department's decision to adopt the P3 approach for the two school project was based.		
All assumptions made by the VFM consultants should be reviewed and challenged (by the Department).	There was little documentation available showing that the Department had reviewed the assumptions upon which the VFM analysis was based.	We were unable to conclude on whether the assumptions were adequately reviewed and challenged by the Department, as sufficient documentation was not available to enable us to make a judgment.
VFM analysis should be in-line with common industry practice.	<p>Consistent with common industry practice, the VFM report prepared for the project included:</p> <ul style="list-style-type: none"> • a comparison between the P3 model and the traditional approach; • all relevant cost components (i.e. design, construction, financing maintenance, and operation); • assessments of risks; and • quantification of risks. <p>However, we noted three areas where the VFM analysis was deficient in comparison with common industry practice. These included:</p> <ul style="list-style-type: none"> • sensitivity analysis (i.e. only risk quantification was subject to this analysis); • timing of preliminary VFM analysis (i.e. the analysis was not completed prior to announcing the P3 project); and • reporting of VFM results (i.e. the Department did not comply with the government's P3 protocols that require fair and transparent reporting). 	We concluded that the VFM analysis completed was partially in line with common industry practice. However, there were some significant deficiencies.
Due diligence should be performed to review the value-for-money report.	The only review was an informal one completed by departmental employees who had been involved in developing the VFM report, and therefore were not independent.	We concluded that a formal independent due diligence review of the VFM report was not completed by the Department.

Table 2.1 Results in Brief (continued)

Criterion	Findings	Conclusion
Other observations		
No associated criteria	<p>We encountered two additional reportable matters during the completion of our work:</p> <p>1) Were capital budgeting practices appropriate?</p> <p>Provincial budget restraint has led to the deferral of needed maintenance and rehabilitation work at schools. The Department, in its VFM analysis, recognized that deferral of maintenance leads to significantly higher future costs, and is therefore not a cost-effective long-term solution for the Province's budget shortfalls.</p> <p>If government approves the construction of a new school, regardless of the construction method (P3 or traditional), the long term cost of operating and maintaining the facility should be factored into the decision at that time and protected in future budgets. There are mechanisms by which this can be done, such as statutory appropriations.</p> <p>A statutory appropriation should exist for ongoing maintenance and repair of provincially owned schools. Otherwise, unanticipated school closures like the 2010 mid-year school closure of Moncton High School and Polyvalente Roland-Pépin in Campbellton will continue.</p> <p>2) Was due process followed in selecting project advisors?</p> <p>A process advisor was paid approximately \$107,000 and a financial advisor was paid approximately \$565,000 for their services on the project. Both advisors were engaged by the Department without calling for public tenders or any other form of competition. In our opinion, due process was not followed in engaging these project advisors.</p>	

Table 2.2 Summary of Recommendations

Recommendation	Department's Response
<p>2.26 The Department of Supply and Services should conduct a preliminary assessment to identify the best procurement approach prior to a Cabinet decision on how to proceed (P3 or traditional approach).</p>	<p>Department of Supply and Services response: <i>Agreed. Government has established Partnership New Brunswick in the Department of Transportation.</i></p> <p><i>Since its inception Partnership NB has developed standard procedures for assessing potential P3 projects and determining if there is value for money in implementing a candidate project as a P3.</i></p> <p><i>The Department of Supply and Services is committed to working closely with Partnership NB to ensure capital projects are screened to determine the feasibility of P3 procurement approach.</i></p>
<p>2.31 The Department of Finance should have the government obtain approval of the Legislative Assembly, during the budget process, for future year P3 funding commitments in advance of entering into such contracts.</p>	<p>Department of Finance response: <i>We agree that Members of the Legislative Assembly should have the opportunity to debate P3 projects. To that end, the Minister of Finance has tabled the 2012-13 Capital Estimates, including a multi-year capital expenditure plan that clearly identifies the future year funding for all P3 projects.</i></p>
<p>2.71 The Department of Supply and Services should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.</p>	<p>Department of Supply and Services response: <i>Agreed. The Department of Supply and Services will work with Partnership NB to ensure key processes are documented appropriately.</i></p>
<p>2.72 The Department of Supply and Services should review assumptions made by its VFM consultant. Reviews and important discussions should be properly documented.</p>	<p>Department of Supply and Services response: <i>Agreed. The Department of Supply and Services reviewed all assumptions made by the consultants through iterative reviews of the risk matrix and drafts of the VFM report. We will work with Partnership NB to formalize the review and documentation of these assumptions on future projects.</i></p>

Table 2.2 Summary of Recommendations (continued)

Recommendation	Department's Response
2.73 The Department of Supply and Services should obtain the discounted cash flow model from its consultant as part of the arrangement for future P3 projects.	<p>Department of Supply and Services response:</p> <p><i>Agreed. The Department of Supply and Services will work with Partnership NB to ensure this is incorporated into the Standard P3 process.</i></p>
2.96 The Department of Supply and Services should perform a sensitivity analysis which includes all key variables in the project cost estimate process.	<p>Department of Supply and Services response:</p> <p><i>Agreed. The Department of Supply and Services will work with Partnership NB to ensure this is incorporated into the Standard P3 process.</i></p>
2.97 The Department of Supply and Services should inform the public of key information in the P3 process.	<p>Department of Supply and Services response:</p> <p><i>Agreed. The Department of Supply and Services is committed to working with Partnership NB on the mechanism to ensure appropriate public disclosure.</i></p>
2.103 The Department of Supply and Services should perform an independent due diligence review of the value for money assessment for each proposed P3 project.	<p>Department of Supply and Services response:</p> <p><i>Agreed. The Department of Supply and Services is committed to working with Partnership NB on the development of policies and procedures to be followed for the due diligence review of each P3 project. The Department is also committed to ensuring all policies and procedures are adhered to.</i></p>
<p>2.111 To ensure provincially owned schools are properly maintained over their useful lives, the Department of Supply and Services in cooperation with the Departments of Finance and Education should:</p> <ol style="list-style-type: none"> 1. develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and 2. implement budgeting measures to protect the long-term funding stream required for sufficient ongoing maintenance of the schools. 	<p>Department of Supply and Services response:</p> <p><i>Agreed. The Department of Supply and Services has acquired and is in the process of implementing an Asset management System when completed it will be available to other Departments including Education.</i></p> <p>Department of Finance response:</p> <p><i>Each year the capital budget process carefully evaluates the funding required to maintain existing assets prior to consideration of funding for new projects.</i></p>

Table 2.2 Summary of Recommendations (continued)

Recommendation	Department's Response
2.117 The Department of Supply and Services should tender or solicit multiple fee estimates when engaging advisors for P3 projects, given the significant cost of these services.	<i>Department of Supply and Services response:</i> <i>Agreed. While the Department of Supply and Services adhered to all requirements of the Public Purchasing Act, the Department recognizes the value of soliciting multiple proposals and will incorporate this as good practice.</i>

Background

2.4 In recent years, the government of New Brunswick has increasingly used the public-private partnership (P3) approach to deliver public infrastructure. Examples include the twinning of Route 1, the Moncton Law Courts, and more recently the new psychiatric hospital in Restigouche County. In February 2011, the government confirmed the creation of a new division within the Department of Transportation called Partnerships New Brunswick. See Appendix 1 for more information on this organization.

2.5 A public-private partnership is a partnership arrangement in the form of a long-term performance-based contract between the public sector and the private sector (usually a team of private sector companies working together) to deliver public infrastructure for citizens¹. P3 projects typically include both a capital component and an ongoing service delivery component of non-core services for a specific period. The private sector partner in a P3 project often owns the infrastructure for the term of the contract and provides contracted services, as is the case for the P3 project under review. It receives periodic payments from the public sector partner once operation of the infrastructure has commenced, contingent on the private sector partner's performance in supplying the services. Typically, the ownership of the asset is transferred to the public sector at the end of the agreement.

2.6 The pricing of risk, and the subsequent inclusion of that costing of risk into the financial analysis supporting a decision

¹ Definition by Partnerships BC

to proceed with a P3, is a huge factor in determining whether a P3 "gets the green light." One of the key rationales offered by P3 proponents is that the private sector can manage certain risks much more effectively than the public sector. This makes it more economical for the government to seek out P3 arrangements.

2.7 In May 2008, the government announced during a presentation of the 2008-09 Main Estimates of the Department of Education² that two schools - Eleanor W. Graham Middle School in Rexton and Moncton North School in Moncton - would be built using a public-private partnership. Subsequently, in October 2008, the government announced the two schools would be packaged into one project. The net present value (NPV) of the project, including payments to the private sector as well as quantified risks, was estimated at \$93.9 million. The intention was to have a private sector partner design, construct, finance, operate and maintain both schools.

2.8 The P3 for the two schools followed a two-stage selection process. A request for expressions of interest was issued in December 2008, from which a short list of proponents was selected. Then the proponents in the short list were invited to participate in the second-stage request for proposals. The development firm Scotia Learning Centres Inc. was selected as the preferred proponent in August 2009. Shortly after, a special interest entity called Brunswick Learning Centres Inc. was created by the firm for the purpose of this P3 project. The final Project Agreement was signed between the Province and Brunswick Learning Centres Inc. on 11 September 2009.

2.9 Eleanor W. Graham Middle School covers 5,574 sq. metres (60,000 sq. feet) and accommodates 350 students from Grades 6 to 8. The Moncton North School covers 10,219 sq. metres (110,000 sq. feet) and accommodates 650 students from kindergarten to Grade 8. The key dates and milestones are listed in Table 2.3.

2.10 Construction for both schools was completed ahead of

²At time of printing, Department of Education was renamed Department of Education and Early Childhood Development

schedule with less than 1% of construction costs in change orders. This percentage is much lower than typical projects delivered through the traditional approach.

Table 2.3 Summary of key dates and milestones

Date	Event
May 2008	Government announced the two schools would be built using a public-private partnership
October 2008	Government announced the two schools would be packaged into one project
December 2008	Request for expressions of interest was issued
August 2009	The development firm Scotia Learning Centres Inc. was selected as the preferred proponent
September 2009	Final Project Agreement signed
November 2009	Construction started
August 2010	Eleanor W. Graham Middle School was substantially completed
September 2010	Eleanor W. Graham Middle School opened
October 2010	Moncton North School was substantially completed
November 2010	Moncton North School opened

2.11 The Province has made a significant financial commitment to the private sector partner. According to the winning proposal, the Province will make annual payments of approximately \$5.1 million over the 30 year operating period which covers construction, operation, maintenance and rehabilitation. As per the project agreement, the payments are subject to an annual increase based on the consumer price index. As well, the payments will be adjusted in case the private sector partner fails to perform the contracted services up to the service standards set in the agreement. This will require diligent monitoring on behalf of the Department of Education.

Objectives and Scope

2.12 Our objectives were:

- to determine the process for identifying the two school project as a potential P3; and
- to assess the business case on which the Department's decision to adopt the P3 approach for the two school project was based.

2.13 Our work included:

- interviews with staff of the Departments of

Supply and Services (DSS), Education, and Finance;

- review and analysis of project related documents which were produced by DSS, the Department of Finance and the VFM consultant engaged by DSS;
- review of the Province's guidelines and legislation with respect to public-private partnerships; and
- research into the reports and practices of public-private partnerships in other jurisdictions, including other Canadian provinces, the United Kingdom and Australia.

Why we chose this project

2.14 We decided to focus on this P3 school project for two reasons. First, this P3 contract is long term in nature and imposes a significant financial obligation to the Province for 30 years.

2.15 Secondly, during our scoping stage we became aware the Province was considering other P3 school projects. We believe our findings and recommendations could provide information critical to the decision process for those projects. Following the change in government in the fall of 2010, our Office was asked to present an interim report on our findings. We presented a short preliminary report to the Department which in turn was shared with the Board of Management (the Board). The Department recommended to the Board, in part due to our interim findings, to proceed with the construction of the new Riverview school and another new Moncton North school using its traditional procurement method rather than a P3. Prior to the Board's direction, the Department considered constructing Moncton North and Riverview schools using a P3 model.

Detailed Observations

2.16 Our first objective was to determine the process for identifying the two school projects as potential P3's.

Objective One - Determine the Decision Making Process

2.17 The Eleanor W. Graham Middle School/Moncton North School P3 project represents a significant investment in the public education system of New Brunswick. Due to its long term nature and high dollar value, it is critical to assess the costs and benefits of all reasonable and relevant alternative procurement models. It is also important for legislators and taxpayers to know that all plausible alternatives have been considered. This type of assessment allows the decision makers to choose the option that offers the best value for money (VFM). VFM is defined by Her Majesty's Treasury

(HM Treasury) as:

the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirement In assessing and delivering VfM it is also important to note that VfM is a relative concept which requires comparison of the potential or actual outcomes of alternative procurement options.

2.18 The most common approach to evaluate different procurement alternatives is a VFM assessment. The main purpose of a VFM assessment is to compare the estimated full costs to deliver the required infrastructure and services using a traditional procurement method with that of the same project using a P3 model.

2.19 This assessment should be carried out early in the process, as is recommended by other jurisdictions both nationally and internationally. The *Value for Money Assessment Guidance* published by the HM Treasury in November 2006 recommends “*procuring authorities should begin detailed assessments of the VfM of.... projects at the earliest stage possible.*”

2.20 In its National PPP Guidelines, Infrastructure Australia states:

It is important that procurement alternatives are analyzed thoroughly so that a robust recommendation can be made of a preferred procurement method. A rigorous analysis simplifies the decision-making process and ensures that the best procurement method, whether a PPP or an alternative, is pursued.

2.21 For infrastructure projects managed by Infrastructure Ontario (IO), the IO Board does not approve release of Request for Proposals (RFP) unless, among other factors, positive VFM is demonstrated by procuring a project using alternative financing and procurement, according to a document called “*Assessing Value for Money – A Guide to Infrastructure Ontario’s Methodology*”. Partnerships BC also recommended in 2009 the best practice for the quantitative analysis of infrastructure project procurement options is to present the objectives, scope, program delivery options analysis and recommendation for the preferred

service delivery option before the final decision can be made.

***Unsupported P3
Decision***

2.22 In May 2008, the government announced it would deliver the Eleanor W. Graham Middle School/Moncton North School project using a P3 approach. We found no evidence, however, that any kind of formal preliminary analysis was performed to support the P3 decision made by the Cabinet. We were advised there was some informal discussion among senior officials in the Department of Finance and the Department of Supply and Services during the budget process, but we were unable to determine the rationale for this decision.

2.23 Additionally, the government announced in October 2008 that the two schools would be packaged in one project and the model of P3 chosen was design-build-finance-maintain-operate (DBFMO). We found no evidence that this decision was supported by any type of formal assessment showing DBFMO as the most cost-effective form of P3 for this project.

2.24 We found that neither the Department of Supply and Services, which executed the decision, nor the Department of Education, which manages the agreement after the schools open, were officially involved in the decision making process with respect to the initial determination of the procurement method.

2.25 Subsequent to the P3 decision, the Department decided to conduct a value-for-money (VFM) assessment. The assessment was prepared after the decision to follow the P3 approach was made. Typically, value-for-money of alternatives is evaluated and compared prior to deciding between the alternatives (not after the fact as the government did in this case). Since the P3 decision was already made when the VFM analysis began, there is a potential risk that the VFM analysis could be biased to support the Cabinet's P3 decision.

Recommendation

2.26 **The Department of Supply and Services should conduct a preliminary assessment to identify the best procurement approach prior to a Cabinet decision on how to proceed (P3 or traditional approach).**

**Approval by
Legislature Long
After the Agreement
Signed**

2.27 We also noted that the project was not included in the capital estimates until fiscal year 2010-11, although the government announced the decision to build the two schools through a P3 in May 2008, and the final project agreement was signed in September 2009. In other words, the government was already committed to this multi-million dollar project long before the Legislative Assembly had the opportunity to debate it or approve the associated multi-year financial commitment.

2.28 The *Financial Administration Act* states:

32(1) No contract is to be made by which money is to be paid during the fiscal year in which the contract is made unless there is a sufficient unencumbered balance in the applicable appropriation.

32(2) Every contract made by the Province after the commencement of this section provides for payment of public money is deemed to contain the following term:

No payment is to be made by the Province under this contract in any fiscal year unless an appropriation against which the payment is to be charged is made in that fiscal year.

2.29 Our interpretation of the Act is that, in subsection 32(1), contracts should not be entered into which will require a payment in the fiscal year unless there is an appropriation by the Legislature sufficient enough to pay for it. Subsection 32(2) states no payment is to be made for a contract unless there is an appropriation. The Act is not clear with respect to situations where contracts are entered into in one year but contract terms and conditions are such that payment will not occur until a future year. As a result contracts can be entered into, resulting in a commitment of future year funding without having an appropriation until future years. It is only when an appropriation is required that such amounts are included in the Main Estimates and the annual budget process, hence subject to public debate in the Legislature.

2.30 In our view, government should obtain approval of the Legislature through the budget process before multi-year P3

contracts are signed.

Recommendation

2.31 The Department of Finance should have the government obtain approval of the Legislative Assembly, during the budget process, for future year P3 funding commitments in advance of entering into such contracts.

Conclusion on Objective One

2.32 We concluded there was no formal process to support the identification of this project as a P3 candidate.

Objective Two - Assessing the VFM Analysis

2.33 Our second objective is to assess the business case supporting the Department's decision to adopt the P3 approach for the two school project.

2.34 We found the Department did not prepare a business case for this project. It conducted a VFM analysis. Based on the results of the VFM analysis, the Department recommended that the government enter into a P3 contract with the successful proponent.

2.35 We developed four criteria to guide our work under this objective:

1. *all significant assumptions made by the Department should be supported and documented;*
2. *all assumptions made by the VFM consultants should be reviewed and challenged (by the Department);*
3. *VFM analysis should be in-line with common industry practice; and*
4. *due diligence should be performed to review the value-for-money report.*

2.36 Essentially, we wanted to look at the assumptions integral to the VFM analysis that supported the government's P3 approach for this project to determine if:

- the major assumptions were supported and documented; and
- the Department reviewed and challenged any of the assumptions developed by the consultant.

2.37 We deal with these four criteria in the sections that follow. Prior to entering into this discussion, however, we believe it would be useful to identify the key terms underlying the notion of value-for-money as calculated in the VFM analysis.

**VFM Analysis
Process**

- 2.38** The VFM analysis is the key component of the decision making process. A brief explanation of key terms is provided in Appendix 2. In order to conduct this VFM analysis, the Department has to create a public sector comparator (PSC). The PSC is an estimate of the "whole-of-life" cost of a hypothetical situation. That is, what the cost of the Eleanor W. Graham Middle School/Moncton North School project would be if it had been delivered by government through the traditional procurement approach. Whole-of-life cost includes designing, constructing, financing, maintaining and operating both schools during the 30 years and 11 months contract period in accordance with the required output specification.
- 2.39** In addition to looking at the costs of this PSC, the Department also had to estimate the total whole-of-life costs to the Province of delivering the same project to the identical specifications using a P3 approach. The difference between the estimated total project costs under each model generates a remainder the Department and the advisor call VFM. The government should only have adopted the P3 approach if the VFM analysis demonstrated it was the option that provided the best value for money.
- 2.40** The cash flow streams differ, both in terms of dollar amounts and timing, between the PSC and the P3 approach. For example, in the PSC, the Department would make a series of progress payments throughout the construction of the two schools. Once the two schools open, the Department of Education would begin making payments to various parties to operate and maintain the schools. In the P3 approach, the Department of Education will make a series of periodic payments covering the whole cost of two schools, and the vendor's profit component, throughout the 30 years and 11 months contract period.
- 2.41** The most common method used to analyze these differences in cash flow streams is the discounted cash flow analysis. This method follows the concept of time value of money (i.e. a dollar today is worth more than a dollar in the future). In using this method, the respective cash flows must be expressed in dollars as at a single date in time, known as the base date, so that cash flows that occur in different periods can be added together into one total amount (i.e. net present value or NPV). The NPV of the PSC and the P3 approaches can then be compared to

determine which one provides better value for money.

2.42 This NPV approach is built upon a number of key assumptions. These include the interest rate to be used, the costs of various components, the inflation rate, and the costs of various risks. A change in one of these major assumptions can change the result significantly.

2.43 In the case of the Eleanor W. Graham/Moncton North schools P3 project, both the Department and the Department's VFM consultant contributed to the key assumptions used in the analysis. This means it is essential that any assumptions the Department contributed are both well documented and well supported. For those instances where the Department's VFM consultants developed the assumptions on their own, it is crucial that the Department review and challenge them. This notion lies behind our first two criteria for this objective:

1. *all significant assumptions made by the Department should be supported and documented and*
2. *all assumptions made by the VFM analysis consultants should be reviewed and challenged (by the Department).*

Criteria 1 & 2 - Quality of the Assumptions

2.44 We have chosen to look at criteria one and two under the same heading. The quality of the assumptions will affect the result of the NPV calculation of the cash flow streams. If the assumptions made by either the Department or its consultant are faulty, then the result of the value-for-money analysis will be misleading. One invalid assumption could change the conclusion. Decision makers relying on the analysis could then make a wrong decision, committing the Province to a 30 year contract that ties it to a more expensive option. Given this, we believe it is important to examine all the key assumptions together to determine their validity in order to appropriately address the notion of value-for-money.

What Were the Key Assumptions?

2.45 We prepared a listing of key assumptions and presented it to officials from the Department. They agreed with our assessment.

2.46 We categorized these key assumptions under the headings:

- total design and construction costs;
- maintenance and life cycle cost deficit;

- discount rate; and
- inflation rate.

Re-evaluate the Results

2.47 After reviewing the key assumptions we re-evaluated the results of the VFM analysis.

2.48 The report prepared by the VFM consultants shows that the P3 approach would provide a net benefit of \$12.5 million to the Province when compared to the traditional approach. However, after considering our adjustment as shown in Table 2.4 below, the traditional approach would have resulted in net benefit to the Province of \$1.7 million. The major items in the table are discussed in detail in the following sections.

Table 2.4 VFM Assessment Comparison Between the Department and Office of Auditor General (in millions, NPV as of 2009)

VFM Assessment Comparison Between the Department and Office of Auditor General (in millions, NPV as of 2009)				
Cost component	Total costs per the Department's assessment		Total costs after OAG adjustment	
	PSC	P3	PSC	P3
Misc. project costs and land cost	\$3.0		\$3.0	
Base design and construction cost estimates	41.1		41.1	
Transferred risks	9.9		9.9	
Retained and 50% shared risks	26.4	24.0	26.4	24.0
Maintenance and life cycle related costs	23.7 ¹		9.5 ¹	
Others	2.1		2.1	
Cost of winning proposal		74.6		74.6
Provincial income taxes		(0.5)		(0.5)
Adjustment for quality		(4.2)		(4.2)
Total costs	\$106.4	\$93.9	\$92.2	\$93.9
VFM	P3 offers \$12.5 million in VFM over the PSC		PSC offers \$1.7 million in VFM over the P3	
1. See details in Table 2.6 and section “Maintenance and life cycle costs”				

Total Design and Construction Costs for the PSC

2.49 The Department estimated it would cost \$41.1 million (base cost estimate) including typical contingencies of \$7.0 million or 20%, if the project were to be delivered using a traditional procurement approach or PSC. The details are listed in Table 2.5 below:

Table 2.5 The Department's Base Cost Estimate for the Traditional Procurement Model

The Department's Base Cost Estimate for the Traditional Procurement Model		
Education Program 111,902 ft ²	x 1.47% Systems & Services (Dept of Education Target)	164,500 ft ²
164,500 ft ²	x \$180/ft ²	=\$29.6 million
\$29.6 million	x 1.12% Design Contingency	=\$33.2 million
\$33.2 million	x 1.05% Leadership in Energy and Environmental Design (LEED) Allowance	=\$34.8 million +
\$34.8 million	x 8% Design Fees + Expense	=\$2.8 million +
\$34.8 million	x 5% Tender Contingency	=\$1.7 million +
\$34.8 million	x 5% Construction Contingency	=\$1.7 million +
	Total Design, Tendering, Misc. and Construction *:	=\$41.1 million

*Plus insurance costs during construction (\$53,000), not including land costs.

2.50 The Department also pointed out that undertaking this project using the traditional model would involve other risks such as cost overrun, in addition to the contingencies taken into consideration in the base cost estimate in Table 2.5.

2.51 The Department and its VFM consultant undertook a risk analysis of the project. The Department provided the dollar impact and the probability of occurrence of each risk. Using this information, the VFM consultant quantified the estimated risk outcome.

2.52 The risks associated with design and construction for the PSC were quantified at a net present value (NPV) of \$33.4 million, which is 81% of the \$41.1 million base design and construction estimate. We did not find evidence that the Department compared the total amount of quantified risk with actual experience from prior school construction projects to assess the reasonableness. In our view, historical cost information is an important tool to validate project costs including estimated risk costs.

Maintenance and life cycle costs

2.53 There are three components involved in our re-evaluation of maintenance and life cycle costs for the PSC model. These are:

- the relative NPV's of maintenance cost (\$5.0 million) and lifecycle cost (\$4.5 million) as required by the

RFP;

- the NPV of the maintenance and lifecycle deficit (\$21.4 million) projected to arise because the Department expected the Province would not adequately fund these costs for the PSC model; and
- the NPV's of the funds the Department expects the Province would typically invest to maintain (\$1.7 million) and rehabilitate (\$0.6 million) the facilities under the PSC model.

2.54 In its value-for-money analysis, the Department assumed that the traditional approach to operating the schools would result in underfunding of both maintenance and life cycle costs. This was based upon the historical provincial practice of deferring necessary maintenance and rehabilitation on public infrastructure. Therefore, the Department estimated the NPV's of maintenance and lifecycle costs under the traditional model to be only \$1.7 million and \$0.6 million respectively. Both figures are much lower than the required standard in the RFP totaling \$9.5 million as shown in Table 2.6.

2.55 The Department then calculated a maintenance and life cycle deficit associated with this expected underfunding which totaled \$21.4 million. The Department based the calculation of this figure on two further assumptions. First, each dollar not spent on necessary maintenance today will result in \$4 of required spending in 10 years. Second, each dollar not spent on necessary life cycle costs today will result in \$4 of required spending in 15 years. We did not attempt to verify the accuracy of these multipliers.

2.56 Based upon these figures, the Department estimated that the NPV of maintenance and life cycle costs under the traditional approach would total \$23.7 million, as shown in Table 2.6, which is \$14.2 million more than the \$9.5 million total costs of maintenance and lifecycle as required by the RFP.

2.57 We understand why this assumption was made, however, we do not believe that the possibility of a future government decision (i.e. to not approve adequate funding in the budget to cover necessary maintenance and lifecycle costs) provides sufficient rationale for adding a net \$14.2 million to the cost of the PSC model for purposes of the VFM analysis. In our view, if the Province is willing to commit funds to maintain the schools at a documented standard under the P3 approach, then it should be willing to do the same under the PSC model. Treating one model differently than the other in the VFM analysis distorts the

comparison.

2.58 Therefore, as shown in Table 2.6, we have concluded that maintenance and life cycle costs associated with the PSC model in the VFM analysis have been overstated by \$14.2 million.

Table 2.6 Comparison of Costs Regarding Maintenance and Life Cycle for PSC (\$ millions, NPV as of 2009)

Comparison of Costs Regarding Maintenance and Life Cycle for PSC (\$ millions, NPV as of 2009)	
Department estimate	
Total costs related to maintenance and life cycle	\$23.7
OAG estimate	
Maintenance cost as required by the RFP and project agreement	5.0
Life cycle cost as required by the RFP and project agreement	4.5
Total costs related to maintenance and life cycle	\$9.5
Difference – overstatement of maintenance and life cycle costs for PSC	\$14.2

Discount rate

2.59 As we mentioned previously, the net present value (NPV) calculation depends primarily on two main inputs: the estimated cash flows of a project, and the rate at which these cash flows are discounted (the discount rate), from future periods to a common base date.

2.60 In carrying out NPV analysis, the choice of discount rate is important as it can have a significant impact on the outcome. If an inappropriate discount rate is selected, there is a significant risk that it could result in the wrong choice of procurement method.

