2016 Report of the Auditor General of New Brunswick

Volumes III & IV
Presentation Topics

• Meat Safety – Food Premises Program
• Follow-up on past recommendations
• PNB financial position
• PNB Audit
• Financial audits of Crown agencies
Why Meat Safety is Important

• Foodborne illnesses pose a significant burden due to lost productivity and other related costs
• Proper handling and processing of meat at licensed food premises is an important component of food safety
Our Objective

- Determine if the Department of Health monitors and enforces compliance with the legislation, regulations and policies in place to ensure the safety of meat for public consumption
What are Food Premises?

- **Abattoirs**
  (where animals are slaughtered)

- **Butcher shops**
  (where carcasses are handled and meat/meat products are cut or processed)

- **Grocery stores**
  (where meat is handled, displayed and sold to consumers)

- **Restaurants**
  (where meat is prepared and served for public consumption)
NB Food Premises Program

• About 4,000 provincially licensed food premises

• 31 provincially regulated abattoirs

• About 50 Public Health Inspectors and 5 Agri-food Inspectors operate in the 4 regions

• Inspectors are responsible for other programs in addition to food premises program
Who is responsible for this program?
Overall Highlights

✓ Documented procedures, risk-based inspection strategy, inspections done to monitor operators

✗ Numerous serious deficiencies identified in the files we tested (quality control lacking)

✗ Unaddressed food safety risks exist in NB

✗ Stronger enforcement action needed for operators who fail to comply

✗ Current manual inspection system has limitations for capturing inspection results
Positive Findings

✓ Documented procedures for program: 
   *Standard Operational Procedures* (SOPs)

✓ Food premises program uses risk-based strategy for inspections

✓ Dept. performs inspections to monitor operators’ compliance with standards
Deficiency: Initial Licensing Needs Improvement

Of the 21 new licence files we tested:

✓ Virtually all did not comply with Department’s licensing procedures

✓ 19% of files had significant deficiencies such as:
  ✓ Licence issued before inspection
  ✓ Many SOPs not followed
Lack of Quality Control Practices

• Staff not always following program procedures

In the Department files we tested:

× 87% of annual risk assessments of food premises were not properly completed

× 81% of inspection files contained deficiencies in performing and documenting inspections
Some Food Premises Were Improperly Licensed

• Procedures are not done routinely to ensure correct licences are issued

• Correct licence is important because:
  – Type of inspector assigned (specialized training)
  – Different standards can apply (e.g. Employee food safety training not required for abattoirs)

• 3 of 5 abattoirs visited had food operations outside of typical abattoir activities
Example of Abattoir Without Food Processing Licence

- ✓ Slaughter room area (Licensed)
- × Food processing area where items such as fudge, meat pies & spaghetti sauce were prepared (Unlicensed)

Volume III - Chapter 2
Exhibit 2.13
Example of Abattoir Without Food Processing Licence

Risk of contamination:
- Hanging carcasses stored close to ready-to-eat meats (bologna & pepperoni)
- Blood from the hanging carcasses on the floor where employees may walk through
- Spaghetti sauce stored close to carcasses
Deficiencies in Inspection Process

- Temperatures were not always adequately verified

- Picture: temps. recorded for 30 days in February, a month with typically only 28 days
6 of 9 Inspectors We Observed Did Not Record All Violations - Examples

- Bloody and damaged packaging
- Blood on floor
- Meat stored directly on metal shelves
- Storage directly on floor
6 of 9 Inspectors We Observed Did Not Record All Violations - Examples

- Used knife with meat to be ground
- Meat preparation area with dirty containers, dish cloth and used paper towel

Volume III - Chapter 2
2.81, Exhibit 2.17
Unaddressed Food Safety Risks

✗ Program is not fully complying with the Province’s *Food Premises Regulation*

✗ Premises **not licensed and inspected**, **as required** by the Regulation include:
  ✗ Convenience stores, food warehouses, etc.
  ✗ Farmers’ markets
  ✗ Soup kitchens

• Outside of the Regulation:
  • Community suppers are not subject to licensing and inspection
Observation

- New Brunswick is only province that does not have a meat inspection program
  - Meat slaughtered in NB is not inspected
  - Dept. estimates this represents 3% of meat consumed in NB
  - Only abattoir (building & equipment) is inspected
Revoking Licence is Not Common

- We found the number of revoked licences to be low, given the number of licences and level of non-compliance

<table>
<thead>
<tr>
<th>Year</th>
<th>Revocations</th>
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<tbody>
<tr>
<td>2015</td>
<td>6</td>
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<tr>
<td>2014</td>
<td>9</td>
</tr>
<tr>
<td>2013</td>
<td>8</td>
</tr>
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</table>
Penalties for Operators are Minimal

× Repeat offenders are common
  – 47% of files we tested had a prior revocation
  – One file had 5 revocations and one licence suspension over a 10-year period

× Operator may lose licence but no fine imposed

× In many cases, operator reapplies for a licence and resumes business in a few days
Need for Stronger Penalties

File example:

• A food premises continued to sell food after licence was revoked
• Legal charges were laid for operating without a licence
• Operator pled guilty and was fined only $240
Information System Lacking

× Manual inspection system in place
× No standard method for maintaining program information
× Dept. cannot produce useful info such as:
  – Most common violations by operators

• Identifying trends may focus efforts to improve compliance
Online Inspection Reporting Needs Improvement

<table>
<thead>
<tr>
<th>Name</th>
<th>Location (Civic #, Street Name, City)</th>
<th>Last Inspection Date (mm/dd/yyyy)</th>
<th>Status</th>
<th>Follow-up Date (When Required) (mm/dd/yyyy)</th>
<th>PDF Report</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>10/05/2016</td>
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<td></td>
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<td>02/02/2016</td>
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<td>11/03/2016</td>
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<td>11/17/2016</td>
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</table>