2.61 In accordance with governmental policy³, the discount rate used by the Department was benchmarked to the government of New Brunswick's long term borrowing rate with a similar time frame. The Department informed the VFM consultant on 10 March 2009 that the discount rate to be used was 5.3%. The Department did not have documents supporting the rate decision. We were told the Department obtained the rate quote

³ AD- 6701 Administrative Policy on Present Value Analysis of Expenditure Decisions

verbally from the Department of Finance. The Department of Finance subsequently confirmed the estimated 30-year government borrowing rate on 10 March 2009 was 5.27% as quoted by one investment dealer. The Department of Finance also stated that the 5.30% rate used was likely an average from several investment dealers.

2.62 Based on our research, different infrastructure organizations are using different methodologies in determining the discount rate. For example, Partnerships BC is basing the discount rate on the cost of capital for a particular project. Infrastructure Ontario uses the most current weighted average cost of capital, which, in its view, is the simple average of the long-term provincial debt (bonds with terms of one to 30 years). To neutralize the effects of daily fluctuations on the discount rate, a ten-day rolling average of this simple bond yield average is used as the standard discount rate. Internationally, Infrastructure Australia recommends the use of different discount rates under the PSC and the P3 depending on which party will bear the systematic risk.

2.63 Given the discount rate chosen was in accordance with policy and the fact that the VFM consultant agreed this was the correct rate, we have no concern with the rate chosen. However, given practices in other jurisdictions and the fact the related Administration Manual Policy (AD-6701) was last updated in 1977, the Department should consider alternatives in future P3 initiatives.

2.64 Upon our request, the consultant calculated the impact on the NPV of changing the discount rate by +/- 1% and the NPV varied by less than \$2 million. This indicated that the discount rate variations result in immaterial changes in results. The VFM consultant did not provide the discounted cash flow model to the Department so we were unable to assess its appropriateness.

Inflation Rate

2.65 The annual inflation rates assumed in this case are:

- 2.7% annually for design and construction costs, based on Nova Scotia construction historical inflation data; and
- 2.0% for other elements, based on the Consumer Price Index (CPI) forecast from the Conference Board of Canada and the long-term targeted CPI rate by the Bank of

Canada.

2.66 The rates used were supported appropriately; however, there is no evidence this assumption was reviewed and challenged by the Department. In fact, when we requested the backup for the rates, the Department had to ask the VFM consultant to provide supporting documents. The Department had no written policies and procedures to guide it in reviewing the assumptions.

Documentation

2.67 The Department did not document its work in preparing and reviewing the VFM report adequately. Departmental management indicated that its staff met several times with its VFM consultant to discuss the VFM analysis including the risk assessment. However, the Department was unable to provide sufficient documentation to support its statement.

2.68 The Department showed us two draft versions and the final version of the risk assessment. Allocation and quantification of risks were revised based on the comments from the Department. This demonstrates that the Department staff participated in the process of assessing risks.

2.69 However, the Department did not document any discussions. We were unable to determine what was discussed and why some changes were made.

**Conclusion on
Criteria 1 and 2**

2.70 Not all significant assumptions were supported and documented. We had concerns about the appropriateness of certain assumptions made, and the accuracy of the resulting comparison between the P3 and traditional model. We were unable to conclude on whether the assumptions and risk assessment were adequately reviewed and challenged by the Department as sufficient documentation was not available to enable us to make a judgment.

Recommendations

2.71 The Department of Supply and Services should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.

2.72 The Department of Supply and Services should review assumptions made by its VFM consultant. Reviews and important discussions should be properly documented.

2.73 The Department of Supply and Services should obtain the discounted cash flow model from its consultant as part of the arrangement for future P3 projects.

**Criterion 3:
VFM Analysis
was in-line with
Common
Industry Practice**

2.74 P3s are relatively new initiatives in New Brunswick, while some other jurisdictions nationally and internationally have a more mature P3 market. These other jurisdictions have published guidance regarding the P3 general process and methodology to assess VFM. These documents were developed over time and based on a large number of real infrastructure projects. It is important for the Department to follow commonly used industry practice.

2.75 We reviewed the final version of the VFM report prepared by the Department's VFM consultant. In general, the VFM analysis included in the report was consistent with many, but not all, of common industry practices.

2.76 Based on our research, we believe a VFM analysis should include as a minimum:

- For comparison purposes, a Public Sector Comparator (PSC) to establish the total cost of the project under a traditional procurement approach. The most likely and achievable procurement approaches should be assumed in the PSC, so that a realistic cost comparison between the PSC and the P3 can be achieved.
- Risk assessment including risk allocation. This allows total costs of PSC and P3 models to be adjusted to reflect the impact of risks.

2.77 Additionally, all adjustments made to the total costs of the PSC and P3 should be supported.

2.78 We found that the PSC prepared in the VFM analysis included all relevant cost components throughout the life cycle of the project, including design, construction, financing cost, operating cost, regular maintenance, major maintenance and cyclical renewal required to maintain the service potential of the facilities.

2.79 The Department assumed that under the traditional approach, the project will be realized through multiple contracts (i.e. the Province awards one or more design contracts to external professionals). The construction is divided into different lots that will be performed by different private construction companies. The operation and maintenance would be carried out through short-term contracts.

2.80 Given that the project includes two schools, the approach adopted appears to be reasonable. We were advised by the Department that two new schools delivered using the traditional construction method in Boiestown and Restigouche East adopted a similar approach.

2.81 Risk assessment was performed. Risks were categorized and allocated between the Province and the private partner. Each risk was quantified based on its likelihood, significance and dollar impact. The total value of the risks was included in the total cost of the PSC, as the Province would retain all the risks under the traditional procurement approach.

2.82 One significant adjustment was made to the total cost of the P3. The adjustment for quality was deducted from the total cost of the P3. It was supported. The private partner's proposal exceeded the minimum requirements of the design standards as set out in the RFP. The Department decided it was willing to pay for the additional features and quality. To allow for a valid comparison between the PSC and P3, the cost of the proposal was adjusted for a net present value (NPV) of \$4.2 million.

**Areas Where
VFM Analysis
Not Conducted
Using Common
Industry Practice**

2.83 We did notice three areas where the VFM analysis was not consistent with common industry practice. These are in the areas of sensitivity analysis, timing of the preliminary VFM analysis, and reporting of VFM results.

Sensitivity Analysis

2.84 It is important to test the impact of changes in key assumptions used in the VFM assessment, as the project contract is long-term in nature. It is generally difficult to make assumptions with real precision in such a case. Sensitivity analysis would help the decision makers to understand the significance of changes to key variables in terms of the project costs of both approaches.

2.85 One variable (e.g. inflation, discount rate) would be changed while others are being held constant in a typical sensitivity test. In this way, the decision makers can determine how sensitive the estimate of the cost of the project is to changes in that particular variable.

2.86 It is common industry practice in Canada and internationally to perform sensitivity analysis on key variables such as: discount rate, estimated design and construction

costs, inflation rate, etc.

2.87 The only sensitivity analysis documented for this project was on the risk quantification in the VFM assessment prepared by the Department's VFM consultant. It increased and decreased the value of all risks by 25% for both the PSC and P3 to see how sensitive the total cost was to changes in the value of risks. The other key variables were not tested in terms of sensitivity, therefore it is impossible for the decision makers to identify how changes in the key variables could affect the overall outcome. Such analysis would have helped decision makers make a more informed decision.

***Timing of
Preliminary VFM
Analysis***

2.88 Under objective one, we indicated that the government did not carry out a formal preliminary VFM analysis prior to announcing that the Province would proceed with the Eleanor W. Graham/Moncton North School project using a P3 approach.

2.89 In paragraph 2.19, we stated that the VFM assessment should be carried out early in the process. We noted how both domestic and international jurisdictions support this viewpoint. However, the Cabinet did not follow this common industry practice.

***Informing the
Public of Key
Information in the
P3 process***

2.90 The Province has protocols for P3's which establish the ground rules that all P3's should follow. The protocol states that the procurement process must be fair and transparent. We believe it is essential for the government to ensure the transparency in P3's through timely disclosure of procurement related information to the public while protecting commercially sensitive information of a private partner.

2.91 Some information was disclosed through the process for this project. The Request for Expressions of Interest was advertised on the New Brunswick Opportunities Network, and the preferred proponent was announced through a news release. Additionally, the Department issued the VFM report prepared by the VFM consultant in response to a Right to Information request rather than under the direction of a general policy, but significant key information was concealed through shading of text. To the best of our knowledge, this is the only information the Department provided in this regard.

2.92 Other key information was not made available to the public, especially the VFM report which includes detailed analysis of how the P3 method would deliver value for

money. If the government does believe a P3 approach is the better alternative for this project, it should fully inform the public by disclosing the VFM report. In our view, the current practice of the Department is not consistent with the transparency requirement in the Province's P3 Protocols.

2.93 Partnerships BC published an updated version of "*Procurement Related Disclosure for Public Private Partnerships*" which outlines what should be disclosed at various stages of procurement. It recommends some key information should be disclosed, such as the request for quotations, short-listed parties, the request for proposals, preferred proponent, the VFM report, and the final project agreement. Infrastructure Ontario has similar disclosure practices. With the disclosure of the key documents, including the rationale for various important decisions made, the public will be well informed during the entire process.

2.94 Conversely, in New Brunswick there is no policy regarding procurement related disclosure for P3 projects. Given the Department has entered into other P3 agreements, it is becoming increasingly important to establish a standard disclosure policy. A consistent approach will not only help ensure transparency but also inform private partners in advance as to what type of information will be disclosed.

**Conclusion on
Criterion 3**

2.95 The VFM analysis completed was partially consistent with common industry practice. However, there were some significant deficiencies.

Recommendations

2.96 The Department of Supply and Services should perform a sensitivity analysis which includes all key variables in the project cost estimate process.

2.97 The Department of Supply and Services should inform the public of key information in the P3 process.

**Criterion 4: Due
Diligence Should
be Performed to
Review the Value
for Money Report**

2.98 The VFM report is one of the most important documents in the decision making process regarding which procurement option the Department should follow. An independent review of the VFM report is critical, as that report provides the key quantitative evidence on which approach would deliver the best value for money for the Province.

2.99 We believe the Department should be responsible for the accuracy of the VFM report. The report should be reviewed independently either by staff members of the Department who have not been involved in the VFM analysis process or by an

independent third party. The Department should also document the results and analyses.

2.100 We found there was no independent due diligence review performed to ensure the reasonableness and completeness of the assumptions and conclusions. According to the Department, the only staff members who were involved in the VFM analysis informally reviewed the paperwork of the VFM consultant. However, no documented evidence of such reviews could be provided.

2.101 Furthermore, the Department does not have written policies and procedures on how due diligence should be performed.

**Conclusion on
Criterion 4**

2.102 A formal independent due diligence review of the VFM report was not completed by the Department. The informal review conducted by the Department staff was not clearly documented.

Recommendation

2.103 The Department of Supply and Services should perform an independent due diligence review of the value for money assessment for each proposed P3 project.

**Other Detailed
Observations**

2.104 During this review, we encountered two additional reportable matters of significance and of a nature that should be brought to the attention of the Legislative Assembly (Section 15(2) *Auditor General Act*). These matters are being reported under the headings of:

1. Were capital budgeting practices appropriate?
2. Was due process followed in selecting project advisors?

**Were Capital
Budgeting
Practices
Appropriate?**

2.105 If government approves the construction of a new school, regardless of the construction method (P3 or PSC), the long term cost of operating and maintaining the facility should be factored into the decision at that time and protected in future budgets. There are mechanisms by which this can be done such as statutory appropriations. For example, the *2011-12 Main Estimates* show that the New Brunswick Highway Corporation has a statutory appropriation of over \$36.9 million for maintenance and other related costs for designated sections of the highway network.

2.106 A similar statutory appropriation should exist for ongoing maintenance and repair of provincially owned schools. Otherwise, unanticipated school closures like the 2010

mid-year school closure of Moncton High School and Polyvalente Roland-Pépin in Campbellton will continue.

2.107 We also noted the Department of Transportation's Asset Management System, initiated in 2009, which is used for long term planning and budgeting in maintaining highway infrastructure, with the objective of identifying the "*right treatment at the right time for road improvements at the lowest cost to the taxpayer*"⁴. A similar approach is needed for provincially owned schools.

2.108 The deferred maintenance problem of provincial schools came to light in connection with the 2010 mid-year school closures of Moncton High School and Polyvalente Roland-Pépin in Campbellton.

2.109 The 2005 Report of the Auditor General regarding Education – Facilities Management contained the following recommendation:

- *We recommend the Department of Education annually advise the government of:*
 - i. *The estimated level of expenditures necessary to appropriately maintain school facilities; and*
 - ii. *The major repairs that have been deferred because of limited funding and the projected risks associated with deferring the major repairs.*

2.110 Our 2009 follow up work indicated the Department of Education was investigating asset management systems in a multi-year planning process in order to address these issues. The status of this recommendation was that although the Department agreed with the recommendation, they had not yet implemented it.

⁴ Department of Transportation's 2009-10 Annual Report, page 10

- Recommendation 2.111** To ensure provincially owned schools are properly maintained over their useful lives, the Department of Supply and Services in cooperation with Departments of Finance and Education should:
1. develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and
 2. implement budgeting measures to protect the long term funding stream required for sufficient ongoing maintenance of the schools.
- Was due process followed in selecting project advisors?** **2.112** During fiscal years 2008-09 to 2010-11, the Department engaged a process advisor and a financial advisor to aid in the development of the project agreement, the procurement process, and the VFM analysis. The breakdown of the expenditures is listed in Table 2.7 below:

Table 2.7 Breakdown of Fees Paid to Process Advisor and Financial Advisor

Breakdown of Fees Paid to Process Advisor and Financial Advisor					
Moncton North/Eleanor Graham	Description of main duties	2008-09	2009-10	2010-11	Total
Process Advisor	Ensure the procurement process is fair	\$17,301	\$90,287	\$0	\$107,588
Financial Advisor	Conduct the VFM assessment and provide financial expertise throughout the procurement process	\$0	\$526,530	\$38,540	\$565,070

2.113 The process advisor was doing another project for the Department at the same time. The Department stated it was trying to realize some cost savings by getting the same advisor to do both projects.

2.114 The financial advisor provided financial consulting services particularly in the area of Value for Money analysis. As per the Department, the financial advisor had P3 expertise in other jurisdictions in Canada and globally. In the financial advisor's proposal dated 17 July 2009, the fees anticipated for the VFM assessment up to 31 August 2009 were \$105,000. As per the Department and the financial advisor, the budget was respected. The rest of the \$565,070 fee paid was for

additional financial advisory services throughout the procurement process.

2.115 In our opinion, due process was not followed to engage project advisory services, although it is unclear whether the Department is compelled to solicit multiple bids in hiring P3 advisors. The Department believes it complied with the *Public Purchasing Act*.

2.116 One could interpret the clause 27 (c) of the *New Brunswick Regulation 94-157* under the *Public Purchasing Act* to say that both of these contracts were exempt from public tender, as both were with chartered accountants. Of course, one could interpret section 27 (c) more narrowly to apply it only to audit services offered by a chartered accountant, rather than consulting services. In any case, it is quite conceivable that these consulting services could have been provided by a broader range of practitioners and consultants other than chartered accountants. Further, if the Department needed to rely on a certain narrow range of firms, there would have been nothing in the *Public Purchasing Act* preventing it from obtaining competitive fee estimates from various service providers on this shorter list. Indeed, our understanding is that there are other consulting firms which are able to provide similar services.

Recommendation

2.117 The Department of Supply and Services should tender or solicit multiple fee estimates when engaging advisors for P3 projects, given the significant cost of these services.

Appendix 1: Partnerships New Brunswick

2.118 The government confirmed in February 2011 the establishment of Partnerships New Brunswick, a division within the Department of Transportation, to serve all departments and agencies of the Province as well as other entities such as municipalities, institutions and other provinces by providing support to clients in the VFM assessment and delivery of public-private partnership projects.

2.119 The services Partnerships New Brunswick can provide are:

- Screening potential P3 projects
- Business Case (VFM) assessments
- Market sounding
- Advising on retention of technical, legal, and financial advisors
- Developing and sharing standard procurement processes and documentation
- Providing advice on procurement processes and documentation:
 - Risk transfer, project definition and scope
 - RFQ and RFP
 - Evaluation of proponent qualifications and proposals
 - Development of Reference Cases
 - Development of project agreements and requirements

2.120 During an interview with the staff of Partnerships New Brunswick, we were informed that all the services it is offering are optional at this point in time. Departments and provincial organizations are not required to go to Partnerships New Brunswick to develop an infrastructure project.

Appendix 2: Glossary of Terms

Term	Definition
Net Present Value (NPV)	The equivalent value at a given time of a stream of future cash flows, calculated by discounting the actual values at the appropriate discount rate.
Discount Rate	The rate used to calculate the present value of future cash flows.
Public Sector Comparator (PSC)	The hypothetical, risk-adjusted whole-of-life cost of a public sector project if delivered by government.
P3 Cost Estimate	The net present value of a series of cash flows required by the proponent in its proposal.
Value-for-Money	A quantitative and qualitative assessment of the costs and benefits of the traditional procurement approach versus the P3 approach.
Retained Risk	The value of those risks or parts of a risk that government bears under a P3 project.
Transferred Risk	The value of those risks (from government's perspective) that are likely to be allocated to the private party under a P3 project.
Shared Risk	The value of those risks that are likely to be shared between the government and the private partner.
Maintenance cost	Regular non-capital expenditures required during the operation period to maintain the assets.
Life cycle cost	Capital expenditures required during the operation period to replace or perform major maintenance on assets that have a lifespan which is shorter than the contract term.

Chapter 3

Constituency Office Costs for Members of the Legislative Assembly and Executive Council

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Constituency Office Costs for Members of the Legislative Assembly and Executive Council

Summary

Introduction

Objective

Why We Focus on Constituency Office Costs in this Chapter

Terms Used in this Chapter

3.1 The purpose of this chapter is to inform the Legislative Assembly about the work we did on constituency office costs for Members of the Legislative Assembly and Members of the Executive Council. This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly (Clerk) and departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

3.2 The objective of our work was to determine whether payments to Members of Executive Council and/or Members of the Legislative Assembly including allowances, reimbursements and related expenses are adequately supported and in accordance with Acts, Regulations, policies and other guidelines.

3.3 We began by developing a picture of the total amount of payments to Members over the last three years. We determined there were various controls in place over some of these categories. However, we identified some potential risks associated with Members' constituency office costs, and therefore we decided to focus on that area in this chapter.

3.4 The following terms are used in this chapter.

- **Minister** is an elected Member of the Legislative Assembly, who is also a Member of the Executive

Council.

- **Private Member** is an elected Member of the Legislative Assembly, who is not a Member of the Executive Council.
- **Member** is an elected Member of the Legislative Assembly (with no distinction between a Private Member and a Minister).
- **Legislative Administration Committee (LAC)** is a committee of the Legislature responsible for establishing rules, policies and directives for the operation of constituency offices.

Highlights

Approval, Payment, and Reporting of Constituency Office Expenses

3.5 Under the *Legislative Assembly Act*, Private Members of the Legislative Assembly are provided with a \$40,000 allowance to cover certain types of expenses associated with setting up and operating their constituency offices. Members of the Executive Council (Ministers) receive a \$15,000 allowance. Expenses incurred under this allowance are reimbursed by the Office of the Clerk of the Legislative Assembly (Clerk).

3.6 Under the *Executive Council Act*, Ministers are granted an additional \$25,000 constituency office budget to cover staff costs, and an unlimited amount to cover telephone, fax, cellular, and office supplies. These expenses are reimbursed by the Minister's own department.

3.7 We found that policies and guidelines for approving and recording constituency office expenses paid by the Clerk were adequate. We also found that management and operating practices followed by the Clerk were appropriate. Constituency office expenses paid by the Clerk on behalf of Private Members and Ministers are reported annually in *Other Information – Unaudited Supplementary Employee Lists*, produced by the Office of the Comptroller.

3.8 However, we found that policy and guidelines for approving and recording constituency office expenses paid by departments for Ministers are not always adequate. Departments are not required to record this information separately and constituency office costs are sometimes mixed with other departmental expenses. Therefore, we were unable to identify total constituency office costs paid by departments.

3.9 Further, we believe that improvements are needed in management practices and operating procedures at departments for processing their constituency office expenses. In particular:

- eleven of twenty-six departments were unable to provide complete and accurate information regarding constituency office budgets and costs;
- we noted inconsistent budgets, inconsistent recording of expenses and spending over authorized limits for constituency office expenses by some departments. For example, one department reported expenses relating to constituency office staff of \$55,789 which is \$30,789 over the authorized limit of \$25,000; and
- we noted that a department reimbursed ineligible purchases (i.e. \$1,195 for “*desks, tables, and chairs*”).

3.10 There is typically no specific public reporting by departments of amounts paid for constituency office costs they administer, nor are these amounts included in the *Other Information – Unaudited Supplementary Employee Lists* report. Consequently, the information contained in that report is incomplete, and as a result it may be misleading to readers.

3.11 To address deficiencies noted with constituency office expenses administered by departments, we recommended that all constituency office costs be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. We also recommended that appropriate revisions be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.

3.12 Further, to improve public accountability, we recommended the Legislative Assembly publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.

***Constituency Office
Asset Management***

3.13 Within the \$40,000 constituency office allowance provided to Private Members and the \$15,000 allowance provided to Ministers, there are no dollar limits placed on the purchase of individual constituency office assets. We recommended the Legislative Administration Committee establish additional guidelines for constituency office asset purchases. Specific suggestions are provided in the body of this report.

3.14 Constituency office assets are the property of the Legislative Assembly. Therefore, when a Member departs (e.g. due to the result of an election, resignation, retirement), the Clerk is responsible for disposing of their constituency office assets. Disposition of assets over the period under review appeared to comply with rules established by the Legislative Administration Committee of the Legislative Assembly.

3.15 However, we strongly believe that these rules should be revisited. Currently, departing Members are given the first option of buying assets from their constituency offices at net book value, which is often a very low percentage of their original purchase price. This may not be in the best financial interests of the Province, and significantly differs from general Government Policy.

3.16 Consequently, we recommended the Legislative Administration Committee consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, the Legislative Administration Committee should give the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.

3.17 We also noted there is no perpetual inventory maintained for constituency office assets, and those assets are not tagged or otherwise marked as being the property of the Legislative Assembly. We believe that controls should be improved. Therefore, we recommended that the Legislative Administration Committee develop an inventory control policy for constituency office assets that is based upon general Government Policy.

3.18 Our recommendations to the Legislative Assembly and the Executive Council are presented along with their responses to each recommendation in Box 1.

Conclusion

3.19 In regards to our objective, we made the following conclusions:

- While there is adequate authority for constituency office expenses, policy and guidelines for consistently approving, recording and reporting constituency office expenses need improvement.
- There are appropriate management practices and operating procedures in place for constituency office expenses paid by the Clerk. However, we have concerns about management practices and operating procedures in place for Ministers' constituency office expenses paid by their departments. In particular, our concerns relate to the inability of some departments to provide complete and accurate information about their Minister's constituency office expenses, and cases where departmental spending exceeds authorized limits in this area.
- There is inadequate public reporting of all constituency office expenses as the information currently being publicly reported is incomplete.
- Management practices and operating procedures for constituency office assets are inadequate. While asset disposition appears to follow the *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices* (LAC Rules), within the \$40,000 and \$15,000 allowances there are no dollar limits for purchasing individual constituency office assets or quantity limits, and there are no perpetual inventory records for asset control. Further, while it appears that LAC Rules are followed for disposals, we are unsure whether current LAC Rules are in the best financial interests of the Province.

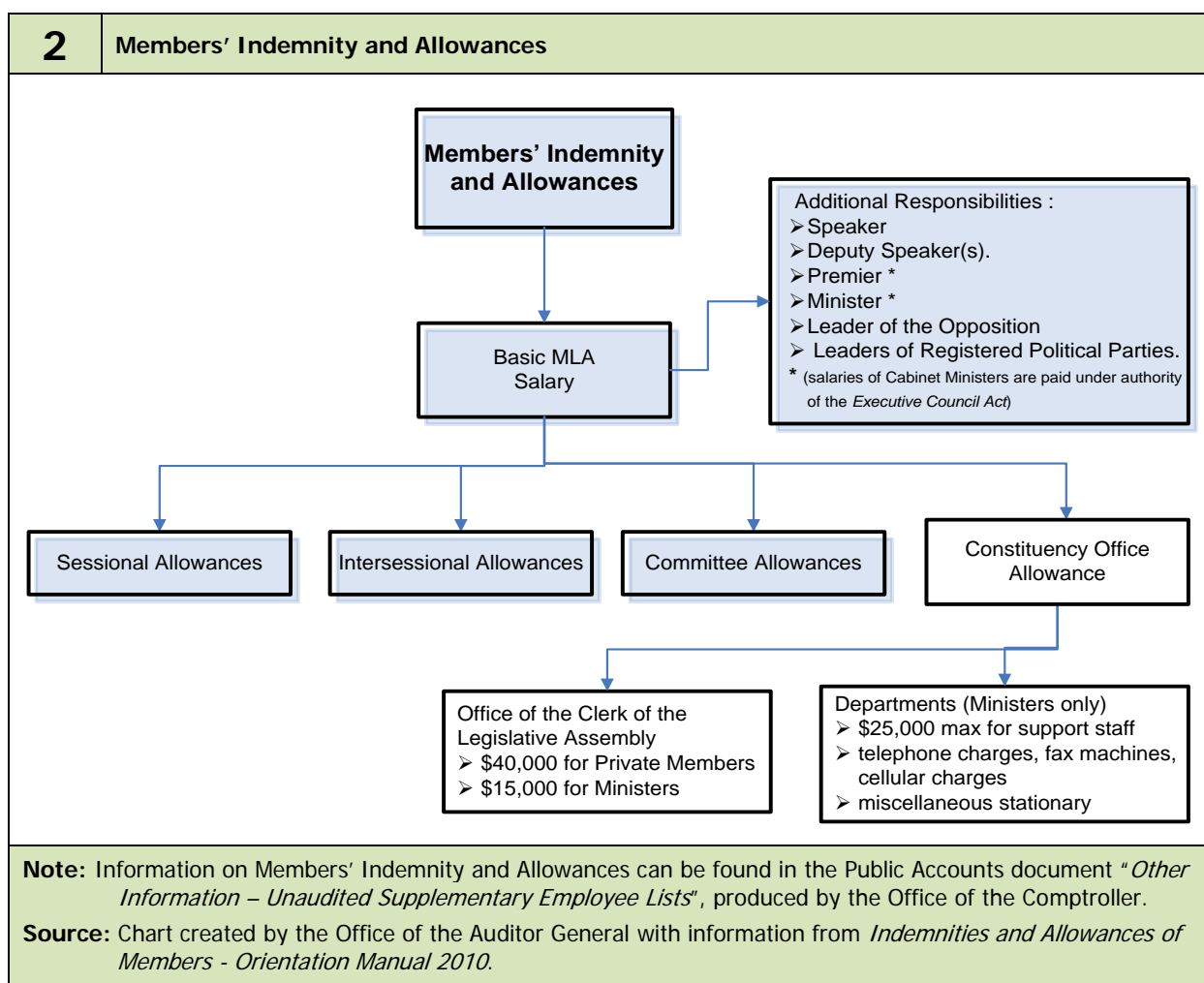
1	Recommendations Relating to Constituency Office Costs With Responses	
<p>Recommendations</p> <p>Management practices and operating procedures</p> <p>3.50 We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.</p> <p>Publicly reporting constituency office costs</p> <p>3.62 To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.</p> <p>Assets for constituency offices</p> <p>3.74 The Legislative Administration Committee should establish additional guidelines for constituency office assets to ensure purchases by Members are reasonable (e.g. timing, individual cost and/or frequency of asset purchases).</p>	<p>Legislative Assembly's Response</p> <p><i>The Legislative Assembly will collaborate with officials from the Executive Council Office and prepare the necessary proposal to effect these changes and submit for the consideration of the Legislative Administration Committee and Board of Management.</i></p> <p><i>Member's Constituency Offices costs paid by the budget of the Legislative Assembly are currently disclosed in the Public Accounts. The Legislative Assembly will collaborate with Officials from the Executive Council Office to ensure that total constituency office costs for each Member, whether paid by the budget of the Legislative Assembly or a department, are publicly reported.</i></p> <p><i>The Legislative Assembly will review the rules and guidelines for constituency office assets, and where necessary propose any changes to the LAC to ensure assets purchased by Members are reasonable.</i></p>	<p>Executive Council's Response</p> <p><i>We concur with your recommendation that all constituency office costs be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. We are prepared to work with the Office of the Clerk of the Legislative Assembly to facilitate this change and will take the steps necessary to clarify the existing guidelines respecting these expenses pending any future transfer of responsibility.</i></p>

1	Recommendations Relating to Constituency Office Costs With Responses	
<p>3.83 The Legislative Administration Committee should consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, it should give the Office of the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.</p> <p>3.89 The Legislative Administration Committee should develop an inventory control policy for assets purchased for constituency offices which includes controls similar to those in the Government's policies AD-1703 and AD-1704.</p>	<p><i>The Legislative Assembly will review current rules and guidelines covering the disposal of constituency office assets upon the departure of Members, and propose changes to the current guidelines to the LAC to ensure the most favourable result for the Province.</i></p> <p><i>The Legislative Assembly has implemented a perpetual inventory listing for each MLA detailing assets purchased using the Constituency Office Allowance.</i></p>	

Background Information

Payments to Members - Members' Indemnity and Allowances

3.20 “The various indemnities, allowances and expenses paid to Members of the Legislative Assembly of New Brunswick are authorized by the Legislative Assembly Act. Members are paid and expenses authorized in accordance with the relevant provisions of the Act. Administration of the Act is through the Legislative Assembly and payment requisitions are processed through the Office of the Clerk.”¹ Box 2 provides an overview of Members' indemnity and allowances and highlights our particular area of focus in this report on constituency offices costs.



¹ Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, page 1.

Constituency Office Costs

3.21 *Indemnities and Allowances of Members - Orientation Manual 2010* (orientation manual) provides guidance for constituency office costs which are reimbursed by the Clerk. The orientation manual gives useful guidance regarding the reimbursement of costs for the constituency office. Appendix 1 provides general information on constituency office costs, including the purpose of a constituency office and the amounts of the allowances for reimbursement of such costs.

3.22 Ministers have two sources of funding for their constituency office costs. Ministers receive a \$15,000 constituency office allowance to be paid by the Clerk. They are also eligible for additional constituency office expenses to be paid by their department in accordance to a 1999 Board of Management decision - Appendix 2.

Introduction What We Examined & the Objective of our Work

3.23 The *Legislative Assembly Act* delegates the authority to the Legislative Administration Committee to reimburse Members of the Legislative Assembly (Members) for constituency office costs. “*Each Member is entitled to receive reimbursement for constituency office costs incurred in respect of their duties as Member of the constituency. There are three categories of constituency office costs for which Members may be reimbursed: (1) office accommodation; (2) office operations; and (3) staff.*”² Constituency office costs are reimbursed by the Office of the Clerk of the Legislative Assembly (Clerk). In fiscal 2010 the costs reimbursed by the Clerk were \$1.644³ million. In addition, Members who serve on the Executive Council (Ministers) are authorized to charge specific constituency office costs to their Department, which are not included in the \$1.644 million.

3.24 Our scope for this work included all Members’ constituency office costs for the period 1 April 2008 to 31 December 2010. We reviewed constituency office expenses reimbursed by both the Clerk and by

² Legislative Assembly of New Brunswick, *Indemnities And Allowances Of Members - Orientation Manual 2010*, page 9.

³ Province of New Brunswick, *Public Accounts 2010 – Other Information - Unaudited Supplementary Employee Lists*, page 108.

departments. We reviewed legislation, policies and guidelines. We examined operating procedures. We selected and performed testing on a sample of Member files maintained by the Clerk. We held discussions with representatives from the Office of the Clerk of the Legislative Assembly and departments. We performed other procedures as we determined necessary.

3.25 The objective of our work was:

to determine whether payments to Members of Executive Council and/or Members of the Legislative Assembly including allowances, reimbursements and related expenses are adequately supported and in accordance with Acts, Regulations, policies and other guidelines.

3.26 Given the focus of this chapter as explained in 3.3, we developed four criteria to use as the basis for our work. The criteria are listed in Box 3. We compared the information we obtained against the criteria to develop the findings, conclusions and recommendations presented in this chapter.

3	Criteria Used in Our Work
	<p><i>Criterion #1: There should be Acts, Regulations, policies and/or guidelines to provide adequate direction for consistently approving, recording and reporting constituency office expenses.</i></p> <p><i>Criterion #2: There should be appropriate management practices and operating procedures for constituency office expenses.</i></p> <p><i>Criterion #3: There should be adequate reporting of all constituency office expenses.</i></p> <p><i>Criterion #4: There should be adequate policies and/or guidelines for constituency office assets, and there should be appropriate management practices and operating procedures for all assets at constituency offices, which belong to the Legislative Assembly.</i></p>

Key Used in This Chapter

3.27 Our findings are reported for each of our four criteria. Each section begins with highlights, which state the criterion, the summary findings and our conclusion. The following key is used to classify our summary findings:

- ✓ represents a positive observation;
- ! represents an area needing improvement or further consideration;
- represents other observations.

Findings

Criterion #1: Authority, Policy and Guidelines for Constituency Office Expenses

3.28 Typically, legislation provides authority for spending public funds; and, no expense should be made unless it has been authorized. Policies and guidelines typically provide direction and guidance which promote the consistent approval, recording and reporting of transactions. This serves as the basis for our first criterion.

3.29 Criterion #1 was:

there should be Acts, Regulations, policies and/or guidelines to provide adequate direction for consistently approving, recording and reporting constituency office expenses.

Highlights

3.30 We found the following:

- ✓ There is appropriate authority for constituency office expenses paid by the Clerk.
- ✓ There are adequate policy and guidelines for approving and recording constituency office expenses paid by the Clerk.
- ✓ There is appropriate authority for constituency office expenses paid by departments.
- ! Policy and guidelines for approving and recording constituency office expenses paid by departments are not adequate.
- ! Policy and guidelines for reporting constituency office expenses paid by departments are not adequate.

Criterion Conclusion

3.31 While there is adequate authority for constituency office expenses, policy and guidelines for consistently approving, recording and reporting constituency office expenses need improvement.

Detailed Findings

There is appropriate authority for constituency office expenses paid by the Clerk.

3.32 In assessing authority and direction for constituency office expenses, we examined those in place at the Office of the Clerk of the Legislative Assembly (Clerk) and those in place at departments. We report our observations separately for each location.

3.33 The following documents provide authority for constituency office expenses paid by the Clerk:

- The *Legislative Assembly Act* delegates to the Legislative Administration Committee (LAC) specific authority for constituency office expenses. Section 32.1 of the *Legislative Assembly Act* states, “*The Legislative Assembly may delegate to the Legislative Administration Committee its authority under this Act with respect to amounts, indemnities, allowances and salaries and with respect to the amendment of Schedule A.*”
- *Schedule A - Expenses for Which Members of the Legislative Assembly May Be Reimbursed* states, “*Constituency office costs for each member to provide services to constituents, consisting of office accommodation, office operations and staff.*”
- The document *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices* sets financial limits, defines constituency office costs and sets operational rules for constituency office expenses that are reimbursed by the Clerk.

There are adequate policy and guidelines for approving and recording constituency office expenses paid by the Clerk.

3.34 In reviewing policies and guidelines for consistently approving and recording constituency office expenses processed at the Office of the Clerk, we made the following observations:

- The Clerk publishes a document entitled *Indemnities and Allowances Of Members - Orientation Manual 2010* (orientation manual). This document provides guidance for constituency office expenses which are reimbursed by the Clerk. The orientation manual sets the method of payment and claim procedures, as well as defining the three categories of constituency office costs.

- ✓ The orientation manual reflects the *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices*.
- ✓ The orientation manual describes the process of obtaining access to the allowance and provides direction on allowable expenses. It gives useful guidance regarding salaries and the reimbursement of expenses for constituency offices.

There is appropriate authority for constituency office expenses paid by Departments.

3.35 The following documents provide authority for constituency office expenses paid by departments for Ministers:

- The *Executive Council Act* provides authority for the Minister of Finance to pay reasonable expenses to Members of the Executive Council (Ministers) for certain constituency office expenses. The *Executive Council Act* in section 8 states, “Each member of the Executive Council engaged in public business of the Province shall be paid by the Minister of Finance those allowances for his or her reasonable expenses while so engaged that are fixed by the Lieutenant-Governor in Council.”
- A 1999 Board of Management minute defines certain constituency office expenses for Ministers which are paid by departments. Appendix 2 provides excerpts from the minute.

Policy and guidelines for approving and recording constituency office expenses paid by departments are not adequate.

3.36 In reviewing policy and guidelines for consistently approving and recording constituency office expenses processed at departments, we made the following observations:

- ✓ The Board of Management minute provides direction to departments regarding the types of constituency office expenses that are authorized for Ministers.
- ! Some guidance for recording constituency office expenses paid by departments is also included in the Board of Management minute; “expenses covered by Department budgets are to be paid by Departments per established procedures”.⁴ (This appears limited in

⁴ Appendix 2

comparison to the information provided in the orientation manual used for constituency office expenses paid by the Clerk). Departmental responses to our request for information indicate constituency office expenses are not recorded consistently.

- ! With the exception of “*staff support to a maximum of \$25,000 per year*”, there are no limits for departments regarding constituency office expenses for those items listed per the Board of Management minute. (This differs from constituency office expenses paid by the Clerk, which has a budget for each Member.)

Policy and guidelines for reporting constituency office expenses are not adequate.

Criterion # 2: Management Practices and Operating Procedures

3.37 In reviewing policies and guidelines for reporting constituency office expenses, we found that there is no specific direction for how to publicly report constituency office expenses.

3.38 Management practices and operating procedures are established to ensure that expenses, revenues, assets and liabilities are properly authorized, recorded and reported. This serves as the basis for our second criterion.

3.39 Criterion # 2 was:

there should be appropriate management practices and operating procedures for constituency office expenses.

Highlights

3.40 We found the following:

- ✓ There are appropriate management practices and operating procedures for constituency office expenses paid by the Clerk.
- ! Improvements are needed in management practices and operating procedures at departments. In particular we noted the following two observations:
 - ! Eleven of twenty-six departments were unable to provide complete and accurate information regarding constituency office budgets and costs.
 - ! We noted inconsistent budgets, inconsistent recording of expenses and spending over authorized limits for constituency offices by some departments.

Criterion Conclusion

3.41 There are appropriate management practices and operating procedures in place for constituency office expenses paid by the Clerk. However, we have concerns about management practices and operating procedures in place for Ministers' constituency office expenses paid by their departments. In particular, our concerns relate to the inability of some departments to provide complete and accurate information about their Minister's constituency office expenses, and cases where departmental spending exceeds authorized limits in this area.

Detailed Findings

There are appropriate management practices and operating procedures for constituency office expenses paid by the Clerk.

3.42 In reviewing management practices and operating procedures for constituency office expenses processed at the Office of the Clerk, we observed the following positive attributes:

- ✓ There is an authorized annual budget for each Member, which serves as a limit to spending on constituency office costs and serves as one level of prevention to excessive and/or extravagant spending. The *Legislative Assembly Act* delegates the authority to the Legislative Administration Committee (LAC) to reimburse Members for constituency office costs. The LAC has set an annual budget of \$40,000 for constituency office expenses for Private Members and of \$15,000 for Ministers, which can be claimed through their allowance and paid by the Clerk.
- ✓ The Office of the Clerk of the Legislative Assembly monitors spending for each Member's constituency office to ensure no overspending of their budget.
- ✓ The orientation manual provides useful detailed guidance on allowable expenses and in some cases states items which are specifically excluded, such as:
 - *renovations to premises owned by the Member;*
 - *maintenance or repair to office equipment owned by the member;*
 - *televisions, VCRs, cameras and related supplies such as tapes and film;*

- *paintings or other decorative wall hangings;*
 - *briefcases or attaché cases; and*
 - *food or beverage for use in the constituency office⁵.*
- ✓ Members must use a standard reimbursement form when requesting reimbursement for constituency office expenses. The form includes a declaration that the Member must sign attesting to the appropriateness and accuracy of their claim. A standard form of this type reduces the risk of error or inappropriate claims and results in efficient and consistent processing.
 - ✓ The reimbursement form must be accompanied by original invoices when submitted to the Clerk for payment. This reduces the risk of inappropriate expenses being claimed; and, it reduces the risk of double claiming for the same expense.
 - ✓ Reimbursement forms from all constituency offices are submitted to the Clerk, where they are processed consistently by an independent and objective office.

3.43 We reviewed the Public Accounts document *Other Information Unaudited Supplementary Employee List*, [section] *Payments to Members for Constituency Office Expenses* for the three fiscal years ended 31 March 2009, 2010 and 2011⁶ and the amounts appeared reasonable given the annual budget of \$40,000 for constituency office expenses for Private Members and of \$15,000 for Ministers.

3.44 We reviewed documentation supporting the annual constituency office expenses for a sample of Members and found that claims were supported by all required documentation.

⁵ Legislative Assembly of New Brunswick, *Indemnities And Allowances Of Members - Orientation Manual 2010*, page 18.

⁶ 2011 figures were obtained from the Office of Clerk because they were not publicly reported at the time of our work.

Improvements are needed in management practices and operating procedures at departments.

3.45 In reviewing management practices and operating procedures for constituency office expenses processed at departments for Ministers, we observed the following:

- ✓ A list of allowable expenses covered by the departments is provided and authorized in a 1999 Board of Management minute (Appendix 2). Allowable expenses are: telephone charges (local and long distance), cellular charges, fax machines (purchase or rental and use charges), miscellaneous office expenses (stationary, paper, pens, etc.) and staff support. (The purchase of constituency office assets, such as computers and office furniture is not an authorized expense for departments.) The minute also states, “*Expenses covered by Department budgets are to be paid by Departments per established procedures.*”⁷
- ! While there is an authorized limit of \$25,000/year⁸ for staff support at constituency offices, there is no limit on the other authorized expenses. This means there is no effective limit on the constituency office costs that may be charged by a Minister to their department for listed expense categories.
- ! There are no specific recording requirements for constituency office expenses paid by departments for Ministers and consequently they are not consistently recorded by departments. Departments are not required to record this information separately and constituency office costs are sometimes mixed with other departmental expenses. Therefore, we were unable to identify total constituency office costs paid by departments.
- ! Information provided by departments indicates inconsistencies (e.g. budgeting practices, treatment of staff costs) and spending above authorized limits.

⁷ Appendix 2

⁸ Appendix 2

Eleven of twenty-six departments were unable to provide complete and accurate information regarding constituency office budgets and costs.

3.46 Because constituency office expenses paid by departments for Ministers are not consistently recorded, and not readily identifiable from government accounting records, we asked departments to supply us with information needed for our review. We sent a letter to 26 departments requesting information regarding constituency office budgets, expenses and assets.

3.47 All departments responded. Among those responses:

- Fifteen departments responded appropriately satisfying our request for information. Of these fifteen respondents, seven indicated they had nothing to report (i.e. no constituency office expenses were paid by their department.) The other eight departments provided the requested information.
- The remaining eleven departments responded to our letter and provided some information. However, they did not or were unable to provide all of the requested information (budgets, expenses and assets). Two of these eleven departments included a note that the reported expenses did not include phone expenses. One department provided constituency office expense figures with a note stating that they included an error because the figures included the salary of the Minister's executive assistant.

We noted inconsistent budgets, inconsistent recording of expenses and spending over authorized limits for constituency offices by some departments.

3.48 We made the following observations on the information provided by departments regarding constituency office budgets, expenses and assets for their Minister. Where requested information was not provided, we were unable to provide comments.

- *Recording constituency office costs:* Three departments reported that they did not track expenditures for the constituency office separately from the expenditures of the Minister's office.
- *Budgets for constituency office costs:* Budgets reported by departments were inconsistent and showed significant differences. Budget figures provided ranged from \$25,000 to \$46,700. Five

departments indicated that they did not have a separate budget for constituency office costs.

- *Budgets for staff costs:* The authorized limit for staff support at constituency offices is \$25,000/year⁹. Four departments reported a budget of \$25,000 for staff costs, which is consistent with the authorized amount. However, one department reported a budget of \$46,000 for constituency office staff costs which exceeded the authorized budget of \$25,000.
- ! *Actual constituency office staff costs:* Eleven departments reported actual expenses relating to constituency office staff which exceeded the authorized amount of \$25,000 for staff related costs. These reported expenses for constituency office staff ranged from \$25,025 to \$55,789. (The overspending ranged from less than \$100 to \$30,789.)
- ! *Unauthorized spending:* One department reported an expense of \$1,195 for “*Desks, Tables & Chairs*”. Departments are not authorized to purchase furniture for their Minister’s constituency office.

3.49 Our findings indicate significant differences between management practices and operating procedures for constituency office expenses paid by the Clerk versus those paid by departments for Ministers. Departmental practices were found to be inconsistent and in some cases spending was over authorized limits. To simplify and improve control over processing and reporting these expenses, we believe all constituency office costs should be paid by the Clerk. This is consistent with the notion in the orientation manual that a constituency office is “*established to serve the residents of a constituency in a non-partisan fashion*” and not intended to be an extension of a Minister’s portfolio responsibilities.

Recommendation

3.50 We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should

⁹ Appendix 2

be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.

Criterion # 3: Reporting of Constituency Office Expenses

Highlights

3.51 Public reporting is an important component of accountability. This serves as the basis for our third criterion.

3.52 Criterion #3 was:
there should be adequate reporting of all constituency office expenses.

3.53 We found the following:

- ! Total constituency office expenses are not publicly reported.
- ✓ There is public reporting of constituency office expenses paid by the Clerk.
- ! There is no public reporting specifically of constituency office expenses paid by departments for Ministers.
- ! The information currently being publicly reported could be misleading as it is incomplete.

Criterion Conclusion

3.54 There is inadequate public reporting of all constituency office expenses as the information currently being publicly reported is incomplete.

Detailed Findings

Total constituency office expenses are not publicly reported.

3.55 Total constituency office expenses paid by the Province are not consolidated and publicly reported.

There is public reporting of constituency office expenses paid by the Clerk.

3.56 The Public Accounts document *Other Information – Unaudited Supplementary Employee Lists*, produced by the Office of the Comptroller, discloses constituency office expenses for each Member of the Legislative Assembly annually. The figures reported are the costs paid by the Clerk only. They do not include constituency office expenses paid by departments for Ministers. This incomplete reporting does not allow the public to make accurate comparisons between the constituency office costs claimed by Members.

There is no public reporting specifically of constituency office expenses paid by departments for Ministers.

3.57 Constituency office expenses paid by departments for Ministers are typically grouped together with other departmental expenditures for reporting purposes. There is no public disclosure that departments may have paid constituency office expenses.

3.58 There is little guidance available covering reporting requirements for constituency office expenses paid by departments for Ministers. The Board of Management minute (Appendix 2) authorizes certain types of constituency office expenses which departments can pay, and states, “*Expenses covered by Department budgets are to be paid by Departments per established procedures.*”

The information currently being publicly reported could be misleading as it is incomplete.

3.59 There is no public disclosure that Ministers have two sources of funds for constituency office expenses (\$15,000 allowance from the Clerk and funds from Departments). While the Public Accounts document *Other Information – Unaudited Supplementary Employee Lists* does report constituency office expenses paid by the Clerk for each Member annually, there is no disclosure that Ministers may have additional constituency office expenses recorded and reported by departments.

3.60 We observed a difference in the amount allowed for constituency office expenses for Private Members and for Ministers. Private Members are allowed \$40,000. Ministers have no overall dollar limit; they are allowed \$15,000 (reimbursed by the Clerk) plus \$25,000 for salary related costs (reimbursed by departments) plus other certain expenses (phone, fax, supplies, etc) without limits (also reimbursed by departments). We believe this should be publicly disclosed.

3.61 Earlier in this report (with criterion 1), we commented on the lack of policies and guidelines for reporting constituency office expenses. In this section, we concluded there is not adequate reporting of all constituency office expenses and the information currently being publicly reported is incomplete and could be misleading.

Recommendation

3.62 To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.

Criterion #4: Assets for Constituency Offices

3.63 Our first three criteria involved constituency office expenses; this criterion is about the management and control of assets at constituency offices.

3.64 Criterion # 4 was:

there should be adequate policies and/or guidelines for constituency office assets, and there should be appropriate management practices and operating procedures for all assets at constituency offices, which belong to the Legislative Assembly.

3.65 For purposes of this discussion, constituency office assets are defined as office equipment and furnishings including:

... desks, chairs, tables, bookcases, filing cabinets, shelving units, flip charts, area carpets, lamps, drapes, file baskets, desk sets, computers/printers/ software, word processors/printers/software, typewriters, photocopiers, dictaphones, telephone answering machines, fax machines, calculators, air conditioners, coat racks, waste paper baskets, signs.¹⁰

Highlights

3.66 We found the following:

- There are some policies and guidelines regarding the management of constituency office assets.
- ! Within the \$40,000 and \$15,000 Members' allowances, there are no dollar limits placed on the purchase of individual constituency office assets.
- ! Information provided by departments suggests non-compliance with Board of Management direction.
- ✓ Disposition of assets appeared to comply with the *Rules Adopted by the Legislative Assembly Committee for the Operation of Constituency Offices* (LAC Rules).
- ! There is no perpetual inventory of constituency office assets maintained by the Legislative Assembly.
- Government asset control policies do not apply to constituency office assets.

¹⁰ Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, section 6 Rules and Guidelines for the Operation of Constituency Offices, pages 17-18.

Criterion Conclusion

3.67 Management practices and operating procedures for constituency office assets are inadequate. While asset disposition appears to follow the LAC Rules, within the \$40,000 and \$15,000 allowances there are no dollar limits for purchasing individual constituency office assets or quantity limits, and there are no perpetual inventory records for asset control. Further, while it appears that LAC Rules are followed for disposals, we are unsure whether current LAC Rules are in the best financial interests of the Province.

Detailed Findings

There are some policies and guidelines regarding the management of constituency office assets.

3.68 Guidance regarding the management of constituency office assets is provided in the *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices* (LAC Rules), in the orientation manual and in a Board of Management minute (Appendix 2).

3.69 The LAC Rules:

- define constituency office assets;
- state that assets are the property of the Legislative Assembly – “6(1) *Office equipment and office furnishings purchased with funds from the Allowance are the property of the Legislative Assembly of New Brunswick*”¹¹; and
- provide *Rules for Disposition of Constituency Office Assets*. See Appendix 3.

3.70 The orientation manual gives useful guidance as to what types of assets are permitted and specific items which are not allowed. It also states, “*Any supplies, equipment or furnishings paid out of the Allowance shall be used in the Member's Constituency Office in connection with the Member's official duties*”¹².

¹¹ Legislative Assembly of New Brunswick, *Rules Adopted by the Legislative Assembly Committee for the Operation of Constituency Offices*, Adopted Sept 30, 1993 with amendments to March 15, 2011, section 6 - page 7.

¹² Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, page 18.

Within the \$40,000 and \$15,000 Members' allowances, there are no dollar limits placed on the purchase of individual constituency office assets.

3.71 Although the annual Member allowance for constituency office expenses is \$40,000 for a Private Member and \$15,000 for a Minister, neither the LAC Rules nor the orientation manual give guidance as to any limits for allowable asset purchases. There is no limit for the number of allowable assets purchased; there is no limit for the prices of allowable assets; and, there is no limit for the frequency of purchases of an allowable asset. For example, a Member could purchase a new laptop every year.

3.72 We observed the following purchases, which may suggest a need for asset purchase limits:

- six guest chairs \$4,754;
- two chairs \$2,598;
- desk \$1,411;
- coffee table \$683;
- laptop computer package \$3,604; and,
- computer and monitor \$2,679.

Most of these examples, along with others, are shown in Box 4 presented later in this chapter.

3.73 In contrast, consider the following quote. *“In the past, the purchase of coffee machines and microwave ovens was specifically excluded. The guidelines were amended in April 2009 to allow for the purchase of office sized small appliances or related items which might reasonably be used in a small office setting to make the office more functional. Such items might include a small fridge, small microwave or inexpensive coffee maker.”*¹³ We found it unusual that the orientation manual implied a limit to the purchase of a coffee maker, a relatively low-cost item, yet did not provide limits for higher-cost items, such as computers and furniture.

Recommendation

3.74 The Legislative Administration Committee should establish additional guidelines for constituency office assets to ensure purchases by Members are reasonable (e.g. timing, individual cost and/or frequency of asset purchases).

¹³ Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, page 18.

Information provided by departments suggests non-compliance with Board of Management direction.

3.75 A list of allowable expenses covered by departments is provided and authorized in a Board of Management minute (Appendix 2). Under this authorization, purchases are limited to assets related to telephone charges, cell charges and fax machines. The purchase of constituency office assets, such as computers and office furniture, is not an authorized expense for departments.

3.76 Information provided by departments suggests non-compliance with the Board of Management minute as one Department reported an expense of \$1,195 for “*Desks, Tables & Chairs*”. According to the Board of Management direction, departments are not authorized to purchase furniture for their Minister’s constituency office.

3.77 The risk of this happening in the future would be eliminated by implementing our earlier recommendation that “*all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.*”

Disposition of assets appeared to comply with the Legislative Administration Committee Rules.

3.78 When a Member resigns or is not re-elected in a provincial general election, the Member may purchase the constituency office assets that were purchased using their constituency office allowance. The LAC Rules contain *Rules for Disposition of Constituency Office Assets* (Rules for Disposition), which are shown in Appendix 3.

3.79 In reviewing the “Rules for Disposition”, we made the following observations:

- Office equipment or furniture costing less than \$200 can be taken by the departing Member, free of charge.
- The Rules allow a departing Member to purchase constituency office assets at a depreciated book value. The depreciation rates are high, meaning that an asset loses book value quickly.
- The depreciation rates for equipment are such that a computer could be purchased by a departing Member for 65% of its original cost the day after it is purchased, for 35% of its original cost 13 months later, for 10% of its original cost 25 months later and could be taken free of charge in just over three years. This means that departing

Members that serve a full four-year term and are not re-elected are allowed to take with them, free of charge, all the equipment purchased during the first year of their four-year term. For example, we observed one case where the departing Member purchased three IT assets (computer with monitor, laptop, BlackBerry) which were 2½ years old and originally cost \$4,283 for \$428.

- The depreciation rates for furniture are slightly less than those for equipment. However it is such that a desk, for example, could be purchased by a departing Member for 75% of its original cost the day after it is purchased, for 55% of its original cost thirteen months later, for 35% of its original cost 25 months later, for 20% of its original cost 37 months later, for 5% of its original cost 49 months later; and, could be taken free of charge in just over five years. For example, we observed one case where the departing Member purchased a desk for \$235, which was 3½ years old and originally cost \$1,173.
- The Clerk has the authority to lower the purchase price if transportation costs of moving the asset from a constituency office to Fredericton is more than the value of the asset.

3.80 The Clerk provided our Office with constituency office asset listings for disposition purposes for 19 non-returning Members, who were not re-elected in the September 2010 election. Each listing described the asset, provided the purchase price and date, the depreciation rate, the depreciated value (sale price) and provided notes regarding the outcome (purchased by departing or incoming Member, transported to Legislative Assembly, etc.).

3.81 We did not test the listings for accuracy or completeness or do detailed testing on the disposition of assets resulting from the 2010 election. Our preliminary review of the listings and documentation maintained by the Clerk suggested that the LAC Rules were applied appropriately in most cases. However, we noted two cases where there was an error in the depreciation rate used, which resulted in these assets being sold at a lower value than should have been the case. The total of the two errors was \$1,332.

3.82 Box 4 presents a selection of specific assets sold to departing Members, which we noted during our review of the listings. One could conclude that the current Rules for

Disposition, along with the lack of asset purchase limits could promote practices that are not in the best financial interest of the Province.

4 Selection of Specific Assets Sold to Departing Members				
Asset purchased	Purchase price	Selling price	Selling price as % of purchase price	Time lapsed (purchase - disposition)
<i>Furniture</i>				
desk	\$1,411	\$494	35%	~ 2½ years
6 guest chairs	\$4,754	\$951	20%	~3 ½ years
end table	\$451	\$90	20%	~3 ½ years
table	\$644	\$129	20%	~3 ½ years
desk	\$1,173	\$235	20%	~3 ½ years
desk	\$991	\$198	20%	~3 ½ years
round table	\$535	\$107	20%	~3 ¼ years
2 chairs	\$2,598	\$520	20%	~3 ½ years
coffee table	\$683	\$137	20%	~3 ½ years
<i>Equipment</i>				
computer	\$1,921	\$192	10%	~ 2 years
computer package	\$1,468	\$147	10%	~ 2½ years
laptop computer package	\$1,356	\$475	35%	~ 1¾ years
laptop computer package	\$1,288	\$129	10%	~ 2¾ years
BlackBerry	\$316	\$32	10%	~ 2½ years
2 laptop computer packages	\$2,068	\$724	35%	~ 1½ years
3 Multi-Function Units (printer, scanner, copier, fax, phone)	\$542 \$542 \$554	\$190 \$190 \$194	35% 35% 35%	~ 1½ years
computer & monitor	\$2,679	\$268	10%	~ 2½ years
laptop computer package	\$1,703	\$170	10%	~ 2½ years
Source: Table created by the Office of the Auditor General with information provided by the Office of the Clerk of the Legislative Assembly.				

Recommendation

3.83 The Legislative Administration Committee should consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, it should give the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.

There is no perpetual inventory of constituency office assets maintained by the Legislative Assembly.

3.84 Neither the LAC Rules nor the orientation manual provides guidance to the Members or to the Clerk for inventory record management for constituency office assets.

3.85 When an asset is purchased for a constituency office, the asset is processed like other constituency office expenses to be reimbursed. The Clerk maintains an individual file for each Member. The file is a record of all Clerk reimbursed constituency office costs with supporting documents, which were claimed by the Member. The constituency office costs include office equipment and furniture (assets). The assets are not tagged or otherwise marked as “property of the Legislative Assembly”.

3.86 The Clerk does not maintain a list of all assets at each constituency office. The Clerk prepares an asset listing when needed (i.e. when a Member departs), using the information contained in the Member’s file of constituency office costs.

Government asset control policies do not apply to constituency office assets.

3.87 The Legislative Assembly is not required to comply with policies AD-1703 - *Purchasing - Office Equipment Policy* and AD-1704 - *Purchasing - Office Furniture Policy*. The two policies have sections covering:

- Asset Control: Inventory Responsibility
- Responsibilities - Departmental Coordinator
- Responsibilities - Responsibility Center Coordinator
- Compliance¹⁴/Management Audit¹⁵

3.88 The LAC Rules state, “*Office equipment and office furnishings purchased with funds from the allowance are the property of the Legislative Assembly of New Brunswick*”¹⁶. The LAC Rules address the processes of acquiring and disposing assets at constituency offices. However, the LAC Rules do not address maintaining records for constituency office equipment and furniture. In our opinion, constituency office furniture and equipment, which are the property of the Legislative Assembly, should be subject to the same level of control as furniture and equipment purchased by departments and agencies, which are the property of the Province of New Brunswick.

Recommendation

3.89 The Legislative Administration Committee should develop an inventory control policy for assets purchased for constituency offices which includes controls similar to those in the Government’s policies AD-1703 and AD-1704.

¹⁴ Province of New Brunswick Administration Manuals: AD-1704 - Purchasing - Office Furniture Policy.

¹⁵ Province of New Brunswick Administration Manuals: AD-1703 - Purchasing - Office Equipment Policy.

¹⁶ Legislative Assembly of New Brunswick, *Rules Adopted by the Legislative Assembly Committee for the Operation of Constituency Offices*, Adopted Sept 30, 1993 with amendments to March 15, 2011, section 6 - page 7.

Appendix 1 – General Information on Constituency Office Costs

General Information on Constituency Office Costs
<p>Constituency Office Purpose</p> <ul style="list-style-type: none"> A constituency office is an office which has been established to serve the residents of a constituency in a non-partisan fashion. The purpose of the constituency office is to allow the elected Member to act as the constituency representative in a facility where citizens, regardless of political affiliation, can come to discuss their problems or concerns with their representative. A constituency office may not be used for the purposes of promoting political party activities, holding party events, conducting election activities, nomination or leadership campaigns, storing or distributing party material or information, selling party memberships, or soliciting financial contributions or other such activities. <p>History, Authority and Purpose of the Allowance</p> <ul style="list-style-type: none"> A Constituency Office Allowance for Members of the Legislative Assembly of New Brunswick was established in 1993 with the adoption of amendments to the Legislative Assembly Act. Each Member is entitled to receive reimbursement for constituency office costs incurred in respect of their duties as Member of the constituency. There are three categories of constituency office costs for which Members may be reimbursed: (1) office accommodation; (2) office operations; and (3) staff. <p>Amount</p> <ul style="list-style-type: none"> Each Private Member is entitled to reimbursement for constituency office costs up to a maximum of \$40,000 per fiscal year to enable the Member to perform the duties as Member of his or her constituency. This figure is the total amount that can be spent for secretarial services, office rental and overhead, stationery and supplies and any other purchase or service related to the operation of an MLA's constituency office. Members of the Executive Council receive \$15,000 in constituency office funding each fiscal year in addition to expenses covered by their departmental budget. The year end for this allowance is March 31. Any unused portion of this allowance is not transferable at fiscal year-end. The Constituency Office Allowance is allocated to each Member every fiscal year and it is prorated for Members elected part way through the fiscal year. <p>Constituency Office Assets</p> <ul style="list-style-type: none"> All office equipment and furnishings purchased with funds from the allowance remain the property of the Legislative Assembly of New Brunswick. <p>LAC</p> <ul style="list-style-type: none"> The Legislative Administration Committee is responsible for establishing rules, policies and directives for the operation of constituency offices.
<p>Source: Excerpts from the <i>Indemnities and Allowances of Members - Orientation Manual 2010</i>, pages 9-11.</p>

Appendix 2 – Excerpts From a 1999 Board of Management Minute

Excerpts From a 1999 Board of Management Minute

- ... authorize funding for Constituency Offices in those cases when MLA's are Ministers as follows:
 - i. telephone charges, local service and long distance,
 - ii. fax machines, purchase or rental and use charges,
 - iii. cellular charges,
 - iv. miscellaneous office expenses (stationary, note paper, pens etc.), and
 - v. staff support to a maximum of \$15,000 per year by means of Ministerial appointment. (A subsequent Board of Management Minute replaced the \$15,000 with \$25,000.)
- expenses covered by Department budgets are to be paid by Departments per established procedures.

Appendix 3 – Excerpt From the LAC Rules

Excerpt From Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices

Rules for Disposition of Constituency Office Assets

9(1) In this section, constituency office assets means “office equipment” and “office furnishings” as defined in section 2 of these Rules.

9(2) If a Member of the Legislative Assembly resigns or, after dissolution or ending of the Legislative Assembly, is not re-elected for any reason as a Member of the Legislative Assembly in the next following provincial general election, the Clerk may, in accordance with section 10, sell the constituency office assets that were paid for out of the member's constituency office allowance.

9(3) Subsection (2) does not apply to a constituency asset having an original purchase price of less than two hundred dollars. (Amended June 4, 1998)

10 The Clerk shall sell a constituency office asset at the depreciated value of the asset as determined under sections 11 or 12 and section 13.

11 The depreciated value of office equipment shall be determined by deducting from the original purchase price

- (a) thirty-five per cent of the original purchase price in the first year after purchase,
- (b) thirty per cent of the original purchase price in the second year after purchase,
- (c) twenty-five per cent of the original purchase price in the third year after purchase,
- (d) ten per cent of the original purchase price in the fourth year after purchase.

12 The depreciated value of office furnishings shall be determined by cumulatively deducting from the original purchase price

- (a) twenty-five per cent of the original purchase price in the first year after purchase,
- (b) twenty per cent of the original purchase price in the second and third year after purchase,
- (c) fifteen per cent of the original purchase price in the fourth and fifth year after purchase,
- (d) five per cent of the original purchase price in the sixth year after purchase.

13(1) The depreciated value of a constituency office asset shall be determined as of the day of disposition.

13(2) Repealed June 8, 1995.
(Amended June 8, 1995.)

14 Notwithstanding sections 11 or 12, if the Clerk of the Legislative Assembly is satisfied that the value of a constituency office asset is less than the estimated expense of having it picked up, the Clerk may negotiate a lower purchase price than that provided in sections 11 or 12.

15 The Clerk shall give the first opportunity to purchase a constituency office asset to the former Member out of whose constituency office allowance the asset was paid for, and shall give the second opportunity to the new Member elected to occupy the seat previously held by the former Member.

16 A former member who wishes to purchase a constituency office asset shall notify the Clerk in writing to that effect, not more than forty-five days after the Member resigns or after the day on which the new Member is officially declared to be elected to the seat, as the case may be.

17 If a former Member does not wish to purchase a constituency office asset, the new Member, if wishing to purchase the asset, shall notify the Clerk to that effect not more than forty-five days after the former Member declines, or after the deadline for responding occurs, whichever occurs first.

18 If the former and the new Member do not wish to purchase a constituency office asset or if either has failed to give notice respecting a constituency office asset as required under section 16, the Clerk shall cause the asset to be returned to the Legislative Assembly.

19 Part II of these Rules shall be deemed to have come into effect on October 4, 1994.

Source: Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices, Adopted Sept 30, 1993 with amendments to March 15, 2011, pages 8 - 9.

Chapter 4

Department of Social Development CMHC Social Housing Agreement

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Department of Social Development CMHC Social Housing Agreement

Summary

Introduction

- 4.1 The purpose of this chapter is to inform the Legislative Assembly about our work on the Canada Mortgage and Housing Corporation (CMHC) Social Housing Agreement administered by the Department of Social Development (the Department) and to discuss the financial impact on the Province.
- 4.2 There are several reasons why we were interested in taking a closer look at the CMHC Social Housing Agreement (the Agreement) and its impact on the Province:
- the social housing stock in the Province is aging;
 - annual funding under the Agreement is declining; and
 - the cumulative surplus in the CMHC Special Purpose Account is beginning to decline.
- 4.3 We focused on the years ended 31 March 2008, 2009 and 2010.

Objectives

- 4.4 The objectives of our work were:
- *to prepare for the Legislative Assembly an analysis of the financial impact to the Province due to the decline of funding under the CMHC Social Housing Agreement; and*
 - *to assess whether the Department manages and administers the program in accordance with four key requirements (in clause 6 (b)) of the agreement related to managing and administering the portfolio.*
- 4.5 In relation to the second objective, the four key requirements we focused on were:
1. maintain and enforce the principles and the key elements for each program in the portfolio;

2. ensure that only targeted households are eligible to receive the benefit of CMHC funding;
3. set standards of housing affordability, suitability and adequacy; and
4. comply with all reporting requirements in this Agreement.

4.6 Ultimately, our concern is whether social housing programs will be viable when the Agreement expires in 2034: in other words, will there be enough money to provide and maintain social housing in the Province?

Highlights

4.7 Some of our comments and observations include the following:

- In 1997, the New Brunswick Housing Corporation (NBHC) and the Canada Mortgage and Housing Corporation (CMHC) signed an Agreement transferring control of existing federal social housing programs and properties to the Province.
- The Social Housing Agreement carries a number of risks:
 - i. The Agreement assumes a full federal withdrawal from funding social housing by 2034. Federal financial contributions will decline each year and disappear altogether in 2034.
 - ii. Until 2034, the CMHC federal contributions will decline and are not subject to adjustment. This leaves the Province exposed if costs increase due to inflation, interest rates or the impact of deferred maintenance.
 - iii. The liability for modernizing and improving the entire social housing stock rests with the Province.
 - iv. As part of the agreement, the Province must fully indemnify CMHC for all expenses and losses arising from the failure of a CMHC-insured social housing provider. The Province assumes full liability for project failures.
- New Brunswick currently has 13,157 social housing units throughout the Province.
- The average age of the units owned and managed by the Province (public housing and rural rental units) is 40 years.
- The number of clients on the waiting list for social housing has averaged 4,200 per year since 2007. It is greatest in New Brunswick's three largest cities (Saint John, Moncton and Fredericton).

- An October 2009 report by consultants hired by the Department assessed the overall condition of the social housing stock as being in “fair” condition, though they predicted that unless additional funds for maintenance were provided, the condition would fall to “poor” in 2012 and further deteriorate to “critical” in 2022. Recent renovations have extended the life of the properties by five years; overall condition will fall to “poor” in 2017 and “critical” in 2027.
- The consultants reported that *“the current annual funding level for facility renewal is inadequate for both the short and long term preservation of the building portfolio.”* They estimated that \$13 million is needed annually to maintain the buildings in fair condition; annual maintenance spending has been closer to \$3.7 million. The Department indicated there has been no commitment from the federal government to renew the funding once the Agreement expires. Department staff do not believe a new Social Housing Agreement is forthcoming. When coupled with an aging housing stock, and the liability to maintain it, the sustainability of social housing in New Brunswick is in question.
- When we spoke with Department personnel, we learned that as mortgages on the properties end, so does the subsidy or funding from CMHC. In time, public housing subsidies and rent supplements will be 100% funded by the Province (currently valued at \$41.8 million/year).
- By 2019-2020, social housing expenditures will exceed revenues by almost \$50 million/year, at a time when the Special Purpose Account, a reserve for the social housing Agreement, will be exhausted.

What We Found

- 4.8** Our observations, conclusions and recommendations for each of our two objectives are summarized in Exhibits 4.1 and 4.2.

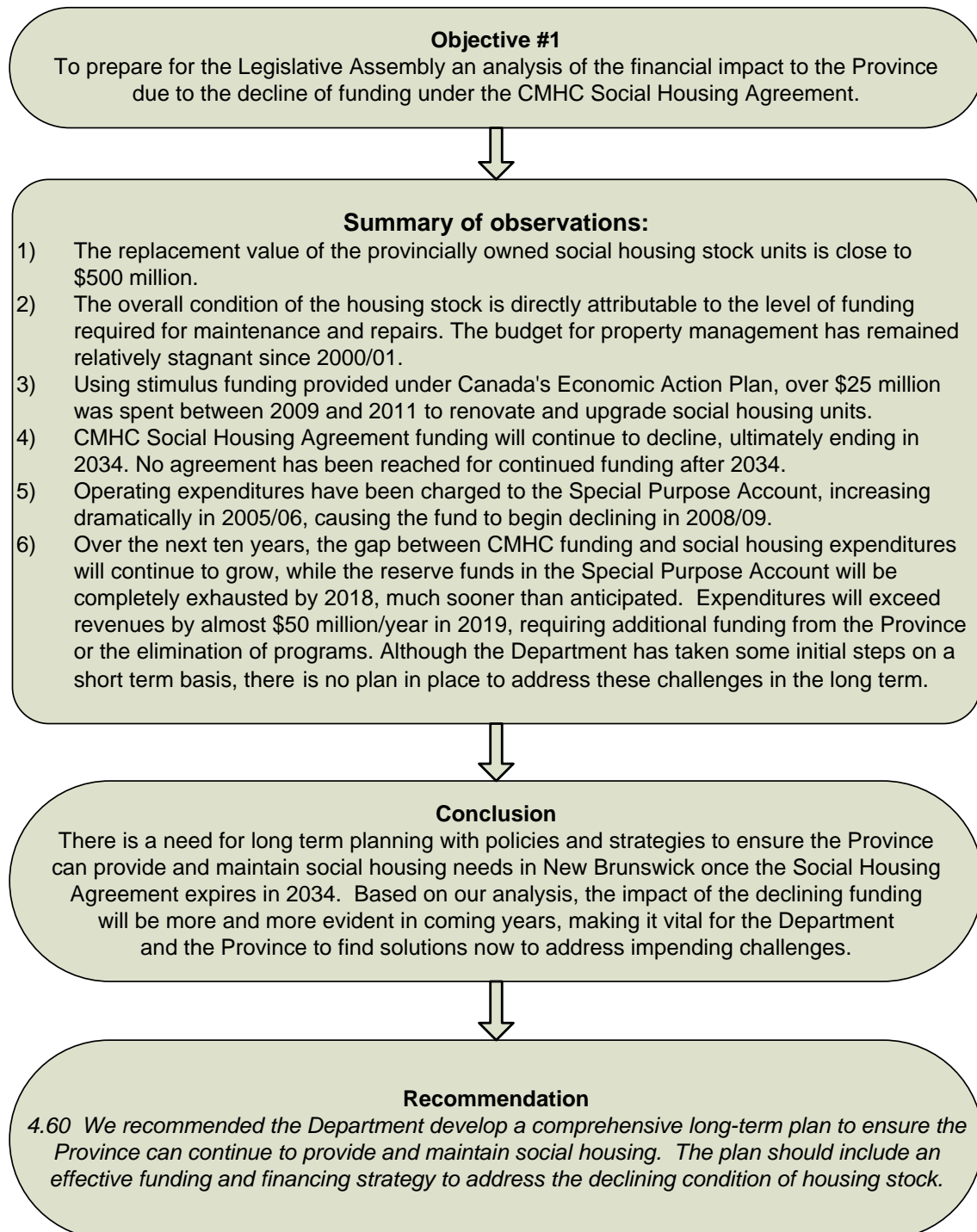
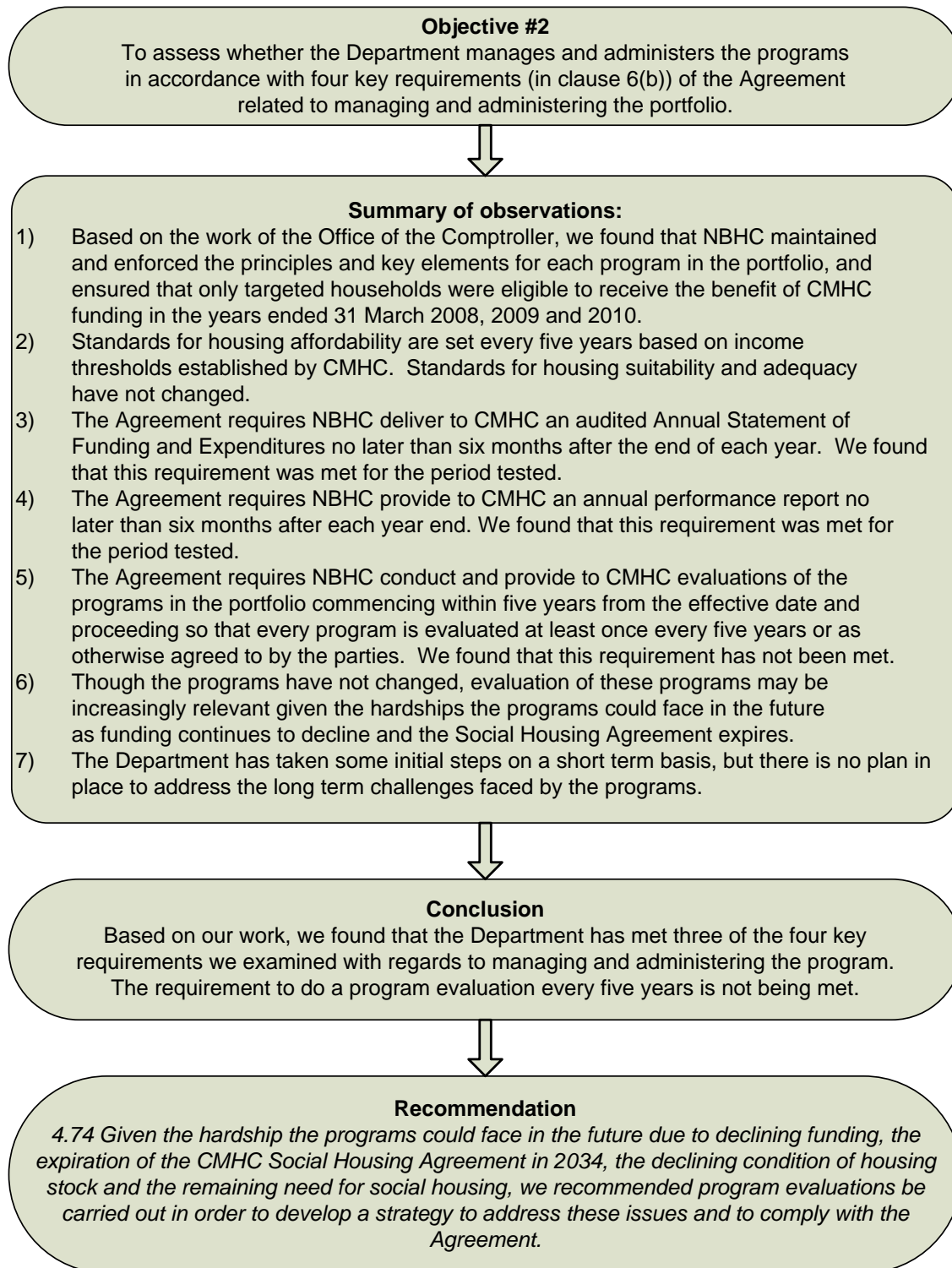
Exhibit 4.1 Analysis of the Financial Impact to the Province

Exhibit 4.2 Management and Administration of Programs

**Background
Information****CMHC Social
Housing
Agreement**

- 4.9** Social housing provides adequate and affordable housing to low-income families, individuals and seniors in New Brunswick. This is accomplished by subsidizing rental accommodations; tenants pay rent based on their income or subsidies are provided to non-profit organizations to maintain social housing portfolios.
- 4.10** Most social housing in New Brunswick was built in the 1970's, subsidized and administered by the Canada Mortgage and Housing Corporation (CMHC) and the New Brunswick Housing Corporation (NBHC). In 1997, the CMHC began to turn control of existing federal social housing programs over to the provinces. In April 1997, the NBHC and the CMHC signed an agreement to transfer control of the management and administration of the social housing programs and related properties to NBHC.
- 4.11** As a result of the devolution, the Province assumed the financial responsibility of the social housing programs and related properties. Annual cost-shared funding was replaced by declining annual funding from CMHC until the Agreement expires in 2034. As part of the Agreement, any federal funds that are not spent at each year end are carried forward in a Special Purpose Account (SPA), but these funds must be used before the Agreement expires. In addition, the Province agreed to indemnify CMHC for any losses that it may incur as the mortgage lender for the social housing projects; CMHC paid the Province a one-time allowance to offset this risk in the amount of \$8.4 million. This amount was transferred to the Special Purpose Account in 1997-98.
- 4.12** The Agreement is straightforward when it comes to what the funding can be used for. The Agreement stipulates that all CMHC funding (annual payment and amounts carried forward in the Special Purpose Account) must be used only for *Housing*. *Housing* is defined as a residential accommodation and facilities, common areas and services used directly with the residential accommodation. *Housing* also includes management of the portfolio of programs and the management and administration of the residential accommodations and facilities, common areas and services directly used with the residential accommodation. In other words, the funding must be used for costs related to housing programs for which the Province assumed responsibility, as well as for management of the programs.

Principles of the Agreement

4.13 The Agreement's *principles* set out the rules on the use of the CMHC funding by NBHC. The principles are summarized in Exhibit 4.3.

Exhibit 4.3 Funding Principles

1. All CMHC funding must be used only for housing.
2. All CMHC funding must be used for the cost of housing that is in a program in the portfolio (programs (and new programs) agreed upon by CMHC and NBHC.)
3. CMHC will set housing income limits (HIL's) from time to time. HIL's are used as a financial test to determine targeted households.
4. All CMHC funding (except non-targeted amounts) must be devoted entirely for the benefit of targeted households.
5. Only the non-targeted amounts set out in the Agreement may be used for housing that is not occupied by a targeted household.
6. Savings achieved by NBHC through cost reductions or efficient management will not reduce the amount of funding.

NBHC Authorities and Responsibilities

4.14 All of the property assets of the Department of Social Development (the Department) are held by the New Brunswick Housing Corporation. The Minister of Social Development is the chair of its Board of Directors, and the Deputy Minister its president. Assets of the Public Housing and Rural and Native Housing portfolios, as well as undeveloped land, are held and administered by NBHC.

4.15 NBHC agreed to manage and administer the portfolio in accordance with the Agreement.

4.16 NBHC must:

- maintain and enforce the principles and the key elements for each program in the portfolio;
- ensure that only targeted households are eligible to receive the benefit of CMHC funding;
- set standards of housing affordability, suitability and adequacy;
- be responsible for all assistance, contributions, costs, expenses and disbursements related to the portfolio;

Advantages and Disadvantages of the Social Housing Agreement

- perform CMHC's obligations under agreements with third parties relevant to the programs in the portfolio; and
- comply with the reporting requirements of the portfolio.

4.17 The Social Housing Agreement has a number of advantages for the Province. For example:

- immediate surplus of federal funding in the early years of the agreement;
- removal of all federal controls over the Province's use of its own financial contributions;
- freedom to reduce provincial contributions: the Province no longer has an explicit obligation to the federal government to provide funding for social housing;
- increased freedom to determine for itself how federal and provincial monies will be spent;
- ability to modify programs: the Province can choose to eliminate or replace the housing programs inherited; and
- right to retain savings realized in the operation and administration of the programs.¹

4.18 The Agreement also has a number of disadvantages, such as:

- The federal contribution for these programs is declining and not subject to adjustment, leaving the Province exposed if costs increase due to inflation, interest rates or the impact of deferred maintenance.
- The liability for modernizing and improving the entire social housing stock rests with the Province.
- As part of the Agreement, the Province must fully indemnify CMHC for all expenses and losses arising from the failure of a CMHC-insured social housing provider. The Province assumes full liability for project failures.
- The Agreement assumes a full federal withdrawal from funding social housing. Federal contributions will disappear completely in 2034.²

¹ Source: *Critique of the Federal/Provincial Social Housing Agreement* Co-operative Housing Federation of Canada, 1998

² Source: *Critique of the Federal/Provincial Social Housing Agreement* Co-operative Housing Federation of Canada, 1998

Access to Social Housing

4.19 The Department has numerous programs to assist low income households in New Brunswick with their housing needs; their 2009-10 annual report listed ten such programs. The CMHC Social Housing Agreement covers four of these programs: Public Housing, Rural and Native Housing, Non-Profit Housing, and Rent Supplements. These programs will be the focus of our work. In 2009/10, the expenditures for these four programs totaled \$63.8 million, or 76% of the Housing Services budget of the Department. The objective of Housing Services is to assist households in need to obtain affordable, suitable and adequate housing.

4.20 Tenants for social housing units are chosen based on demonstrated need. All applications are prioritized at intake using a universal scoring system. Factors considered in the scoring system are:

- condition of present dwelling;
- income level;
- shelter cost to income ratio;
- number of dependents; and
- mitigating circumstances (for example, if someone's safety and well-being is at risk in their current dwelling).

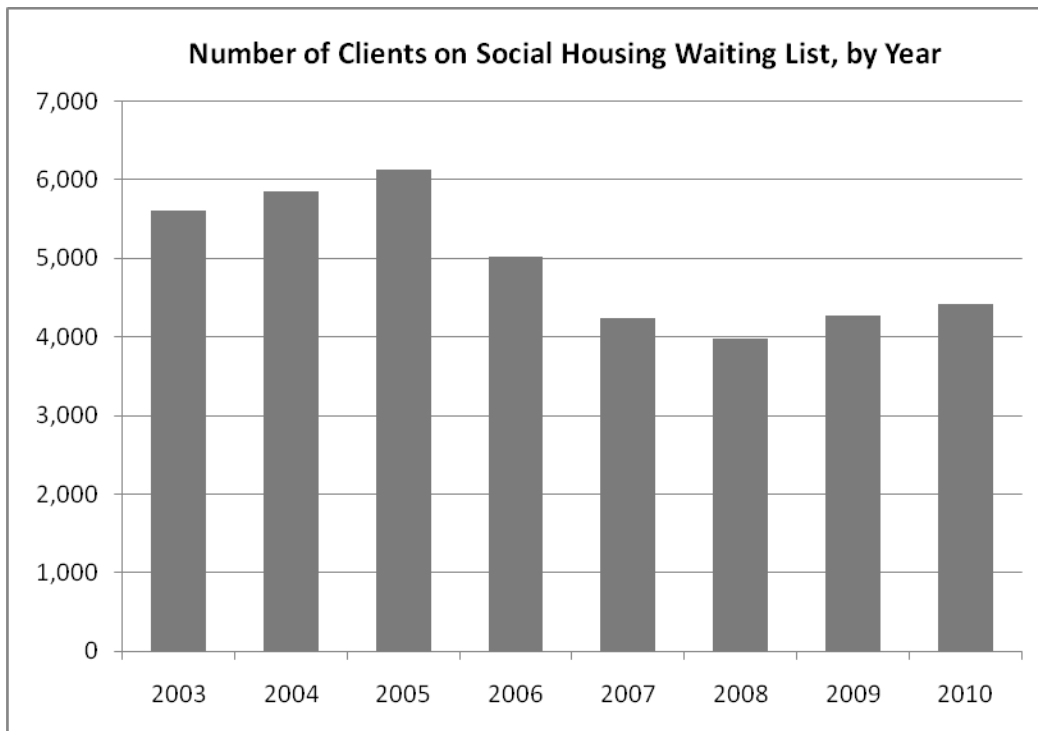
4.21 During the review of the application for accommodation, a priority is formulated based on a scoring system. Priority on the waiting list for housing is decided by the points awarded on the accommodation review. Annually, the clients on the waiting list must update their application form. If the clients do not submit the required information within a specified time frame, their application will be cancelled and they are taken off the waiting list.

4.22 When a vacancy occurs, the replacement tenant is selected from the waiting list, with the person having the highest score on the accommodation review normally selected. Occasionally, a family requiring emergency shelter may be granted priority.

Waiting List for Social Housing

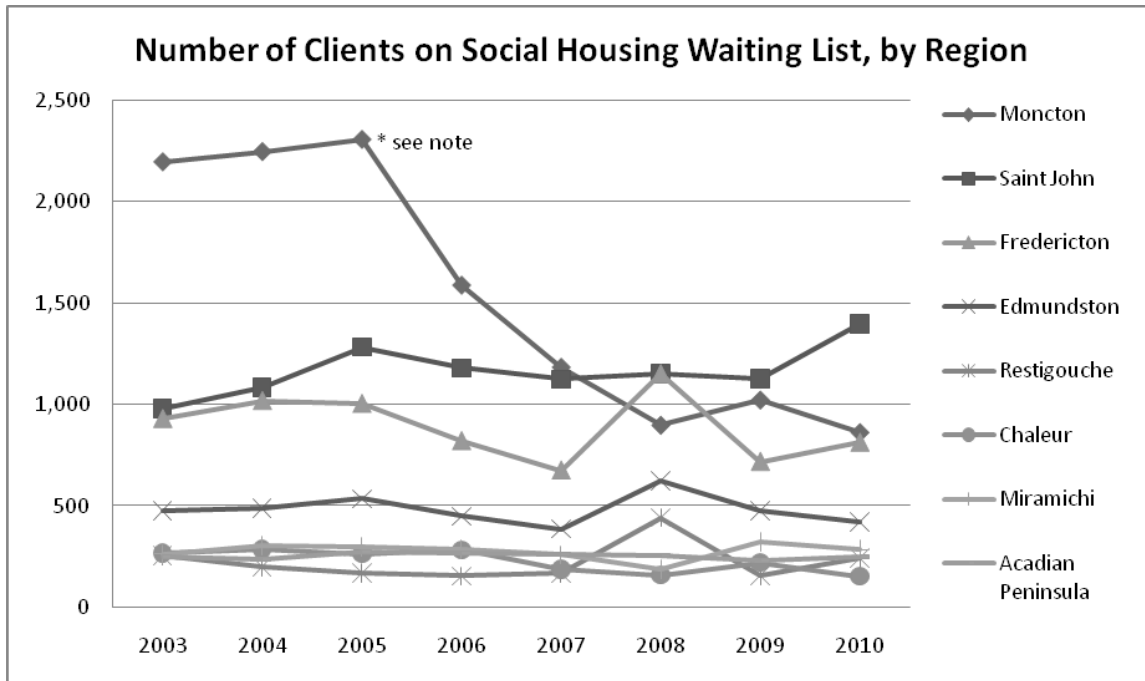
4.23 The waiting list for social housing has varied in past years, as seen in Exhibit 4.4. Staff at the Department told us that the figures from 2003 to 2005 do not necessarily reflect the actual number of people on the waiting list, because the regions were not maintaining their waiting list as well as in recent years, when the Department began requiring annual updates. Exhibit 4.4 shows the number of clients on the waiting list for social housing from 2003 to 2010. As shown in the exhibit, the number of clients on the waiting list has been relatively stable since 2007, averaging at about 4,200 clients per year. Exhibit 4.5 shows the waiting list by region; we can see that the waiting list for social housing is greatest in New Brunswick's three largest cities (Saint John, Moncton and Fredericton).

Exhibit 4.4 Social Housing Waiting List by Year



Source: Data provided by the Department (figures not audited).

Exhibit 4.5 Social Housing Waiting List by Region



Source: Data provided by the Department (figures not audited).

Note: The Department told us that in the early years, the regions were not maintaining the waiting list as well as they have been recently. For example, people who were placed in housing were not necessarily removed from the waiting list. So, though they were able to place people in housing, the number placed is not as high as the numbers in the chart would seem to indicate.

Social Housing Programs

4.24 The CMHC Social Housing Agreement covers four programs:

- Public Housing;
- Rural and Native Housing;
- Non-Profit Housing; and
- Rent Supplements.

4.25 These programs will be the focus of our chapter. A brief description of each of the four programs follows.

Public Housing

4.26 This program provides safe and affordable housing to low-income New Brunswick families, individuals and seniors living in cities and towns by subsidizing public housing rental accommodations. Tenants accepted into public housing will pay 30% of their income for accommodations.

Rural and Native Housing

4.27 The Rural and Native Housing Program provides safe, adequate and affordable rental housing to low income New Brunswickers living in rural areas with a population of less

than 2,500 people. The Province owns and manages the rural rental units. Tenants qualifying for assistance will have their rents reduced to 30% of the adjusted household income.

Non-Profit Housing 4.28 The Non-Profit Housing Program provides subsidies to private non-profit organizations, including cooperative groups, to maintain their social housing portfolios. Assisting the non-profit organizations to maintain their social housing portfolios allows the Department to expand the number of affordable and adequate housing units available for rent by low-income households. Eligibility is determined by the criteria established by the individual non-profit/cooperative agreements.

Rent Supplements 4.29 This program helps households obtain affordable, adequate and suitable rental housing by subsidizing eligible rental dwellings in the private sector. The amount of assistance is based on the difference between the agreed-upon market rent and the tenant's ability to pay.

Financial Impact to the Province of Declining Funding

4.30 Our first objective is:

to prepare for the Legislative Assembly an analysis of the financial impact to the Province due to the decline of funding under the CMHC Social Housing Agreement.

4.31 We were interested in looking at the Social Housing Agreement for a number of reasons, including:

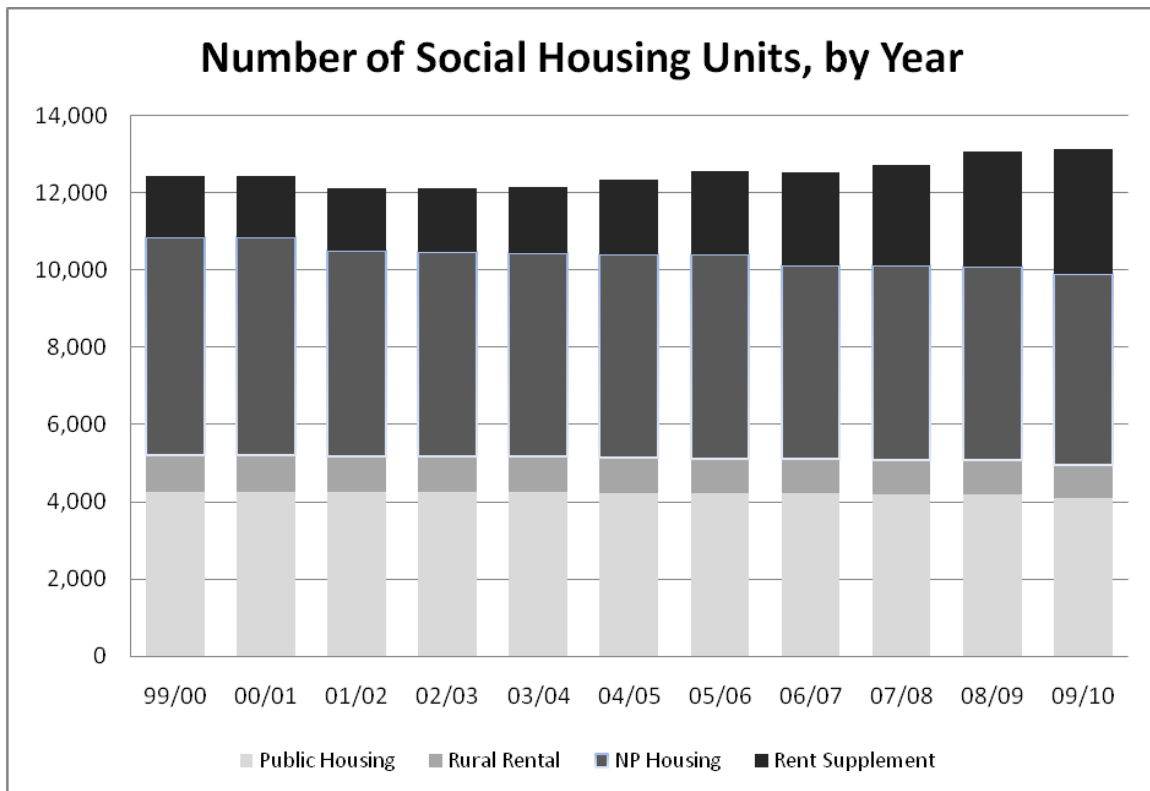
- the social housing stock in the province is aging;
- annual funding under the Agreement is declining; and
- the cumulative surplus in the Special Purpose Account is beginning to decline.

4.32 In addition, one of the disadvantages of the Agreement is that the liability for modernizing and improving the entire social housing stock rests with the Province. These factors all play an important role in our analysis of the financial impact on the Province due to the decline of funding under the Social Housing Agreement.

Aging Housing Stock

4.33 According to its annual reports, the Department of Social Development (the Department) owns and manages a number of public housing units and rural rental units located throughout the Province. In addition, the Department subsidizes private sector rental units. Exhibit 4.6 shows the number of units in the Province from 1999 to 2010. At 31 March 2010 there were 13,157 social housing units in New Brunswick.

Exhibit 4.6 Social Housing Units in New Brunswick



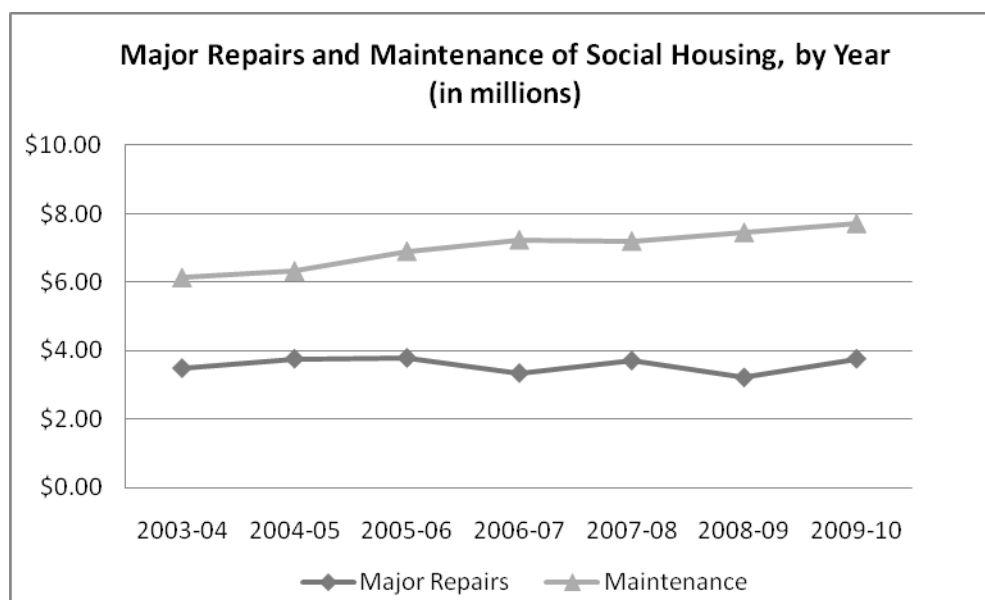
Source: Department's annual report 1999/00 – 2009/10 (figures not audited).

4.34 We can see in Exhibit 4.6 that the number of public housing and rural rental units have remained relatively unchanged since 1999, while there has been a slight decrease in the number of subsidized non-profit housing units. The area where we see an increase is the number of rent supplement units. The number of rent supplement units have gone from 1,572 in 1999/00 to 3,256 in 2009/10.

4.35 The average age of the units owned and managed by the Province (public housing and rural rental units) is 40 years; staff at the Department tell us that the oldest building the Province owns was built in 1790. The replacement value of

these buildings is \$498,107,000, as determined by consultants hired by the Department to assess the condition of the housing stock. An aging housing stock leads to additional repairs and maintenance. The overall condition of the housing stock is directly attributable to the level of funding for maintenance and repairs. We looked at the expenditures for maintenance and major repairs to these properties from 2003/04 to 2009/10. Exhibit 4.7 shows repair and maintenance expenditures for the past seven years on housing owned and managed by the Province. The exhibit shows that maintenance expenditures have increased slightly (from \$6.14 million to \$7.72 million/year), while major repairs have been fairly constant for the past seven years at \$3.5 to \$3.75 million/year.

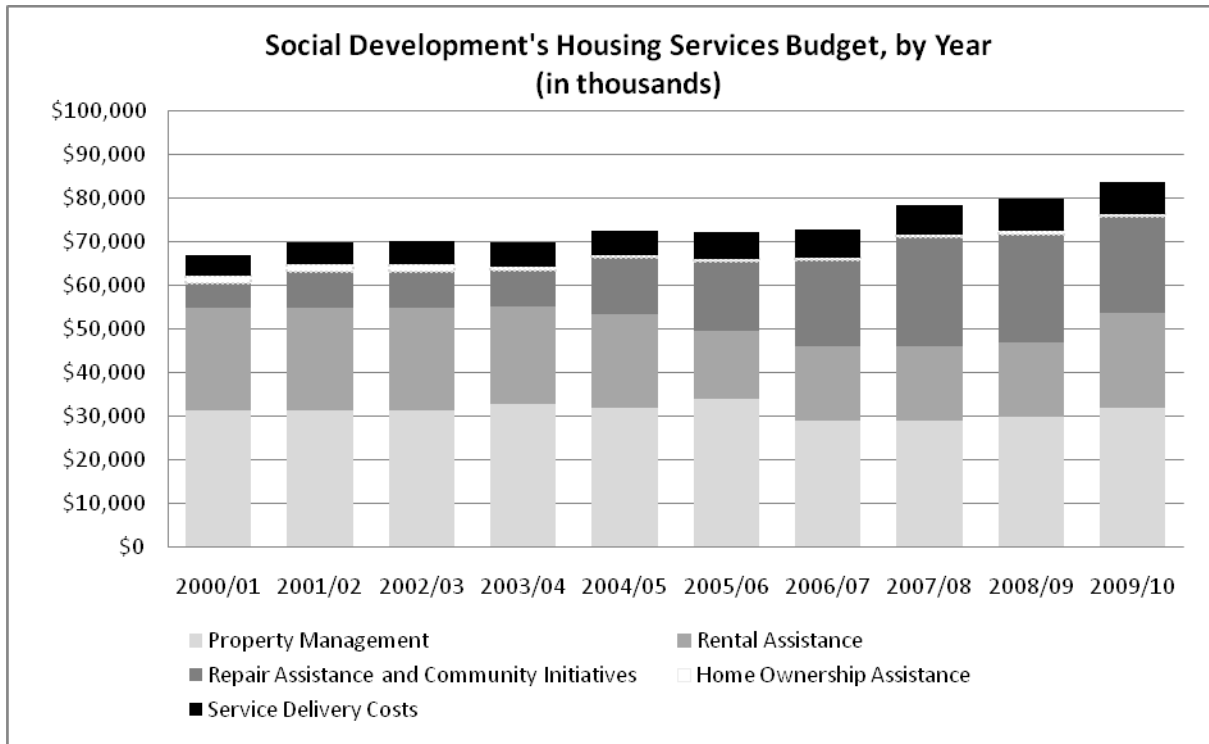
Exhibit 4.7 Repairs and Maintenance of Social Housing from 2003 to 2010



Source: Financial information provided by the Department (figures not audited).

4.36 We also looked at the Department's budget for Housing Services, which includes repairs and maintenance to the housing owned and managed by the Province. Exhibit 4.8 shows the Department's budget components for Housing Services from 2000/01 to 2009/10. The description of the Property Management component of Housing Services in *Main Estimates* is: "maintain and operate rental properties that provide affordable accommodations to low income households".

Exhibit 4.8 Social Development's Budget for Housing Services, by Component, from 2000/01 to 2009/10



Source: Main Estimates 2000/01 to 2009/10

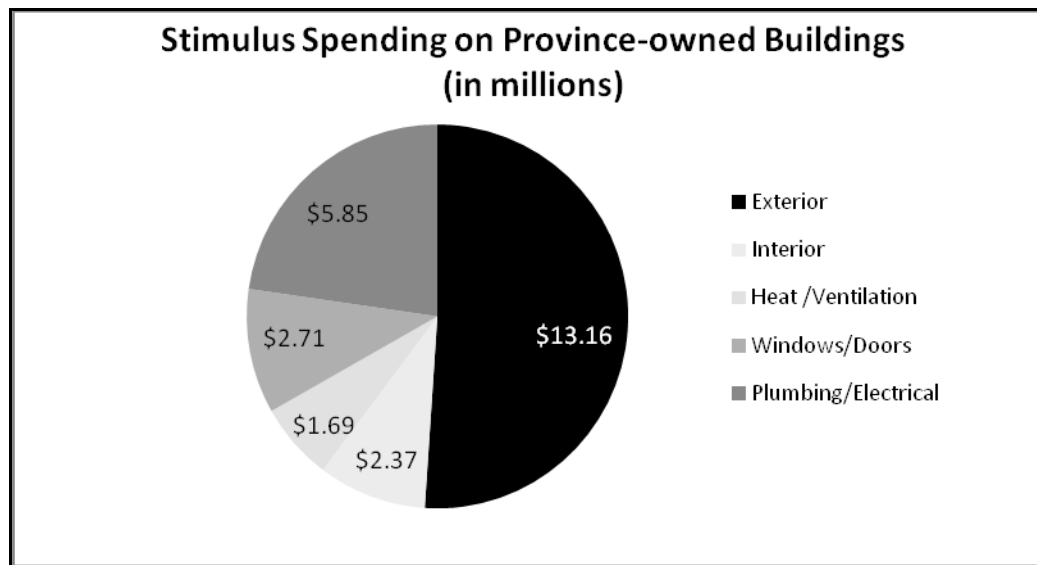
4.37 In Exhibit 4.8 we can see that though the overall budget has increased 25% (from \$66.9 million to \$83.7 million), the budget for *Property Management* has remained relatively stagnant since 2000/01, increasing by only 2% to \$31.9 million. The only increase can be seen in the *Repair Assistance and Community Initiatives* component, described in *Main Estimates* as “assist low income homeowners occupying existing sub-standard housing to repair, rehabilitate or improve their dwellings to acceptable levels of health and safety and to assist community groups in housing initiatives.” This component increased by 290% since 2000/01 (from \$5.6 million in 2000/01 to \$21.9 million in 2009/10). It is also noted that funding for *Home Ownership Assistance* is negligible in recent years (\$651,000 in 2009/10 compared to \$1.8 million in 2000/01).

4.38 In May 2009, the Province announced that federal and provincial governments would invest \$99 million in affordable housing as part of Canada’s Economic Action Plan. This amount includes a \$75 million joint federal/provincial investment under the Canada-New Brunswick Affordable Housing Agreement to build new, and renovate existing,

social housing. An additional \$24.1 million (combined federal/provincial investment) is committed to build new affordable housing and assist low-income households with renovations to their homes.

4.39 Using part of this funding, the Department carried out a number of renovations on their existing Public Housing and Rural Native Housing Units (which are owned by the Province), committing a total of \$25,783,558 to renovations and upgrades from 2009 to 2011 (at the time of our work, all but \$355,000 of this amount had been spent). The following exhibit shows the type of work carried out on the social housing units owned by the Province. In Exhibit 4.9 we can see that close to 75% of funds (\$19 million) were spent on exterior renovations (siding, roof, site work) and plumbing/electrical work.

Exhibit 4.9 Types of Repairs Carried out on Province-owned Social Housing Units From 2009 to 2011



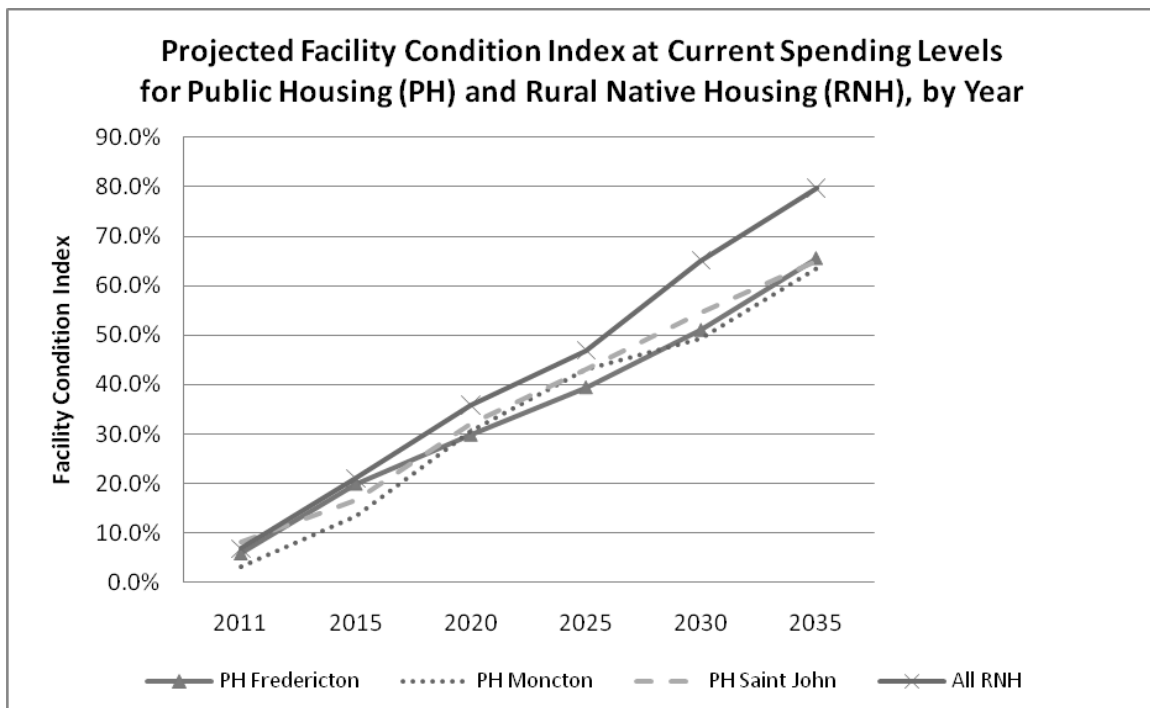
Source: Information provided by the Department (figures not audited)

4.40 The Department also used some of the stimulus funding to hire consultants in 2009 to assist them with the assessment of the condition of their properties. The consultants developed predictive software to assist in planning maintenance work to the buildings. The software is based on a modeling program; it assesses the condition of the properties and predicts the funds needed to maintain them in good condition for a period of 30 years.

4.41 In October 2009, the consultants presented their results to

the Department. They assessed the overall portfolio as being in “fair” condition, though they predicted that unless additional funds for maintenance were provided, the condition would fall to “poor” in 2012 and further deteriorate to “critical” in 2022. The assessments are based on a Facility Condition Index (FCI) that has been assigned to all properties. The FCI is a representation of a facility’s deficiency and renewal cost in relation to its current full replacement cost. A facility’s condition is considered good if the FCI is less than 5%; fair between 5% and 10%; poor between 10% and 30%; and critical between 30% and 65 %. If the FCI exceeds 65%, the cost to repair the facility is considered prohibitive, and should be under consideration for redevelopment, demolition or sale. Exhibit 4.10 shows the FCI, as determined by the consultants, of the Public Housing (PH) facilities in New Brunswick’s three largest cities, as well as the overall average of Rural Native Housing (RNH) units in the coming years at current spending levels for maintenance (before effect of stimulus funding).

Exhibit 4.10 Projected Facility Condition Index at Current Spending Levels for Public Housing and Rural Native Housing Units



Source: Information provided by the Department, pre-stimulus funding (figures not audited)

4.42 Based on current spending levels, we can see in Exhibit 4.10 that by the time the program expires in 2034, the

condition of the buildings will be considered too prohibitive to repair, with the RNH units in significantly worse condition than the PH units. The description of the assessments can be found in Exhibit 4.11.

Exhibit 4.11 Facility Condition Assessments and Implications to Building Conditions and Maintenance Needs

Assessment	Implications on Building, Residents and Maintenance
Good	Facilities will look clean and functional. Maintenance staff will be devoted to regular scheduled maintenance.
Fair	Facilities will show signs of wear. More frequent component and equipment failure will occur. Maintenance staff will be diverted from regular scheduled maintenance.
Poor	Facilities will look worn with apparent and increasing deterioration. Frequent component and equipment failure may occur. Occasional building shut down will occur. Maintenance staff will be forced to “reactive” mode.
Critical	Facilities will look worn with obvious deterioration. Equipment failure occurring frequently. Occasional building shut down will likely occur, and management risk is high. Maintenance staff will not be able to provide regular scheduled maintenance due to high level of “reactive” calls.

Source: Information provided by the Department

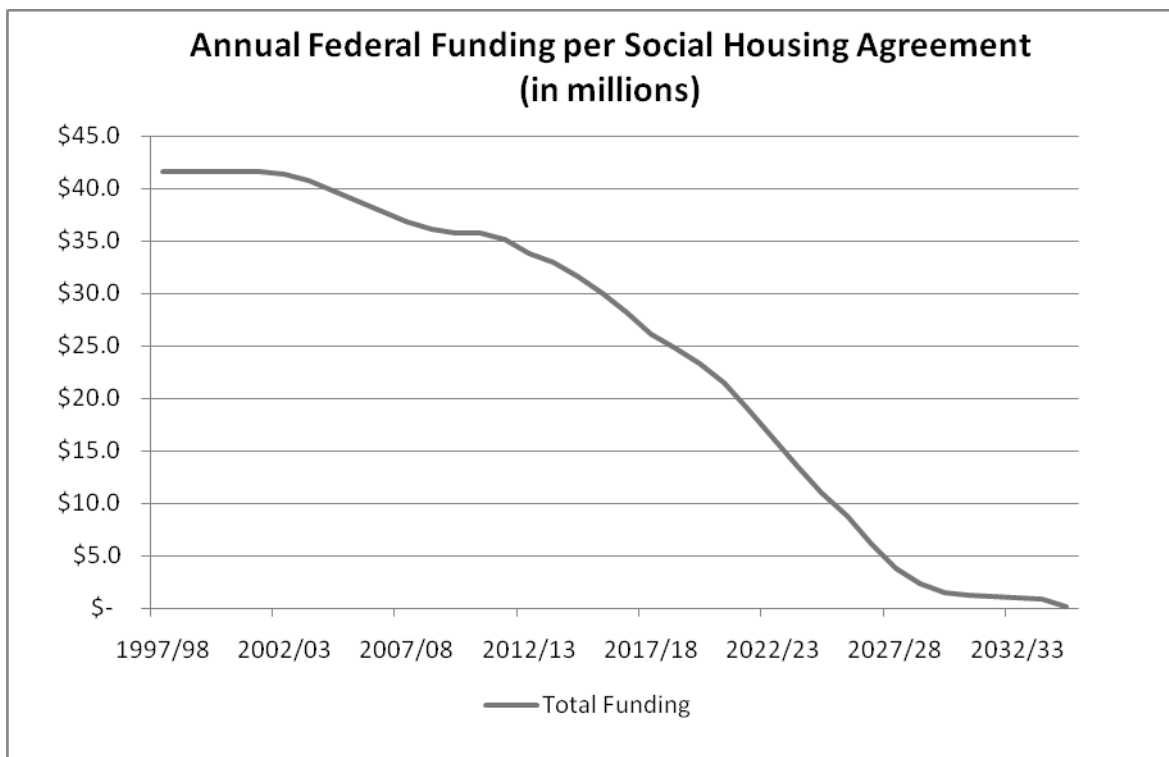
4.43 According to the consultants, deteriorating conditions in the buildings will lead to a deteriorating quality of life for the residents of the building, an increase in the failure risk to building components, and a higher burden on maintenance and operating costs. The consultants reported that “*the current annual funding level for facility renewal is inadequate for both the short and long term preservation of the building portfolio.*” They estimated that \$13 million is needed annually to maintain the buildings in fair condition; actual annual maintenance spending has been closer to \$3.7 million. They also estimated that there is a current backlog of \$45.5 million of repairs needed to the buildings. The stimulus funding mentioned earlier will reduce this backlog of repairs to \$19.7 million and improve the overall property assessments from “fair” to “good”. However, they estimate that the life of the

overall portfolio will only be extended by five years. This means that, at current funding levels, the overall housing portfolio will fall to “poor” in 2017 and “critical” in 2027.

Declining Annual Federal Funding

4.44 The CMHC Social Housing Agreement was designed with a declining federal contribution toward social housing, with funding ultimately ending in 2034. Exhibit 4.12 shows the declining federal funding as planned in the Agreement. It shows that the decline, which began slowly in 2002/03, is more rapid between 2012/13 and 2027/28.

Exhibit 4.12 Federal Social Housing Funding Over the Life of the Agreement



Source: Schedule E of the Canada-New Brunswick Social Housing Agreement

4.45 Our main concern is whether the Department can maintain the social housing units with declining federal funding. No agreement has been reached for continued funding once the agreement expires in 2034 and the Department indicated there has been no commitment from the federal government to renew the funding once the Agreement expires. Department staff do not believe a new Social Housing Agreement is forthcoming. When coupled with an aging housing stock, and the liability to maintain it, the sustainability of social housing in New Brunswick is in question.

4.46 This concern is echoed in the Department's *Policy Framework and Housing Strategy* and NBHC's *"Hope is a Home – New Brunswick's Housing Strategy."* In it, NBHC stated that it will invest in *"ensuring the sustainability of government assisted housing"*. It goes on to state that *"overall funding for housing is expected to decline, yet costs associated with creating new units and maintaining existing units continue to rise. The majority of the existing social housing within New Brunswick was constructed under federal/provincial cost-shared agreements. (...) The majority of the current federal contribution annually is tied to the Social Housing Agreement. Under this Agreement, no provisions were made for funding the ongoing operation of these facilities and federal funding declines to \$0 by the year 2034 as project mortgages or debentures expire."*

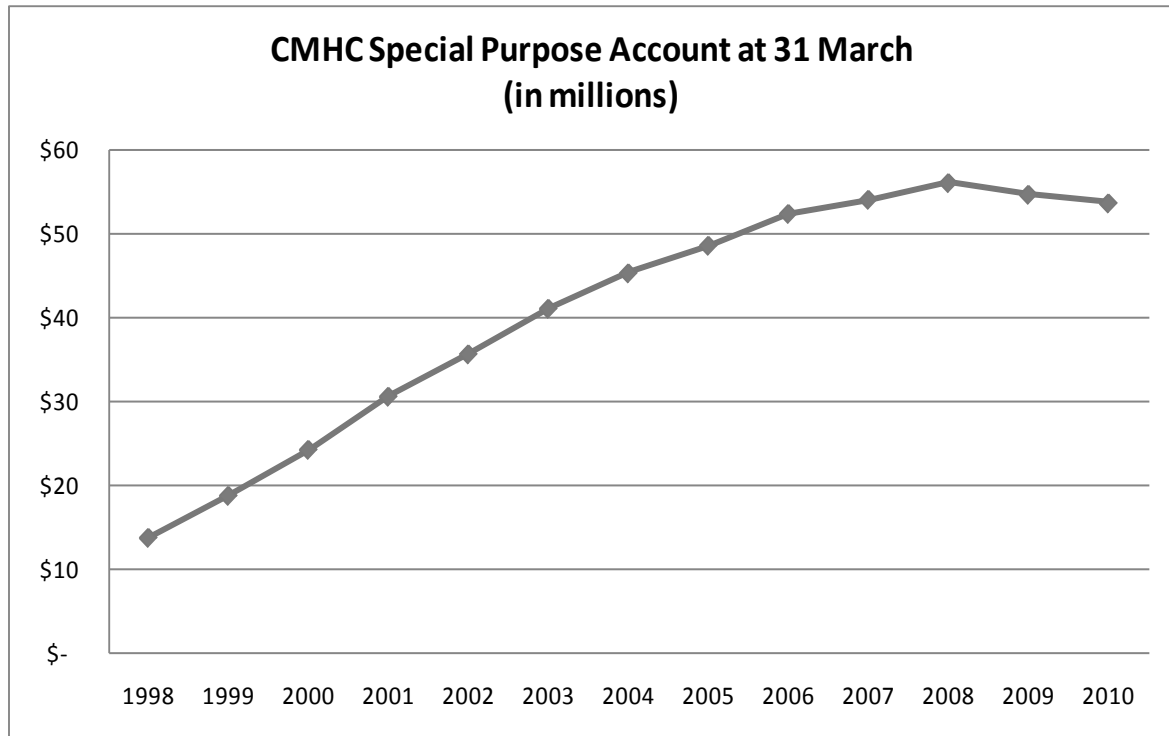
4.47 Further, it states that *"New Brunswick has some of the oldest housing in the country. The majority of the public housing owned and managed by the Housing Corporation was constructed over 40 years ago. The age of this housing combined with the limited availability of repair dollars over the years has resulted in the deterioration of this housing stock. The state of repair of some units is substandard to a point where the health and safety of their residents are a concern. This is especially true with the rural housing stock, where some units remain vacant because of their condition. Clients struggle to pay their utility bill because these old units are not energy efficient and are costly to maintain. Many units were designed for larger families and no longer meet the need of our changing demographic. Subsequently, some clients may be in the position of having to heat units that are larger than they require given the size of their household."*

4.48 When we spoke with departmental personnel, we learned that as mortgages on the properties end, so does the subsidy or funding from CMHC. In time, Public Housing subsidies and Rent Supplements will be 100% funded by the Province. As shown earlier in exhibit 4.6, the number of Rent Supplement units has been growing steadily since 2005/06. In the case of Non-Profit Housing, once the subsidies end, the funding to these organizations will cease completely.

Declining Cumulative Surplus in CMHC Special Purpose Account

4.49 As part of the Agreement, any unexpended CMHC funding can be carried over from year to year until the Agreement expires. Exhibit 4.13 shows the level of funding in the CMHC Special Purpose Account at 31 March since 1998. We can see that the level of funds in the account grew steadily from 1998 to its peak in 2008. Since that time, it has begun decreasing.

Exhibit 4.13 Balance of the CMHC Special Purpose Account



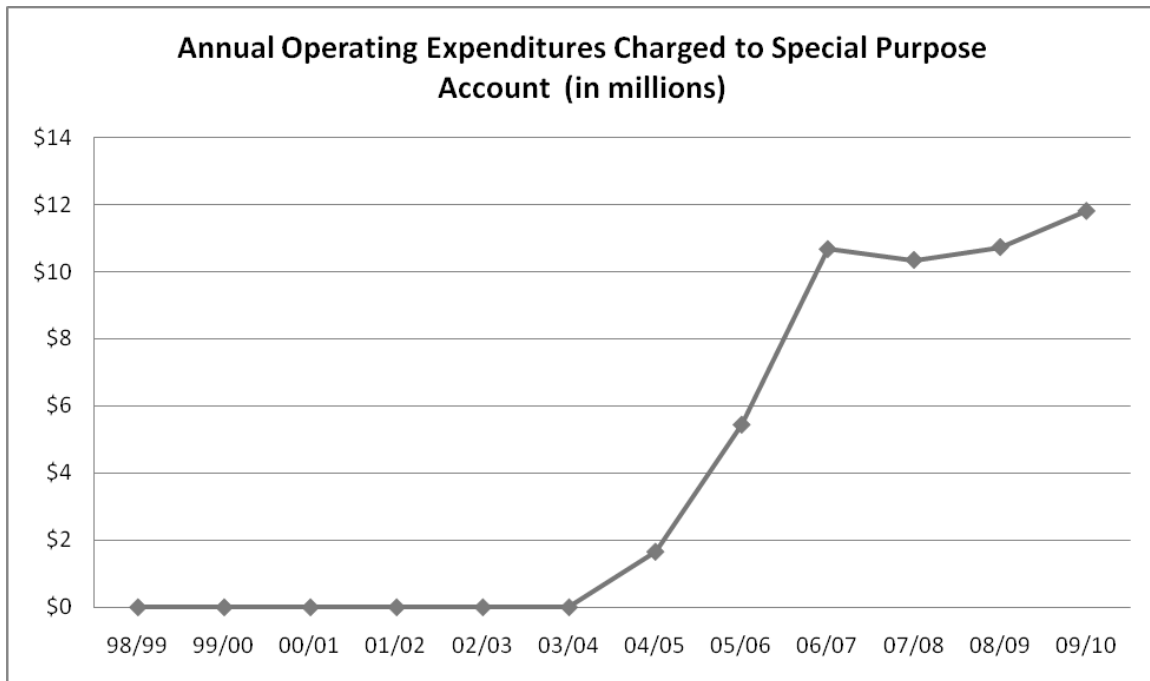
Source: Public Accounts 1998 to 2010

4.50 The amounts in the Special Purpose Account include:

- unexpended federal funds carried over;
- interest revenue;
- recoveries from clients; and
- expenditures.

4.51 As we mentioned earlier, the balance in the account began declining in 2009. The Department also started charging operating expenditures to the Special Purpose Account beginning in 2004/05. Exhibit 4.14 shows the level of operating expenditures that are being transferred to the Special Purpose Account. These amounts increased dramatically between 2003/04 and 2006/07, and have continued to slowly climb since that time.

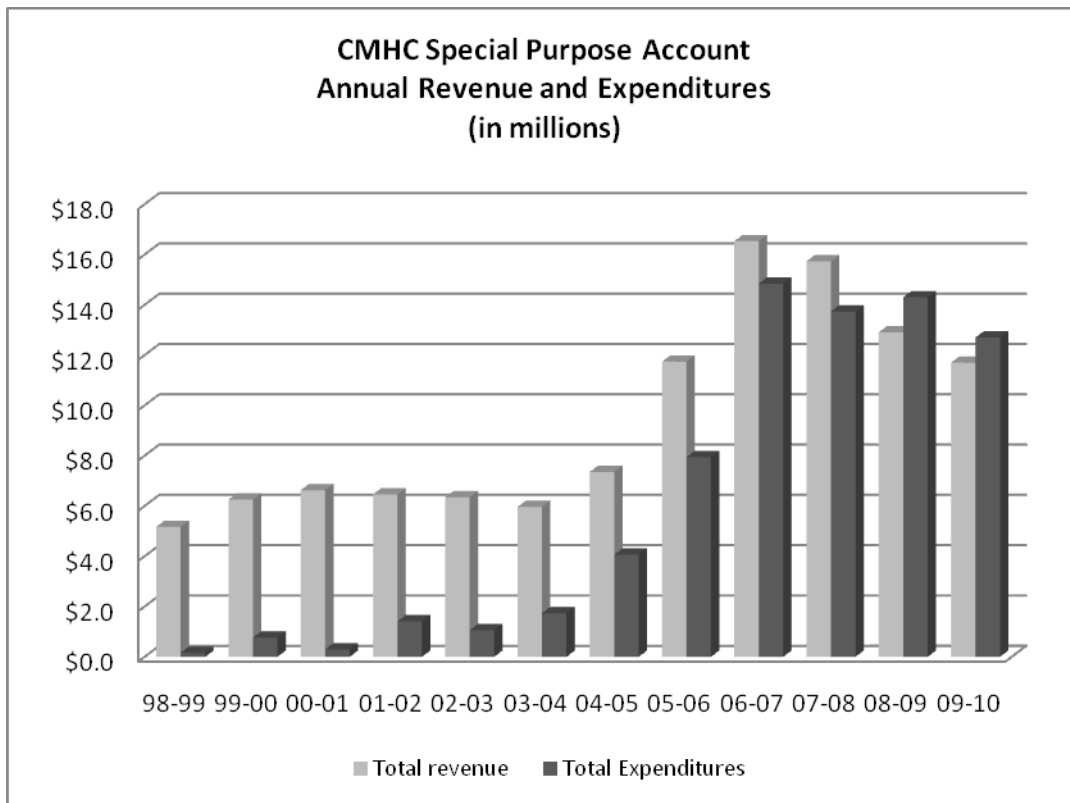
Exhibit 4.14 Operating Expenditures Charged to the Special Purpose Account



Source: Financial information provided by the Department (figures not audited).

4.52 Total annual revenues and expenditures in the Special Purpose Account can be found in Exhibit 4.15. Here we can see that from 1998/99 to 2007/08 revenue was greater than expenditures in the Special Purpose Account; significantly greater until 2005/06. However, beginning in 2008/09, expenditures have been greater than the revenue generated, which explains the decrease seen in 2008/09 in Exhibit 4.13.

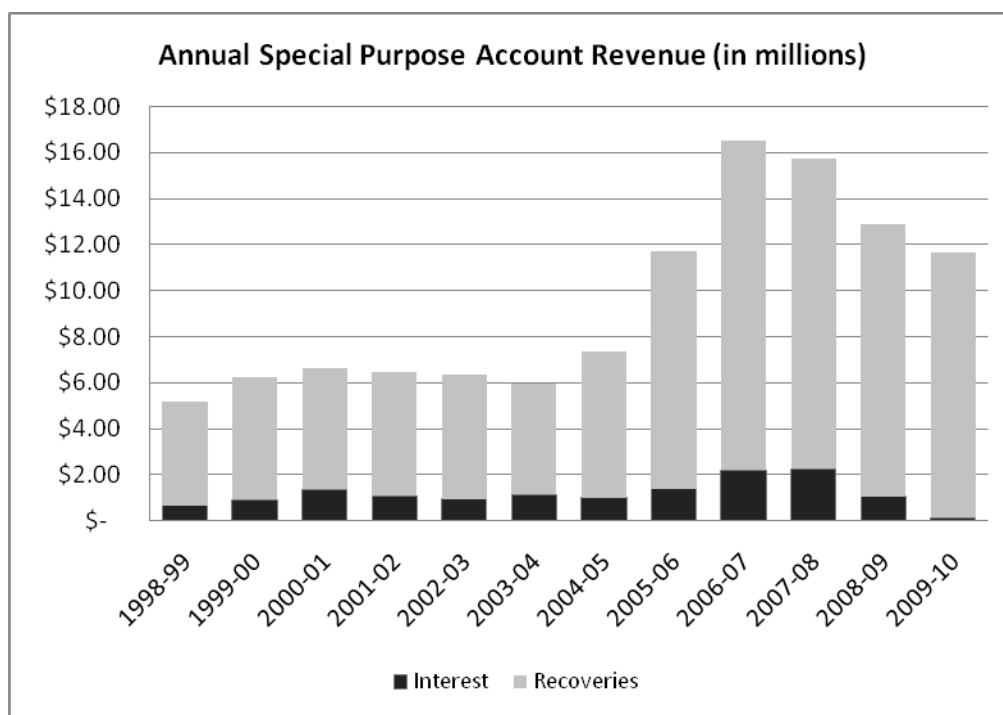
Exhibit 4.15 Annual Revenues and Expenditures in the Special Purpose Account



Source: Public Accounts 1998 to 2010

4.53 According to the Department, the intention of the Special Purpose Account was to serve as a hedge to fluctuations in interest rate and inflation and their impact on mortgages. However, the Department is required to spend more as mortgages mature, and the cost of some operating expenditures is being covered by the Special Purpose Account. Though it was not what the Department intended, charging operating expenses to the Special Purpose Account does meet the rules of the funding agreement. As a result, the Department is using the funds in the Special Purpose Account much faster than anticipated, and revenues are not as high as anticipated. Special Purpose Account revenues can be seen in Exhibit 4.16; they include interest earned on the balance of the Special Purpose Account and various recoveries (from sale of properties in the portfolio, repayments on loans to non-profit groups and the balance of federal funding received). The exhibit shows that the majority of revenues have always been recoveries, with only a small amount attributed to interest revenue. The amount of revenue from recoveries has increased significantly since 2005/06.

Exhibit 4.16 CMHC Special Purpose Account Revenue from 1998 to 2010



Source: Financial information provided by the Department (figures not audited)

Financial Impact to the Province

4.54 Using the known funding levels from CMHC and projecting expenditures based on past levels, we have prepared a projection of the financial impact in the next ten years of declining CMHC funding. Using information we obtained from the Department, expenditures were projected based on the average trend since 1997/98. We also projected the level of funds in the Special Purpose Account by using more recent fluctuations, including amounts from *Main Estimates* for 2010/11 and 2011/12, since we determined they were representative of future fund levels. The results are shown in Exhibit 4.17.

4.55 The exhibit shows that over the next ten years, the gap between CMHC funding and social housing expenditures will continue to grow, while the reserve funds in the Special Purpose Account will be completely exhausted by 2018. This is much sooner than an earlier projection provided to us by the Department, where they estimated the funds would only be exhausted in 2028. They had also estimated that the decline in the account would only begin in 2014, while the decline actually began in 2009, as seen in Exhibit 4.17. All of the programs in the portfolio covered by the Social Housing Agreement are funded 50% or more by CMHC. In fact, over

half of the programs are funded 100% by CMHC. By 2019/20, we can see that expenditures will exceed revenues by almost \$50 million/year, at a time when the Special Purpose Account will be exhausted. This gap will require either additional funding from the Province, a commitment to further funding from the federal government, or the elimination of programs.

The Department's Strategy

4.56 We spoke with staff at the Department to determine what their strategy was to deal with this issue. They told us that their strategy was described in the New Brunswick Housing Corporation Policy Framework and Housing Strategy and NBHC's "*Hope is a Home – New Brunswick's Housing Strategy*". We examined both documents and found the following comments directly attributable to social housing:

- Over the next five years NBHC will invest in ensuring the sustainability of government assisted housing.
- New Brunswick will continue to petition the federal government to maintain their current level of investment in social housing so that "savings" generated as mortgages and debentures mature, can be re-invested in social housing.
- A dedicated source of revenue will provide a stable base of funds and give the province the ability to develop long term housing plans. It may be beneficial to develop legislation to address the creation of a housing trust fund that would result in funding for long term sustainable housing.
- The Housing Trust Fund would receive revenues from dedicated sources of funding such as taxes, levies, fees or loan repayments. Some examples provided are property tax assessments, property registration fees, and lottery revenues.
- Improve management practices and develop new information technology that includes an asset management system to ensure an effective, responsive and efficient New Brunswick Housing Corporation.

4.57 Some objectives included in the strategy are to:

- increase the stock of rental units;
- protect and improve the condition of existing units through repair and renovation;
- pursue a sustainable source of funding including federal government participation.

4.58 The issues around declining federal support are not unique to New Brunswick. We looked at what some other provinces are doing to address the issues. For example, Newfoundland and Labrador's (NL) provincial housing strategy has the following actions, some of which are similar to New Brunswick's:

- undertake research on social housing need, housing supply and market conditions;
- continue to seek a long-term social housing funding commitment from the federal government;
- enhance the Rent Supplement Program;
- develop new NL Housing homes in response to demand for smaller units;
- continue investment in repairs, interior retrofit and renewal of NL Housing homes; and
- improve energy efficiency in NL Housing homes during regular renovations and repairs.

4.59 The strategies identified in NBHC's "*Hope is a Home – New Brunswick's Housing Strategy*" are a beginning, but they only address a short-term, five-year horizon. Though the recent stimulus funding bought the Department some extra time in terms of the condition of the social housing stock, there remains a need for long term planning with policies and strategies to ensure the Province can provide and maintain social housing in New Brunswick once the CMHC Social Housing Agreement expires. The Department indicated that it, along with other provinces, will continue to lobby the federal government to maintain the current level of funding for social housing, yet the federal government has made no such commitment beyond the term of the Social Housing Agreement. Based on our analysis, the impact of the declining funding will be more and more evident in the coming years, making it vital for the Department and the Province to find solutions now to address the impending challenges they will face.

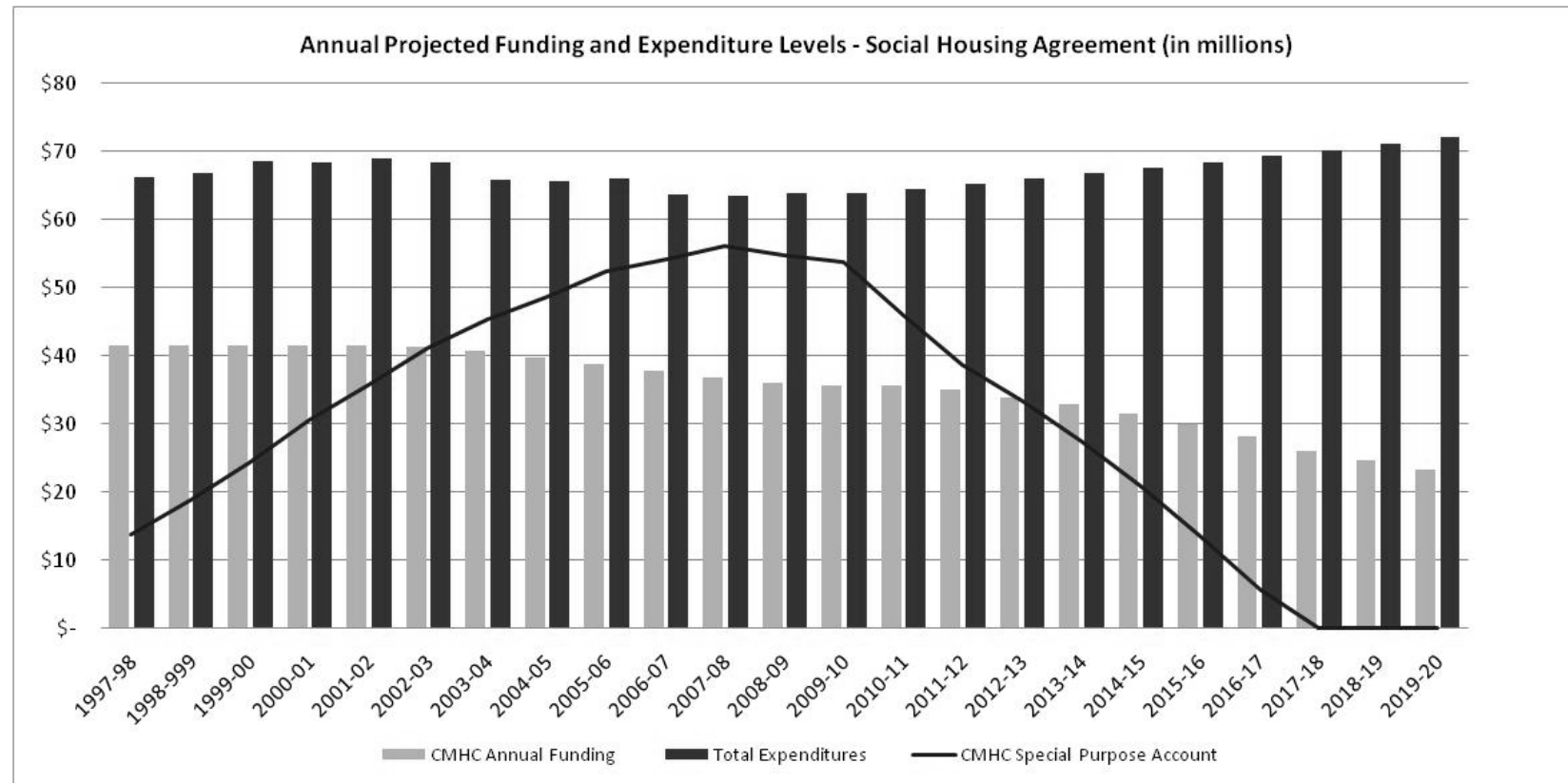
Recommendation

4.60 We recommended the Department develop a comprehensive long-term plan to ensure the Province can continue to provide and maintain social housing. The plan should include an effective funding and financing strategy to address the declining condition of housing stock.

**Conclusion on
our First
Objective**

4.61 There is a need for long term planning with policies and strategies to ensure the Province can provide and maintain social housing needed in New Brunswick once the Social Housing Agreement expires in 2034. Though the Department has been proactive with its purchase of predictive software to assess and plan the maintenance work needed on their social housing properties, they must now have a strategy to follow through with the required maintenance in order to maintain it beyond the expiry of the CMHC Social Housing Agreement. While the system will allow them to monitor the condition of housing stock, if maintenance and repair needs are not adequately funded, the condition of the buildings will continue to decline, affecting the long-term sustainability of the housing stock. Based on our analysis, the impact of the declining funding will be more and more evident in coming years, making it vital for the Department and the Province to find solutions now to address impending challenges. It is important that the social housing stock be maintained in good condition for the benefit of those who live there and also for the benefit of protecting the Province's investment.

Exhibit 4.17 Projected Funding and Expenditures for the Social Housing Agreement



Source: Chart created by the Office of the Auditor General

Management and Administration of the Program in Accordance with the Agreement

4.62 Our second objective was:
to assess whether the Department of Social Development (the Department) manages and administers the programs in accordance with four key requirements (in clause 6 (b)) of the Agreement related to managing and administering the portfolio.

4.63 The four key requirements we focused on were:

- maintain and enforce the principles and the key elements for each program in the portfolio;
- ensure that only targeted households are eligible to receive the benefit of CMHC funding;
- set standards of housing affordability, suitability and adequacy; and
- comply with all reporting requirements in this Agreement.

4.64 Our sample focused on the years ended 31 March 2008, 2009 and 2010.

Principles, Key Elements and Targeted Households

4.65 As required in the Social Housing Agreement, the Office of the Comptroller carries out an audit each year of NBHC's Statement of Funding and Expenditures. As part of this audit, the Office of the Comptroller also carries out work to determine whether NBHC complied with the principles, terms and conditions of the Social Housing Agreement. We reviewed the work of the Office of the Comptroller to determine whether we could rely on their work for the years ended 31 March 2008, 2009 and 2010 for the purpose of this chapter. Based on our review, we found that the work of the staff at the Office of the Comptroller was adequately planned and properly executed using sufficient knowledge of the NB Housing programs and the related Agreement. Sufficient appropriate evidence was obtained to support the content of their report. Though the Office of the Comptroller is not an independent auditor, CMHC accepted the arrangement. We determined that we could rely on this audit.

4.66 Based on the work of the Office of the Comptroller, we found that NBHC maintained and enforced the principles and key elements for each program in the portfolio, and ensured that only targeted households were eligible to receive the benefit of CMHC funding (except as allowed in the Agreement) in the years ended 31 March 2008, 2009 and 2010.

Standards for Housing Affordability, Suitability and Adequacy

4.67 We found that standards for housing affordability, suitability and adequacy have been set. From our discussions with staff at the Department, standards for housing affordability are set every five years based on income thresholds established by CMHC (the housing income limits). On the other hand, the standards for housing suitability and adequacy do not change. These standards have to do with overcrowding in the household and whether the housing is substandard or not. Affordability, suitability and adequacy are defined in Exhibit 4.18.

Exhibit 4.18 Definition of Housing Affordability, Suitability and Adequacy

Affordability	Affordability is measured on the basis of gross household income and basic shelter costs, which include rent/mortgage payments, costs of heat, electricity, water, sewage disposal, repairs and maintenance. A household is considered to have an affordability problem if it pays more than 30 % of its gross income for shelter costs.
Suitability	Suitability is a measure of overcrowding and is based on the National Occupancy Standards. These standards are based on the number of bedrooms in a dwelling and the age, gender and relationship of household members. Other suitability factors relate to whether the dwelling is suitable to a specific need, such as accessibility for persons with disabilities.
Adequacy	The standard for Adequacy is based of the need for major repair and/or the existence of basic facilities. A dwelling is deemed inadequate if it does not have such things as an indoor toilet, a bath or shower and/or if it requires major repair.

Source: Hope is a Home – New Brunswick's Housing Strategy, Department of Social Development, 2010

Reporting Requirements

4.68 The reporting requirements set out in the Agreement consist of audit reports, performance reports and program evaluations. We investigated to determine whether the reporting requirements were met for the years ended 31 March 2008, 2009 and 2010.

Audit Report

4.69 The Agreement requires NBHC deliver to CMHC an audited Annual Statement of Funding and Expenditures no later than six months after the end of each year. We found that this requirement was met for the period tested.

Performance Report

4.70 The Agreement requires NBHC provide to CMHC an annual performance report no later than six months after each year end. We found that this requirement was met for the period tested.

Program Evaluation

4.71 The Agreement requires NBHC conduct and provide to CMHC evaluations of the programs in the portfolio commencing within five years from the effective date and proceeding so that every program is evaluated at least once every five years or as otherwise agreed to by the parties. We

found that this requirement has not been met, though it has had no effect on funding. The Department told us that this was not a priority for their team since the programs in the portfolio haven't changed in the years since the Agreement came into effect; they offer housing to low income households, and continue to do so. Because the programs have not changed, they do not feel a program evaluation is needed.

**Conclusion on
our Second
Objective**

4.72 Based on our work, we found that the Department has met three of the four key requirements we examined with regards to managing and administering the programs. The requirement to do a program evaluation every five years is not being met.

4.73 Though the programs have not changed, evaluation of these programs may be increasingly relevant given the hardships the programs could face in the future as the funding continues to decline and the Social Housing Agreement expires, as we discussed earlier in the chapter. An evaluation of the continued relevance and cost-effectiveness of the programs will assist the Department in planning for the future. Program evaluations will allow the Department to assess the program structure, design or delivery against changes in demand, demographics, and funding. Program evaluations will also force the Department to ask critical questions, using the information collected, to improve programs and be accountable for the results and the resources invested. As we reported in Chapter 5 of Volume II of the 2007 Report of the Auditor General, there are significant risks associated with a lack of evaluative information on programs. These include:

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

Recommendation

4.74 Given the hardship the programs could face in the future due to declining funding, the expiration of the CMHC Social Housing Agreement in 2034, the declining

condition of housing stock and the remaining need for social housing, we recommended program evaluations be carried out in order to develop a strategy to address these issues and to comply with the Agreement.

**Departmental
Response**

4.75 The Department of Social Development provided the following comments on our report and recommendations:

4.76 *Thank you for providing us with your observations and recommendations regarding your review of the CMHC Social Housing Agreement. Social Development agrees with the findings stated in your report.*

4.77 *The gap between CMHC funding and social housing expenditures will certainly continue to grow over the next 10 years. The Department also agrees that a comprehensive long-term plan is needed to ensure the province can continue to provide and maintain social housing units once the reserve funds in the CMHC Special Purpose account are exhausted.*

4.78 *Although discussions have taken place regarding the future of the social housing portfolio, a long-term plan has yet to be developed. The majority of provincial/territorial jurisdictions across the country have similar agreements with the Federal Government. This situation is difficult to address in an environment where the Government of Canada has yet to agree to a national housing strategy that will provide long-term sustainable funding to the provinces/territories. Although the Government of Canada has not made any commitment to extend Federal funding beyond the term of the Social Housing Agreement, the provinces/territories will continue to engage the Federal Government.*

4.79 *In response to your recommendation regarding the need to conduct program evaluations, work has begun on the development of an evaluation framework for the programs governed under the Social Housing Agreement. This work will indeed assist us in developing a strategy to deal with the future of our housing portfolio.*

4.80 *Social Development certainly values your findings. They emphasize the importance that needs to be placed on developing a comprehensive long-term plan to ensure the viability of our housing programs.*

Chapter 5

Follow-up on Prior Years' Recommendations

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Follow-up on Prior Years' Recommendations

Background

5.1 Last year, we did not prepare a follow-up chapter for the first time in a number of years due to resource constraints. During the past year, some Members of the Legislative Assembly expressed their desire for us to resume at least some work in this area, recognizing it as an important component of the accountability process. Therefore, although we have not returned to performing the full scope of work as in the past, we felt it important to prepare a chapter showing the extent of follow-up work conducted in 2011.

5.2 A follow-up chapter promotes accountability by giving MLAs, and the general public, information about how responsive government has been to our recommendations. We think it is important that both MLAs and the public see if government is making progress with our recommendations.

5.3 We continue to have a strategic goal that departments and agencies accept and implement our recommendations. Consequently, in this chapter we report on the progress updates as provided to us by departments and Crown agencies. Even though we did not have the resources to verify the accuracy of all responses, we gathered the information.

5.4 This year we selected one department for detailed follow-up or confirmation. The selection of the Department of Justice and Consumer Affairs captured three past reports including:

- New Brunswick Credit Union Deposit Insurance Corporation (2007);
- Superintendent of Credit Unions (2008); and
- La Caisse populaire de Shippagan (2009).

Summary

- 5.5** Our overall results show departments and agencies report they had implemented about 60% (86 of 144) of our recommendations from the 2007, 2008 and 2009 Reports of the Auditor General. We anticipate this percentage will increase for 2008 and 2009 recommendations as we continue to track them.
- 5.6** However, we are concerned the results show, for 2007 recommendations, the last year of our tracking, that more than 55% (26 of 47) remain unimplemented after four years.
- 5.7** Our detailed follow up in the Department of Justice and Consumer Affairs showed 18 of 28 recommendations have been implemented; nine have not been implemented and the department disagreed with one. The department indicated work continues on some recommendations.
- 5.8** We are pleased to report that a number of the members of the Public Accounts Committee and the Crown Corporations Committee have questioned departments and agencies appearing before them on how successful they have been in implementing our recommendations. The Appendices to this chapter contain detailed listings of past reports and recommendations. This is intended to facilitate the work of the two committees.
- 5.9** Further, we have also noted that the Minister of Finance announced in the 2011-12 Budget Speech that *"We will also be reviewing the last five years of the Auditor General's recommendations on improving efficiency and transparency in government operations to ensure they are effectively implemented."* This additional attention to our recommendations should further encourage departments and agencies to adopt our recommendations on a timely basis.
- 5.10** We have been encouraged by a couple of recent trends regarding implementation of our recommendations. One of these trends is attributed to members of the two key legislative committees, the Public Accounts Committee and the Crown Corporations Committee. Last year, as the new committees got underway, we encouraged members to make inquiries regarding implementation of past Auditor General recommendations. We saw this as an important part of government accountability. We were pleased to note that at a number of the committee meetings that followed, members did indeed develop lines of questioning around follow-up. Various departments and agencies were asked about specific

recommendations in our reports, and what action they had taken to implement them.

5.11 The second trend was noted by the Minister of Finance in the 2011-12 Budget Speech. The Minister stated *“We will also be reviewing the last five years of the Auditor General’s recommendations on improving efficiency and transparency in government operations to ensure they are effectively implemented.”* We explored the Minister's comments in more detail by corresponding with his Deputy who informed us the government's initial review will focus on the previous five years’ Auditor General recommendations as a project within the Government Renewal effort.

Scope and Objectives

5.12 Our practice is to track the status of our recommendations for four years after they first appear in the Report of the Auditor General, starting in the second year after the original Report. In other words, in this Report for the year ended 31 March 2011, we are tracking progress on recommendations from 2007, 2008 and 2009. Our objective is to determine the degree of progress departments and agencies have made in implementing our recommendations. We have assessed their progress as fully implemented or not implemented.

5.13 In addition, departments and agencies also add any explanatory comments they believe necessary to explain how a recommendation has been implemented.

5.14 We received all the updates requested.

5.15 In addition, we selected the Department of Justice and Consumer Affairs and carried out more detailed follow up or confirmation of their self-reporting of recommendations stemming from three audits:

- New Brunswick Credit Union Deposit Insurance Corporation (2007);
- Superintendent of Credit Unions (2008); and
- La Caisse populaire de Shippagan (2009).

Detailed Findings

5.16 This section provides details on how well departments and agencies have done in implementing recommendations we have made in the years 2007, 2008 and 2009. Exhibit 5.1 gives an overview of the status of recommendations by department and agency. Exhibit 5.2 shows the results summarized by year.

5.17 Exhibit 5.2 shows departments and agencies reported to us

that they had implemented 86 of 144 (about 60%) of our recommendations from 2007, 2008 and 2009 Reports of the Auditor General. For 2007 recommendations, 26 of 47 (more than 55%) of our recommendations remain unimplemented after four years, the limit of our tracking.

Exhibit 5.1 Status of Recommendations as Reported by Departments

Department	Audit area	Year	Recommendations				
			Total	Disagreed	Implemented	Agreed/Not implemented	No longer applicable
Education	Provincial Testing of Students Anglophone Sector	2009	16	0	15	1	0
Environment	Environmental Trust Fund	2009	8	0	8	0	0
	Environmental Impact Assessments	2008	8	0	2	6	0
Business New Brunswick	New Brunswick Innovation Foundation	2009	9	0	3	6	0
Supply & Services and Social Development	Review of Nursing Home Contract with Shannex Inc	2009	10	0	6	4	0
Justice & Consumer Affairs	La Caisse populaire de Shippagan	2009	6	0	4	2	0
NBIMC	Investment Performance and Cost Analysis	2008	9	0	3	6	0
Justice & Consumer Affairs	Superintendent of Credit Unions	2008	10	0	7	3	0
Executive Council	Review of Departmental Annual Reports	2008	1	0	0	1	0
Natural Resources	Wildlife Trust Fund	2007	4	1	3	0	0
	Timber Royalties	2008	4	0	2	2	0
Health	Program Evaluation	2007	8	0	3	5	0
Justice and Consumer Affairs	NBCUDIC	2007	12	1	7	4	0
Post Secondary Education, Training and Labour	<i>Private Occupational Training Act</i>	2007	23	5	8	10	0
	Adult Literacy Services	2008	16	0	15	0	1

Exhibit 5.2 Summary Status of Recommendations by Year as Reported by Departments

Year	Recommendations				
	Total	No longer applicable	Implemented	Agreed/Not implemented	Disagreed
2009	49	0	36	13	0
2008	48	1	29	18	0
2007	47	0	21	19	7
Total	144	1	86	50	7

Comments on recommendations from 2007

5.18 Exhibit 5.3 provides a full listing of the 2007 recommendations that are still not implemented.

5.19 These 2007 recommendations have reached the end of the four year follow-up cycle. They are in the areas of:

- New Brunswick Credit Union Deposit Insurance Corporation;
- Department of Post-Secondary Education, Training and Labour-Private Occupational Training Act;
- Department of Natural Resources-Wildlife Trust Fund; and
- Department of Health-Program Evaluation

5.20 We encourage Members of the Legislative Assembly to look at these 2007 recommendations which the government has not implemented. Perhaps upcoming meetings of the Public Accounts Committee and the Crown Corporations Committee would give an opportunity for Members to pursue these matters in some detail.

5.21 Immediately following Exhibit 5.3, we provide some additional commentary on some of the recommendations from these four 2007 audits.

Exhibit 5.3 Summary Status of 2007 Recommendations Not Implemented

Department	Audit	Recommendations made in 2007 that were not fully implemented	Assessment after 4 years
Justice and Consumer Affairs	NBCUDIC	We recommend the Superintendent review the practice of recording general provisions against accounts receivable by all credit unions to ensure consistency and to eliminate the need to make adjustments for regulatory purposes.	Disagree
		We recommend NBCUDIC and the Credit Unions, Cooperatives, and Trust Companies branch of the Department amend their memorandum of understanding to include specific operating parameters such as length of time to fill positions and establishing work priorities.	Not implemented
		We recommend that NBCUDIC and the Department establish a minimum value for the Deposit Insurance Fund. If the existing balance is determined to be insufficient, a funding plan with appropriate levies should be put in place.	Not implemented
		Because of NBCUDIC's reliance on the work of the superintendent, NBCUDIC should request the superintendent to carry out more frequent inspections of stabilization boards as required by the <i>Credit Unions Act</i> .	Not implemented
		We recommend NBCUDIC review the content of its annual report to comply with government's annual report policy.	Not implemented
Post-Secondary Education, Training and Labour	Private Occupational Training Act	We recommended the Department re-assess the exempt status of internet based private occupational training organizations to determine if they should continue to be exempt from the Act.	Not implemented
		We recommended, if religious schools are to continue to be considered exempt, that the Department amend the regulation to clarify their status.	Not implemented
		We recommended the Department apply the Act to flight schools.	Not implemented
		We recommended the Department clarify the purpose of instructor registration, and look for ways to use this process to ensure the instructors have proper qualifications.	Not implemented
		We recommended the Department implement procedures to ensure students will be able to access their transcripts in the event of school closures.	Not implemented
		We recommended the Department implement legislative or regulatory measures so that the Receiver General of Canada and the Minister of Finance of New Brunswick are able to receive refunds directly from the Training Completions Fund, when applicable, without the need for affected students to apply for such compensation.	Not implemented
		We recommended the Department evaluate the viability of extending the security requirement beyond the current two year time period.	Not implemented
		We recommended the Department consult an actuary to assess the appropriateness of the 1% levy of tuition fees for the Training Completions Fund.	Disagree
		We recommended the Corporation have documented procedures to follow in the event of a large claim against the Fund.	Disagree
		We recommended the Corporation develop an appropriate investment policy and invest the funds accordingly.	Disagree

Exhibit 5.3 Summary Status of 2007 Recommendations Not Implemented (continued)

Department	Audit	Recommendations made in 2007 that were not fully implemented	Assessment after 4 years
Post-Secondary Education, Training and Labour	Private Occupational Training Act	We recommended the Corporation develop a policy to guide it in determining when to provide refunds to students who are subject to unexpected organization closures.	Disagree
		We recommended the Department develop policy to clearly define the extent of refunds in the event that refunds are required.	Not implemented
		We recommended the Department develop a more comprehensive list of performance indicators.	Not implemented
		We recommended the Department report on the effectiveness of the protection program for students enrolled in private occupational training organizations in New Brunswick through its annual report.	Disagree
		We recommended the Department amend the fee structure of the Branch with the objective of eventually making the Branch self sufficient.	Not implemented
Natural Resources	Wildlife Trust Fund	We recommended the Council set documentation standards that reflect the size and complexity of the grants.	Disagree
Health	Program Evaluation	We recommend DOH set appropriate formal program evaluation guidelines that specify standard departmental approaches to program evaluation for reference by the evaluators of departmentally-administered programs.	Not implemented
		We recommend DOH ensure that appropriate formal documented evaluation plans have been developed for all programs under its administration.	Not implemented
		We recommend DOH ensure that appropriate provincial performance expectations are set for each program they administer and that those performance expectations (i.e. objectives, performance indicators and targets) are communicated to the RHAs.	Not implemented
		We recommend DOH act as the provincial coordinator for evaluative work on departmentally-administered programs.	Not implemented
		We recommend DOH ensure that it receives regular reports from RHAs for each program it administers covering the continued relevance, cost-effectiveness, and success of that program in achieving provincial performance expectations. Further, DOH should ensure that pertinent comparative information is shared among all RHAs.	Not implemented

New Brunswick Credit Union Deposit Insurance Corporation (from 2007 Report)

5.22 In 2007, we looked at the governance structures and processes established for the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) to see if they provided an adequate framework for NBCUDIC to fulfill

its obligation to protect the deposits of members of credit unions and caisses populaires in New Brunswick. Of our twelve original recommendations, seven have been fully implemented, four have not been fully implemented and the Department of Justice and Consumer Affairs disagreed with one (Exhibit 5.1). When we recently met with staff at the Department of Justice and Consumer Affairs, we found work continues on two of the outstanding recommendations addressing the deposit insurance fund and the inspection of stabilization boards.

5.23 The Department reported that a consultant completed a report on the adequacy of capital at the credit union level, at the stabilization board level and at the deposit insurance fund level. This report was made available to stakeholders, and the Board of NBCUDIC met with stakeholders on 12 May 2011. The Board is now considering the information received before making a final decision.

5.24 At the time of our audit, we found that stabilization boards had not been inspected since 1999, though the *Credit Unions Act* required annual inspections. During follow up, we found that one of the stabilization boards (Risk Management Agency) had been inspected in both 2010 and 2011. The most recent inspection of the other stabilization board, l'Office de stabilisation, occurred in 2009. Though staff had intended on carrying out more frequent inspections of l'Office de stabilisation, they were unable to do so due to staff turnover.

5.25 We also made a recommendation to amend a memorandum of understanding (MOU) between NBCUDIC and the Department of Justice and Consumer Affairs; the auditee replied that they had not implemented our recommendation as they were satisfied with the MOU currently in place. We made another recommendation concerning the content of the annual report and compliance with government's annual report policy. We found that although improvements had been made to the content, compliance with the policy had not been achieved.

Department of Post-Secondary Education, Training and Labour - Private Occupational Training Act (from 2007 Report)

5.26 In this assignment we were examining whether the Department and the New Brunswick Private Occupational Training Corporation were fulfilling their mandate for consumer protection to students of private colleges and training organizations. We made 23 recommendations. As reported in 2009, the Department disagreed with five recommendations. As of this year, the Department reports it has now implemented eight recommendations, leaving an additional ten not implemented.

Department of Natural Resources - Wildlife Trust Fund (from 2007 Report)

5.27 This audit engagement examined a number of grants made through the Wildlife Trust Fund. We also did work on the conservation revenue fee that generates a significant portion of annual funding. The Department of Natural Resources disagreed with one of our four recommendations. As for the other three, the Department reported that they have been fully implemented.

Department of Health – Program Evaluation (from 2007 Report)

5.28 Our audit included eight recommendations as part of our work to determine if the Department of Health had adequate systems and practices to regularly evaluate the programs it funds. As the Department of Health required the largest portion of annual government spending, it is particularly important that it have systems and practices in place to evaluate the success achieved through the money it spends. The Department reported having implemented three of the recommendations. As shown in Exhibit 5.1 five recommendations have not been implemented.

5.29 At the time of our audit, we concluded that adequate systems and practices have not been established to regularly evaluate programs funded by the Department of Health. We went on to say *“implementation of the recommendations (...) would establish a workable framework within which DOH could develop an effective evaluation system.”* Given the need for adequate evaluative information for program decision-makers, we are disappointed that only three of our eight recommendations have been implemented.

Comments on More Detailed Follow-up on Recommendations Made to the Department of Justice and Consumer Affairs and NBCUDIC

5.30 We decided to confirm the self-reported status of recommendations made as a result of the following reports:

- New Brunswick Credit Union Deposit Insurance Corporation (2007)
- Superintendent of Credit Unions (2008)
- La Caisse populaire de Shippagan (2009)

New Brunswick Credit Union Deposit Insurance Corporation

5.31 This 2007 audit resulted in twelve recommendations. The Department disagreed with one of the recommendations. We found that of the remaining recommendations, seven have been implemented and four remain outstanding. We discussed these recommendations earlier in the chapter.

Superintendent of Credit Unions

5.32 In 2008, we made ten recommendations as a result of our audit. We found that seven of these had been implemented. The three outstanding recommendations address the annual inspection of stabilization boards, compliance with annual report policy and the conflicting role of the Superintendent of Credit Unions.

La Caisse populaire de Shippagan

5.33 In 2009, we made six recommendations concerning La Caisse populaire de Shippagan. We found that four of the recommendations have been implemented while two have not. One of the recommendations not implemented recommended the Superintendent be independent of the Department of Justice and Consumer Affairs, and have the resources needed to properly supervise the credit union system. The other recommendation, addressed to the Executive Council, recommended that term limits exist for all members of the governing bodies of provincial Crown corporations, agencies, boards and commissions. We did find that changes have been made to the *Credit Unions Act* with respect to the term of office of directors of credit unions.

5.34 Overall, we found that the Department had implemented 64% of our recommendations. This level of implementation is likely to increase given that follow-up of our *Superintendent of Credit Unions* chapter will continue for an additional year, while *La Caisse populaire*

de Shippagan chapter follow-up will continue for two years.

General Comments on the Implementation of Recommendations

5.35 As noted earlier, we continue to encourage the Public Accounts and Crown Corporations Committees to use this chapter to hold government accountable for implementing our recommendations. Exhibit 5.4 reports government's progress, in implementing our recommendations over the past number of years.

Exhibit 5.4 Implementation of Recommendations

Year	Number of Recommendations	Recommendations Implemented Within		
		Two years	Three years	Four years
1999	99	35%	42%	42%
2000	90	26%	41%	49%
2001	187	53%	64%	72%
2002	147	39%	58%	63%
2003	124	31%	36%	42%
2004	110	31%	38%	49%
2005	89	27%	38%	49%
2006	65	22%	38%	N/A *
2007	47	19%	N/A*	45%**
2008	48	N/A*	60%**	-
2009	49	73%**	-	-
Total	1055			

* No follow-up performed in 2010

** As self-reported by departments with confirmation by our Office in the Department of Justice and Consumer Affairs

5.36 Exhibit 5.4 shows certain disturbing trends. Only 45% of recommendations made in 2007 have been implemented four years later. In most years presented in this table, more than half of our recommendations remain unimplemented after four years. Though the implementation level appears to have increased this year, these figures represent the self-reported status by department; that is, with the exception of work carried out on recommendations made to the Department of Justice and Consumer Affairs, we did not assess the accuracy of the results reported by departments.

Appendix A

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

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

Department of Agriculture and Aquaculture

Salmon Aquaculture (2004)

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

Department of Business New Brunswick

Financial Assistance to Industry (2010)

This chapter assesses whether Business New Brunswick has adequate procedures in place to measure and report on the effectiveness of the financial assistance it provides to industry.

New Brunswick Innovation Foundation (2009)

This chapter examines whether governance structures and practices established by Business New Brunswick in connection with the delivery of innovation funding through the New Brunswick Innovation Foundation ensure accountability and protection of the public interest.

Department of Education

Provincial Testing of Students – Anglophone Sector (2009)

This chapter assesses the Department's strategic direction for its provincial testing of students in the Anglophone sector. It also assesses the Department's process of administering its provincial testing of students in the Anglophone sector.

Facilities Maintenance (2005)

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

Department of Environment

Wastewater Commissions (2011)

This chapter examines the governance, accountability and financial practices of the three largest wastewater commissions: the Greater Moncton Sewerage Commission, the Greater Shediac Sewerage Commission and the Fredericton Area Pollution Control Commission. The report addresses concerns with respect to board governance, accountability and questionable financial practices of the Greater Moncton Sewerage Commission.

Environmental Trust Fund (2009)

This chapter examines whether the purpose of the Environmental Trust Fund is clearly established, and whether the Fund is measuring and reporting the achievement of its goals and objectives. It also examines whether the Fund is operating as intended with respect to grants.

Environmental Impact Assessment (2008)

This chapter examines whether the Department is carrying out its key roles and responsibilities under the NB Environmental Impact Assessment Regulation and related departmental guidelines with due regard for economy, efficiency and effectiveness. It also identifies key risks associated with the provincial EIA process and determines the extent to which those risks are being managed.

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.

Executive Council Office

Constituency Office Costs for Members of the Legislative Assembly and Executive Council (2011)

This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly and Departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

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.

Department of Health

Program Evaluation (2007)

This chapter examines whether adequate systems and practices have been established to regularly evaluate programs funded by the Department of Health.

Health Levy (2006)

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

Prescription Drug Program (2005)

This chapter examines whether the Department has adequate procedures in place to manage the performance of the Prescription Drug Program, and whether there is adequate reporting on the Prescription Drug Program's performance. It also examines whether the Department has adequate procedures in place to ensure that the drug assessment process for formulary listing and the amount paid for drugs and pharmacy services are managed with due regard for cost effectiveness.

Accountability of Psychiatric Hospitals and Psychiatric Units (2003)

This chapter assesses whether the Department has appropriate accountability processes in place for the operations of the psychiatric hospitals and psychiatric units under the direction of the Regional Health Authorities.

Client Service Delivery System (2002)

This chapter examines why the development of the Client Service Delivery System, which was approved in 1995 for \$4.5 million and was to be operational in three years, is costing substantially more and taking much longer than anticipated. It also examines whether there has been any non-compliance with contractual arrangements, government policy or provincial legislation related to the higher costs and longer completion time.

Legislative Assembly

Constituency Office Costs for Members of the Legislative Assembly and Executive Council (2011)

This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly and Departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

Department of Justice and Consumer Affairs

Superintendent of Credit Unions (2008)

This chapter examines whether the Superintendent of Credit Unions is fulfilling his duties and responsibilities to oversee the financial stability and solvency of credit unions and caisses populaires for the protection of New Brunswick depositors.

New Brunswick Credit Union Deposit Insurance Corporation (2007)

This chapter examines whether the New Brunswick Credit Union Deposit Insurance Corporation has adequate structures, processes and procedures in place to fulfill its obligation to protect the deposits of members of credit unions and caisses populaires in New Brunswick.

Pension Benefits Act (2006)

This chapter examines the protections offered by the *Pension Benefits Act* to active and former pension plan members, and the nature of the operations of the Office of the Superintendent of Pensions.

Health Levy (2006)

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

Department of Natural Resources

Timber Royalties (2008)

This chapter describes timber royalties and the processes and requirements surrounding them. It also examines whether the Department is complying with its legislated requirements.

Wildlife Trust Fund (2007)

This chapter reports the results of an audit of a sample of grants issued by the fund and our testing of the conservation revenue fee.

Tracking System for Wood Harvested from Private Woodlots (2006)

This chapter examines whether the Department maintains appropriate processes to ensure the tracking system for primary forest products harvested from private woodlots is operating as required by the *Transportation of Primary Forest Products Act*. It also examines whether the Department uses the information provided by the wood tracking system in assessing and reporting publicly on the sustainability of the private wood supply in New Brunswick.

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 Post-Secondary Education, Training and Labour

Immigration with the Provincial Nominee Program (2010)

This chapter examines whether the Population Growth Secretariat has identified and documented significant planning measures for New Brunswick's Provincial Nominee Program. It also examines whether the Secretariat has adequate processes and controls for delivering the Provincial Nominee Program in New Brunswick, and if they support the program in achieving its objective "to increase the economic benefits of immigration to New Brunswick." Finally, it examines whether the Secretariat measures performance for the Provincial Nominee Program and if it publicly reports the program's performance.

Adult Literacy Services (2008)

This chapter examines the Department's strategic direction, control procedures, and performance measurement and reporting for its adult literacy support.

Private Occupational Training Act (2007)

This chapter examines whether the Department, and the New Brunswick Private Occupational Training Corporation, are fulfilling their mandate to provide effective consumer protection to students of private occupational training organizations in New Brunswick.

Employment Development Programs (2002)

This chapter examines the management of economic development programs, and whether there are adequate procedures in place to measure and report on program effectiveness.

Department of 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.

Department of Social Development

CMHC Social Housing Agreement (2011)

This chapter examines the future of the financial impact to the Province due to the decline of funding under the CMHC Social Housing Agreement; and assesses whether the Department managed and administered the programs in accordance with four key agreement requirements.

Review of Nursing Home Contract with Shannex Inc. (2009)

This chapter examines various questions surrounding the contract with Shannex Inc. to supply nursing home beds.

Special Care Homes and Community Residences (2005)

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

Nursing Home Services (2004)

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

Child Day Care Facilities (2003)

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

Department of Supply and Services

Public-Private Partnership: Eleanor W. Graham Middle School and the Moncton North School (2011)

This chapter examines the process for identifying the two school projects as potential P3 agreements and evaluates the value for money assessment on which the Department's decision to recommend the P3 approach for the two school project was based.

Review of Nursing Home Contract with Shannex Inc. (2009)

This chapter examines various questions surrounding the contract with Shannex Inc. to supply nursing home beds.

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.

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.

Department of Wellness, Culture and Sport**New Brunswick Art Bank (2010)**

Our objective for this audit was to ensure that all art works acquired for the provincial Art Bank can be accounted for and are being adequately protected, maintained and conserved.

Government-wide audits**Review of Departmental Annual Reports (2008)**

Our primary objective for this project was to determine the degree to which departmental annual reports and our government's reporting on performance could be improved by applying state-of-the-art principles. Our secondary objective was to determine what enhancements might be recommended for the Province's annual report policy.

Program Evaluation in Government Departments (2004)

Our objective for this project was to determine the approach to program evaluation employed by provincial departments.

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.

New Brunswick Investment Management Corporation

Investment Performance and Cost Analysis (2008)

This chapter looks at some indicators of the New Brunswick Investment Management Corporation's investment performance, and provides an analysis of the costs of the organization.

Governance (2006)

This chapter examines whether current governance structures and processes established for the New Brunswick Investment Management Corporation set a framework for effective governance.

New Brunswick Liquor Corporation

Agency stores (2010)

This chapter examines whether the New Brunswick Liquor Corporation has appropriate control procedures for its agency store program.

NB Power

Governance (2005)

This chapter examines whether the current governance structures and processes established for NB Power set a framework for effective governance.

Regional Development Corporation

Provincially Funded Programs and Projects (2004)

This chapter examines whether the Regional Development Corporation has satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects it administers.

Service New Brunswick

Property Assessment for Taxation Purposes (2005)

This chapter examines whether Service New Brunswick complies with the *Assessment Act* by assessing real property at "real and true value".

Appendix B

Detailed Status Report of Auditor General Recommendations Since 2007

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
NBCUDIC	NBCUDIC	2007	2	2	100	We therefore recommend the Province either give NBCUDIC the authority, independence and resources it needs to fulfill its mandate, or consider dissolving NBCUDIC.	Implemented
NBCUDIC	NBCUDIC	2007	2	2	101	We recommend the Province disclose its obligation for deposit insurance in the notes to the Province's financial statements.	Implemented
NBCUDIC	NBCUDIC & Justice & Finance	2007	2	2	102	We recommend the Province amend the <i>Credit Unions Act</i> to clearly state the Province's obligation for deposit insurance.	Implemented
NBCUDIC	NBCUDIC	2007	2	2	103	We recommend the Superintendent review the practice of recording general provisions against accounts receivable by all credit unions to ensure consistency and to eliminate the need to make adjustments for regulatory purposes.	Disagree
NBCUDIC	NBCUDIC	2007	2	2	105	We recommend the Department of Justice and Consumer Affairs amend the <i>Credit Unions Act</i> to clarify NBCUDIC's ability to access information about credit unions and stabilization boards.	Implemented
NBCUDIC	NBCUDIC	2007	2	2	106	We recommend the Province review the composition of the NBCUDIC board and make changes to the <i>Credit Unions Act</i> to ensure the board can act independently.	Implemented
NBCUDIC	NBCUDIC	2007	2	2	107	We recommend NBCUDIC and the Credit Unions, Cooperatives, and Trust Companies branch of the Department amend their memorandum of understanding to include specific operating parameters such as length of time to fill positions and establishing work priorities.	Not Implemented
NBCUDIC	NBCUDIC & Justice	2007	2	2	108	We recommend that NBCUDIC and the Department establish a minimum value for the Deposit Insurance Fund. If the existing balance is determined to be insufficient, a funding plan with appropriate levies should be put in place.	Not Implemented
NBCUDIC	NBCUDIC	2007	2	2	109	As we stated in our management letter resulting from our financial audit of NBCUDIC, we recommend that the Corporation revisit the methodology used to calculate the level of net assets to be maintained in the deposit insurance fund.	Implemented
NBCUDIC	NBCUDIC	2007	2	2	110	We recommend the Province provide NBCUDIC with a specific process to access funds in order for NBCUDIC to fulfill its purposes as stated in the Act.	Implemented
NBCUDIC	NBCUDIC	2007	2	2	111	Because of NBCUDIC's reliance on the work of the superintendent, NBCUDIC should request the superintendent to carry out more frequent inspections of stabilization boards as required by the <i>Credit Unions Act</i> .	Not Implemented
NBCUDIC	NBCUDIC	2007	2	2	112	We recommend NBCUDIC review the content of its annual report to comply with government's annual report policy.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	25	We recommended the Department clearly disclose in its mandate which students are protected.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	34	We recommended the Department re-assess the exempt status of internet based private occupational training organizations to determine if they should continue to be exempt from the Act.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	39	We recommended, if religious schools are to continue to be considered exempt, that the Department amend the regulation to clarify their status.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	43	We recommended the Department apply the Act to flight schools.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	78	We recommended the Department develop a policy to guide it with respect to the frequency, the scope, and the monitoring of inspections.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	83	We recommended the Department consider developing a single audit function to carry out the inspection duties of the Private Occupational Training Branch and the Student Financial Services Branch.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	89	We recommended the Department improve its monitoring of the advertising of private occupational training organizations in New Brunswick.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	93	We recommended the Department clarify the purpose of instructor registration, and look for ways to use this process to ensure the instructors have proper qualifications.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	96	We recommended the Department implement procedures to ensure students will be able to access their transcripts in the event of school closures.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	100	We recommended the Department clarify its role and communication with respect to its activities relating to the quality of education delivered by private occupational training organizations.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	118	We recommended the Department ensure that the protection it communicates is consistent with the provisions of the Act.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	126	We recommended the Department implement legislative or regulatory measures so that the Receiver General of Canada and the Minister of Finance of New Brunswick are able to receive refunds directly from the Training Completions Fund, when applicable, without the need for affected students to apply for such compensation.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	129	We recommended the Department develop policy and procedures to guide it in determining which of those students who are owed refunds have outstanding student loans or were grant recipients.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	140	We recommended the Department evaluate the viability of extending the security requirement beyond the current two year time period.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	145	We recommended the Department consult an actuary to assess the appropriateness of the 1% levy of tuition fees for the Training Completions Fund.	Disagree
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	152	We recommended the Corporation have documented procedures to follow in the event of a large claim against the Fund.	Disagree

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<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	160	We recommended the Department expand its inspection procedures with respect to the completeness of Training Completion Fund revenues.	Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	166	We recommended the Corporation develop an appropriate investment policy and invest the funds accordingly.	Disagree
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	174	We recommended the Corporation develop a policy to guide it in determining when to provide refunds to students who are subject to unexpected organization closures.	Disagree
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	183	We recommended the Department develop policy to clearly define the extent of refunds in the event that refunds are required.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	196	We recommended the Department develop a more comprehensive list of performance indicators.	Not Implemented
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	200	We recommended the Department report on the effectiveness of the protection program for students enrolled in private occupational training organizations in New Brunswick through its annual report.	Disagree
<i>Private Occupational Training Act</i>	Post-Secondary Education, Training and Labour	2007	2	3	210	We recommended the Department amend the fee structure of the Branch with the objective of eventually making the Branch self sufficient.	Not Implemented
Wildlife Trust Fund	Natural Resources	2007	2	4	30	We recommended the Council set documentation standards that reflect the size and complexity of the grants.	Disagree
Wildlife Trust Fund	Natural Resources	2007	2	4	36	We recommended the Council establish a written policy regarding the applicants' contributions to the project that considers the following: • requiring either a written representation from the in-kind donor or an independent appraisal of the value of significant in-kind donations; and • assessing the appropriateness of allowing grant recipients to use public funds to cover off the required private funding.	Implemented
Wildlife Trust Fund	Natural Resources	2007	2	4	39	We recommended the Council review the primary revenue source of the fund to determine if it continues to provide the level of funding necessary to meet the objectives of the Wildlife Trust Fund.	Implemented
Wildlife Trust Fund	Natural Resources	2007	2	4	43	We recommended the Council facilitate the acceptance of donations from the public through the use of official tax receipts.	Implemented
Program Evaluation	Health	2007	2	5	26	We recommend DOH set appropriate formal program evaluation guidelines that specify standard departmental approaches to program evaluation for reference by the evaluators of departmentally-administered programs.	Not Implemented
Program Evaluation	Health	2007	2	5	27	We recommend DOH ensure that appropriate formal documented evaluation plans have been developed for all programs under its administration.	Not Implemented
Program Evaluation	Health	2007	2	5	28	We recommend DOH ensure that appropriate provincial performance expectations are set for each program they administer and that those performance expectations (i.e. objectives, performance indicators and targets) are communicated to the RHAs.	Not Implemented
Program Evaluation	Health	2007	2	5	29	We recommend DOH act as the provincial coordinator for evaluative work on departmentally-administered programs.	Not Implemented
Program Evaluation	Health	2007	2	5	30	We recommend DOH monitor evaluative work to ensure that evaluation plans are being carried out as intended.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Program Evaluation	Health	2007	2	5	31	We recommend DOH ensure that it receives regular reports from RHAs for each program it administers covering the continued relevance, cost-effectiveness, and success of that program in achieving provincial performance expectations. Further, DOH should ensure that pertinent comparative information is shared among all RHAs.	Not Implemented
Program Evaluation	Health	2007	2	5	32	We recommend that all program evaluation reports prepared for DOH-administered programs be widely distributed among program managers in the department and in the RHAs.	Implemented
Program Evaluation	Health	2007	2	5	33	We recommend DOH improve program reporting in its annual report by providing information on the continued relevance and success of each program it administers. It should also consider including program cost-effectiveness information in departmental annual reports.	Implemented
Investment Performance and Cost Analysis	NBIMC	2008	2	2	48	We recommended NBIMC disclose the actual performance of the individual unit trust funds in the Corporation's annual report.	Implemented
Investment Performance and Cost Analysis	NBIMC & Finance	2008	2	2	56	We recommended the Minister of Finance provide NBIMC with clearly defined performance expectations including targets.	Not Implemented
Investment Performance and Cost Analysis	NBIMC & Finance	2008	2	2	106	We recommended the Minister of Finance commission an independent technical assessment of NBIMC's investment policy including the asset mix decision for each of the three pension funds.	Not Implemented
Investment Performance and Cost Analysis	NBIMC & Finance	2008	2	2	108	We recommended the Minister of Finance re-examine the Province's approach to the investment management of its large funds and identify opportunities where NBIMC could provide advice, investment management and trustee services.	Not Implemented
Investment Performance and Cost Analysis	NBIMC & Finance	2008	2	2	120	We recommended the Minister of Finance document a formal pension plan funding policy for the Public Service Superannuation Plan, Teachers' Pension Plan and the Provincial Court Judges' Pension Plan.	Not Implemented
Investment Performance and Cost Analysis	NBIMC & Finance	2008	2	2	200	We recommended, as part of its performance expectations, the Minister of Finance establish value-added targets for NBIMC's function of actively managing investments.	Not Implemented
Investment Performance and Cost Analysis	NBIMC	2008	2	2	212	We recommended NBIMC include, in its annual report, information about its incentive program.	Implemented
Investment Performance and Cost Analysis	NBIMC	2008	2	2	216	We recommended NBIMC include more performance information in its annual report.	Implemented
Investment Performance and Cost Analysis	NBIMC & Finance	2008	2	2	219	We recommended the Minister of Finance and NBIMC agree on a formula to establish the total amount of incentive pay that NBIMC may distribute each year.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Superintendent of Credit Unions	Superintendent of Credit Unions	2008	2	3	33	As part of the inspection process, we recommended the Superintendent of Credit Unions assess the systems that collect and produce data in the financial analysis from the stabilization boards, in order to determine whether he can rely on the information.	Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions	2008	2	3	41	We recommended the Superintendent find a regular and consistent way of monitoring the quality and liquidity of the stabilization fund of RMA.	Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions	2008	2	3	53	We recommended the Superintendent establish a process to satisfy himself as to whether the identified weaknesses in the inspection process are significant, and if so, perform compensating procedures in order to address those weaknesses.	Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions	2008	2	3	59	We recommended the Superintendent ensure that appropriate safeguards are in place to eliminate or reduce potential threats to the independence of the auditors of credit unions.	Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions	2008	2	3	63	We recommended the Superintendent of Credit Unions inspect the stabilization boards annually.	Not Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions	2008	2	3	67	We recommended more frequent monitoring information be provided to the Superintendent to monitor the quality and liquidity of RMA's stabilization fund.	Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions & Justice	2008	2	3	73	We recommended the Department pursue changes to the position classifications to allow the branch to attract qualified, experienced professionals, enabling it to fill the vacant positions necessary to fulfill its duties.	Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions	2008	2	3	87	We recommended the Superintendent monitor the compliance of credit unions and stabilization boards with the <i>Credit Unions Act</i> with regard to business operations.	Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions & Justice	2008	2	3	101	We recommended the Department of Justice and Consumer Affairs comply with the requirements of the annual report policy with respect to the content concerning the work of the Superintendent of Credit Unions in its annual report.	Not Implemented
Superintendent of Credit Unions	Superintendent of Credit Unions & Justice	2008	2	3	105	We recommended the Department examine the conflicting roles of the Superintendent and make changes where appropriate.	Not Implemented
Environmental Impact Assessment	Environment	2008	2	4	67	We recommended Appendix C of the Registration guide be amended to require public meetings to be held during the determination review phase for every registered project unless the proponent is able to provide evidence to the branch that such a meeting would not add value to the public consultation process.	Not Implemented
Environmental Impact Assessment	Environment	2008	2	4	69	We further recommended a representative of the branch should attend each public meeting held during the determination review phase of a proposed project.	Not Implemented
Environmental Impact Assessment	Environment	2008	2	4	102	We recommended the DENV website provide, on a project by project basis, a rationale for certificates of determination and EIA approvals issued and explanations as to how major concerns raised by the proponent and/or stakeholders during the review process have been addressed.	Implemented
Environmental Impact Assessment	Environment	2008	2	4	142	We recommended DENV should develop, implement, and maintain a formal monitoring process that allows it to adequately monitor proponent compliance with conditions of Certificates of Determination and EIA approvals and commitments made in registration and other documents. Such a process should include the requirement for the Project Assessment and Approvals branch to verify proponent assertions about their compliance with those conditions.	Not Implemented

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Environmental Impact Assessment	Environment	2008	2	4	144	We also recommended DENV should present sufficient information on its website to keep the public up to date about the compliance status of projects for which Certificates of Determination or EIA approvals have been issued.	Implemented
Environmental Impact Assessment	Environment	2008	2	4	161	We recommended the Project Assessment and Approvals Branch develop and implement an effectiveness reporting system for the EIA program.	Not Implemented
Environmental Impact Assessment	Environment	2008	2	4	177	We recommended DENV complete its review of the EIA Regulation and make necessary modifications to the Regulation to bring it up to date.	Not Implemented
Environmental Impact Assessment	Environment	2008	2	4	178	Further, we recommended Schedule A to the Regulation be reviewed to ensure that all types of projects that could potentially have a significant negative impact on the environment are listed for registration, thereby making the list comprehensive and establishing branch responsibility for the coordination of all EIAs.	Not Implemented
Timber Royalties	Natural Resources	2008	2	5	76	We recommended the Department of Natural Resources record timber royalty revenue on a gross basis and record an expenditure for the amount deducted from royalty payments by licensees to cover the costs incurred in the management of Crown lands.	Implemented
Timber Royalties	Natural Resources	2008	2	5	84	We recommended the Department implement a new system to determine fair market value.	Implemented
Timber Royalties	Natural Resources	2008	2	5	88	We recommended the new system establish royalty rates on a regional basis.	Not Implemented
Timber Royalties	Natural Resources	2008	2	5	92	We recommended the Department implement a new timber royalty system that allows the royalties charged to reflect changes in market indices on a frequent basis, which would be at least quarterly.	Not Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.205	The Department should determine the relevance of its current strategic approach (" <i>Policy Statement on Adult and Lifelong Learning</i> ") and update it as necessary.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.205	To enhance the strategic direction for its adult literacy support, the Department should develop strategies to increase public awareness of New Brunswick's literacy situation and the programs available, and to promote improvement in literacy skills.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.205	To provide better strategic direction for its adult literacy support, the Department should ensure that strategic documents identify target groups and their needs for adult literacy programs.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.205	To facilitate the implementation of its strategic plan for adult literacy support, the Department should ensure that each action is specific and accompanied by a time frame.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.211	The Department should review the purpose of the Minister's advisory group, and its role in developing strategic direction, and make changes to its documented terms of reference as necessary.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.211	The Department should ensure that the representation in the Minister's advisory group and the frequency of its meetings allow the advisory group to serve its purpose.	No longer applicable
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.214	To enhance the accountability for its adult literacy support, the Department should ensure an agreement is signed with each grant recipient.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.214	To ensure the terms of an agreement are followed, the Department should assign the responsibility for monitoring agreements with grant recipients.	Implemented

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Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.218	The Department should review the purpose of its relationship with Literacy New Brunswick Inc. and continue the relationship only if Literacy New Brunswick Inc. becomes an active vital organization (with full board representation, regular meetings, a strategic plan, an operating plan and compliance with its by-laws.)	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.218	The Department's "Community Adult Learning Program - Procedures Manual" (May 2006) provides the Department's expectations of a Regional Literacy Committee. The manual indicates a committee needs an organizational structure, a strategic plan, an operational plan and should meet at least four times a year. The Department should have the same, if not greater, expectations of sound organizational practices from Literacy New Brunswick Inc. as it has from the Regional Literacy Committees.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.221	To obtain consistent assurance of "relative uniformity in the effective delivery of literacy programs in the Province," ³² the Department should develop documented monitoring and reporting procedures. The procedures could address each of the monitoring responsibilities assigned to the Regional Literacy Coordinators. Among others, they could include: monitoring Regional Literacy Committees to ensure they are operating within their Terms of Reference; monitoring visits to literacy classes (frequency and timing); documenting visits; following-up on identified issues; and reporting the monitoring results to central office to be used for improving the program.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.221	To provide central office with relevant and useful information and to aid the Regional Literacy Coordinators in conducting consistent and efficient monitoring visits, the Department should develop a common form for documenting the monitoring visit. The form could have a list of items to verify at the literacy class. It could allow the Regional Literacy Coordinator to identify areas of non-compliance with the CALP guidelines and comment on specific needs of the literacy class. And, the form could allow follow-up comments to indicate that issues and needs are later resolved.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.221	To obtain the most value from its monitoring, the Department should ensure that monitoring information is used in the program's planning.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.224	To measure the effectiveness of its support to adult literacy, the Department should complete its efforts to: · establish measurable performance indicators; · set attainable targets; and · monitor and assess performance of its support to adult literacy. Additional performance indicators should be developed.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.224	For continuous improvement to its support to adult literacy, the Department should use its performance results to revise its strategic direction and control procedures.	Implemented
Adult Literacy Services	Post-Secondary Education, Training and Labour	2008	2	6	p.226	To provide better accountability to the Legislative Assembly and the public, the Department should report on the performance of its support to adult literacy in its annual report.	Implemented

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Review of Departmental Annual Reports	Executive Council	2008	2	7	32	Therefore, we recommend the Executive Council develop legislation for an enhanced performance reporting regime in New Brunswick. The legislation should reflect the principles of the Canadian Institute of Chartered Accountants' Statement of Recommended Practice on Public Performance Reporting.	Not Implemented
La Caisse populaire de Shippagan	Justice and Consumer Affairs	2009	1	1	219	We recommend the Department of Justice and Consumer Affairs ensure that the current requirements of Sections 242 and 242.1 of the <i>Credit Unions Act</i> are sufficient to ensure that a credit union can only transfer from one federation and the stabilization board established in relation to that federation to the other federation and the stabilization board established in relation to that federation if the underlying circumstances warrant the transfer.	Implemented
La Caisse populaire de Shippagan	Justice and Consumer Affairs	2009	1	1	220	We recommend the Department of Justice and Consumer Affairs ensure that the <i>Credit Unions Act</i> places both the power to inspect a credit union and the power to put a credit union under supervision in the same organization.	Implemented
La Caisse populaire de Shippagan	Justice and Consumer Affairs	2009	1	1	221	We recommend the Department of Justice and Consumer Affairs ensure that Section 246(3) of the <i>Credit Unions Act</i> is sufficient to ensure that a credit union that has been placed under supervision is in fact under supervision during any appeal process.	Implemented
La Caisse populaire de Shippagan	Justice and Consumer Affairs	2009	1	1	222	We recommend the Department of Justice and Consumer Affairs ensure that the <i>Credit Unions Act</i> gives the Superintendent of Credit Unions sufficient power to ensure that only auditors with the requisite skills, experience and independence are appointed auditors of credit unions.	Implemented
La Caisse populaire de Shippagan	Justice and Consumer Affairs	2009	1	1	223	We recommend the Superintendent of Credit Unions be independent of the Department of Justice and Consumer Affairs, and have the resources needed to properly supervise the credit union system.	Not Implemented
La Caisse populaire de Shippagan	Justice and Consumer Affairs	2009	1	1	224	We recommend Executive Council ensure that term limits exist for all members of the governing bodies of provincial Crown corporations, agencies, boards and commissions. If existing members of governing bodies have been in place for a long period of time, there should be a transition plan to replace them. The length of the transitional period should be inversely proportional to the length of time the board member has served.	Not Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	33	The Department should ensure the Minister's advisory committee actively operates in compliance with legislation. The representation on the Minister's advisory committee and the frequency of its meetings should allow the advisory committee to serve its purpose.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	34	The Department should document clearly the committee's terms of reference, which should include its role and responsibilities.	Implemented

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Provincial Testing of Students Anglophone Sector	Education	2009	3	2	35	The Department should develop an orientation program for new committee members.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	42	With the assistance of the Minister's advisory committee, the Department should complete its strategic framework for provincial testing of students.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	48	With the assistance of the Minister's advisory committee, the Department should determine and document its purpose for provincial testing.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	69	In consultation with its stakeholders, the Department should challenge its current provincial testing schedule, explore alternatives for obtaining the information required to serve its purpose with the least disruption to the students' learning time, and revise its provincial testing schedule as needed.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	73	The Department should monitor all testing done by schools and districts that is similar to provincial testing.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	74	The Department should monitor the amount of students' learning time that is used for preparing for and writing provincial testing and all other similar testing done by the districts and schools to ensure that it is not excessive.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	75	The Department should develop practices to ensure that different testing of students complements one another and there is no duplication of efforts.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	83	The Department should strengthen the process for providing accommodations for students with special needs to ensure that: • all eligible students receive accommodations and in the form to which they are entitled; and • only eligible students receive accommodations and only in the form to which they are entitled.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	91	The Department should document a policy on reporting individual students' results on provincial tests.	Not Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	92	The Department should assess its information system needs with regards to reporting the results of provincial testing and ensure that its needs are met.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	93	The Department should ensure that the results of provincial testing are easily identified on its web site.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	102	The Department should develop documented policies and procedures for the provincial testing program.	Implemented

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Provincial Testing of Students Anglophone Sector	Education	2009	3	2	103	The Department should provide training, as necessary, to help ensure the policies and procedures are understood and followed. This should include training teachers on the administrative guidelines and the use of provincial testing results.	Implemented
Provincial Testing of Students Anglophone Sector	Education	2009	3	2	104	The Department should develop and implement quality control practices to ensure the policies and procedures are followed and updated as needed.	Implemented
Environmental Trust Fund	Environment	2009	3	3	43	We therefore recommended the Department establish clearer objectives for the Environmental Trust Fund.	Implemented
Environmental Trust Fund	Environment	2009	3	3	46	We recommended the Department annually make public its priorities for the types of projects that it wants to fund from the Environmental Trust Fund.	Implemented
Environmental Trust Fund	Environment	2009	3	3	58	Because we found the flowchart useful, we recommended the Department enhance the one page flowchart of the Environmental Trust Fund application process to include a brief description of certain steps and should post the flow chart on the Environmental Trust Fund web site.	Implemented
Environmental Trust Fund	Environment	2009	3	3	66	We recommended the Department provide potential applicants with the program guidelines and criteria.	Implemented
Environmental Trust Fund	Environment	2009	3	3	69	We recommended the program eligibility and assessment criteria should indicate how other sources of funding are to be assessed.	Implemented
Environmental Trust Fund	Environment	2009	3	3	81	We recommended the Department ensures that it follows the written protocol for in-year ETF applications.	Implemented
Environmental Trust Fund	Environment	2009	3	3	95	We recommended the Department document the criteria it uses to determine which projects will be inspected through onsite visits.	Implemented
Environmental Trust Fund	Environment	2009	3	3	105	We recommended the Department's annual report include more information about the performance of the Environmental Trust Fund.	Implemented
New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	21	We recommend the Province should provide future funding to NBIF on a year-by-year basis due to the significant financing costs associated with providing multiple year funding.	Not Implemented
New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	22	We recommend the Province explicitly assign responsibility to BNB for communicating government performance expectations to NBIF, and monitoring and reporting on NBIF's performance in order to ensure that adequate accountability exists for the arrangement.	Implemented
New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	23	We recommend BNB should ensure that regular reconciliations are performed verifying that money drawn from the Trust agrees with that reported in NBIF's financial statements.	Not Implemented
New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	24	We recommend, in order to simplify and potentially reduce the cost of the funding process, the Province should terminate the Trust as allowed under the Deed of Settlement and Trust, and have BNB simply fund NBIF directly as part of a contractual arrangement.	Not Implemented

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New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	25	<p>Further to that, we recommend BNB should require NBIF to sign a letter of agreement before transferring additional funds to the Trust. That letter of agreement should clearly document:</p> <ul style="list-style-type: none"> • The amount and timing of funding to flow from BNB to NBIF, the period covered, and any significant details relating to the process for NBIF accessing those funds. • BNB performance expectations for NBIF relating to its delivery of innovation funding. Those performance expectations should include: <ul style="list-style-type: none"> • Expected program outcomes to be achieved by NBIF; • A requirement for NBIF to be covered by and compliant with the provincial Auditor General Act, giving our Office the legal right to conduct compliance and performance audits at NBIF and report the results of those audits to the Legislative Assembly; • A requirement for periodic independent evaluations of the delivery of innovation funding through NBIF using recognized evaluation standards; and • A requirement for NBIF to apply public sector values in delivering innovation funding for the Province. This should include a requirement for NBIF to adopt a code of conduct, including conflict-of-interest guidelines, that is signed by all board members and staff. It should also include a requirement that NBIF be as publicly open as possible regarding access to information on the agreements, objectives, activities, and achievements with appropriate provisions being made for legitimate concerns of personal privacy, commercial confidence, and intergovernmental negotiations. <p>Reporting required by BNB from NBIF. Required reporting should facilitate BNB monitoring and effectiveness reporting related to all aspects of NBIF's performance.</p> <ul style="list-style-type: none"> • A requirement for both parties to comply with terms of the operational memorandum of understanding signed by BNB and NBIF. • Specific remedies available to BNB should NBIF fail to meet government performance expectations or reporting requirements associated with the arrangement. In such cases, BNB should have the right to withdraw funding, roll-over funding to future years, or take other specific actions as determined appropriate in the circumstances. • The role of government representatives on the board of NBIF. • Other terms and conditions as considered necessary in the circumstances. 	Not Implemented

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New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	26	We recommend, in order for BNB to effectively monitor NBIF and provide a basis for public performance reporting on the arrangement, BNB should ensure that: <ul style="list-style-type: none"> • Government performance expectations are communicated to NBIF annually, • Appropriate, sufficient reporting is being provided to BNB by NBIF to allow the department to evaluate the degree to which NBIF has met government performance expectations, • Regular report review processes have been implemented within BNB, and • Processes have been developed and implemented covering action to be taken by BNB when NBIF performance is not as expected. 	Implemented
New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	27	We recommend BNB should publicly report information on the extent to which the arrangement with NBIF has accomplished its provincial policy objectives, and at what cost, in its annual report.	Implemented
New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	28	We recommend BNB should table evaluation reports related to the arrangement in the Legislative Assembly because of the value of those reports as inputs to public policy decisions associated with the delivery of innovation funding.	Not Implemented
New Brunswick Innovation Foundation	Business New Brunswick	2009	3	4	29	We recommend BNB should carefully consider the ramifications of the potential conflict for government representatives on the NBIF board between their fiduciary duties as board members and their assigned roles as protectors of the provincial interest relating to innovation funding delivered through NBIF. Action should be taken to mitigate any identified risks. The simplest option would be to eliminate the requirement that provincial representatives sit on the board of NBIF, or as a minimum remove their voting rights as board members.	Not Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	9	We recommended the Province expand the Ombudsman's legislation to provide him with jurisdiction over Nursing Homes.	Not Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	35	We recommended the Department of Supply and Services formally document the definition of "urgent situation."	Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	36	We recommended the Department of Supply and Services put in place a process to ensure that the reason for exemption entered into the purchasing system is consistent with the signed purchase order approval.	Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	37	We recommended the Department of Supply and Services implement a process to ensure that departments are adequately documenting and maintaining on file the justification for exemptions for emergency or urgent situations.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	48	We recommended the Department of Social Development put in place a formal mechanism to assess the success of the pilot project they have entered into with Shannex.	Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	54	We recommended the Department of Social Development document its due diligence activities when assessing significant contracts.	Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	62	We recommended the Department of Social Development prepare and document a risk assessment of the Shannex contract and identify any mitigating actions that should be put in place.	Not Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	72	We recommended the Department of Social Development start planning a replacement tender in year three of the current contract.	Not Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	75	We recommended the Department of Social Development put in place a plan for how residents would be accommodated through any future move that could be required at the expiration of the contract term.	Not Implemented
Review of Nursing Home Contract with Shannex	Social Development and Supply & Services	2009	3	5	77	We recommended the Department of Supply and Services ensure that all purchase orders issued properly reflect the value of the services purchased, and in the correct currency.	Implemented