- Not all food premises inspection reports posted on Dept. website (daycares, abattoirs, etc.)
- Only most recent report shown (no historical info, possibly misleading)
Overall Conclusions

✓ Department has processes in place to monitor and enforce compliance with standards to ensure the safety of meat for public consumption

✗ *Standard Operational Procedures* (SOPs) are not followed consistently

✗ Program not fully complying with Regulation, leading to unaddressed food safety risks

✗ Stronger enforcement action needed for operators who fail to follow standards
Overall Recommendations

• We made 23 recommendations regarding:
  – Licensing food premises
  – Risk assessments
  – Inspection of food premises
  – Tracking and monitoring of violations
  – Enforcement actions
  – Posting inspection results on the Web
  – Food premises program information
  – Quality assurance within the program
  – Unaddressed food safety risks
Follow-up on Recommendations from Prior Years’ Performance Audit Chapters

Volume III Chapter 3
## Overall – 63% Implementation

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Implemented</th>
<th>Agreed/ Not implemented</th>
<th>No longer applicable/ Not determinable</th>
<th>% Implemented *</th>
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<td>17</td>
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<td>32</td>
<td>19</td>
<td>12</td>
<td>1</td>
<td>61*</td>
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<td>Total</td>
<td>93</td>
<td>58</td>
<td>34</td>
<td>1</td>
<td>63*</td>
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</table>

*Excludes recommendations no longer applicable

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**Volume III - Chapter 3**

**Exhibit 3.3**
Heat Map – Online Reporting

Heat Map found at the following link:
www.agnb-vgnb.ca/content/agnb-vgnb/en/publications/follow-up.html

### Volume III - Chapter 3
Exhibit 3.1

<table>
<thead>
<tr>
<th>Departments</th>
<th>Report Release Date &amp; Project Name</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
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<tbody>
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<td>Environment and Local Government</td>
<td>(2012) - Solid Waste Commission</td>
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<tr>
<td>Government Services</td>
<td>(2013) - Procurement of Goods and Services – Phase I</td>
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<td>Health</td>
<td>(2012) - EHealth – Procurement and Conflict of Interest</td>
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<td>🟠</td>
<td></td>
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<tr>
<td></td>
<td>(2012) - Medicare – Payments to Doctors</td>
<td>🟥</td>
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<td>🟥</td>
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<td></td>
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</tbody>
</table>
Medicare – Payments to Doctors (2012)

None of the recommendations fully implemented:

✓ Progress made in implementing all 3 recs.

✗ Inadequate process for recovery of payments from WorkSafeNB remains in place

✗ Remuneration paid to individual doctors still not being reported publicly

✗ Summary info. on payments to doctors published for 2011/12, Dept. plans to publish in future
EHealth – Procurement and Conflict of Interest (2012)

5 of 6 recommendations implemented:

✓ DOH has implemented all 5 recs. directed to it

✗ Rec. to Office of the Chief Information Officer to develop a government-wide policy relating to procurement, contracting and management of IT consultants has not been implemented
Solid Waste Commissions (2012)

5 of 12 recommendations not implemented:
× Department of Environment/Regional Service Commissions still need to improve processes related to:

– Extended Producer Responsibility programs;
– Private construction and debris dumpsites;
– Goal setting re diversion of solid waste away from public landfills;
– Public education; and
– Website disclosure of accountability information re regional solid waste operations.
Capital Maintenance of Highways (2012)

7 of 10 recommendations implemented:

✔ DTI enhanced the data in its asset management system and its use in decision-making

✗ Road surface policy only used selectively

✗ Potential for dedicated funding for new road maintenance still being evaluated

✗ Information on bridge and road infrastructure still not reported publicly
Constituency Office (CO) Costs for MLAs & ECO (2011)

× 2 important outstanding recommendations:

– Need for **one central admin** over all MLA CO costs
– Need for **complete** public disclosure of MLA constituency office expenses

• Implementation critical to hold all MLAs accountable for constituency office costs (including Ministers)

50% - 74% of Recommendations Implemented

Volume III – Chapters 3 & 1  
3.80-3.89, 1.15-1.17, (2015 Vol. IV, Exhibit 4.1)
CMHC Social Housing Agreement (2011)

1 of 2 recommendations not implemented:

✗ Social Development has not developed a long-term plan on social housing

• Provincial social housing infrastructure is aging

• Dept. indicated it plans to develop long-term plan next year, in light of new federal funding

- March 2015 – AGNB report – 19 recommendations, since then:
  - Opportunities NB Act amended to address legal ambiguity regarding authority to amend security
  - ONB became responsible for implementation of recommendations

- In 2016 – ONB reported 15 of 19 implemented

- In 2017 – AGNB will follow up
Comments on the Province’s Financial Position

Volume IV Chapter 2
Province of New Brunswick
Annual Surpluses & Deficits

($ millions)


Fiscal Year
Province of New Brunswick Net Debt

Volume IV - Chapter 2
Exhibit 2.3
Net Debt Per Capita Comparison to Other Provinces of Similar Size

Fiscal Year

- New Brunswick
- Nova Scotia
- Manitoba
- Saskatchewan

($ Thousands)
## Sustainability Indicators of Financial Condition

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Short-term Trend</th>
<th>Long-term Trend</th>
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<tbody>
<tr>
<td>Assets-to-liabilities</td>
<td>Unfavourable</td>
<td>Unfavourable</td>
</tr>
<tr>
<td>Financial asset-to-liabilities</td>
<td>Neutral</td>
<td>Unfavourable</td>
</tr>
<tr>
<td>Net Debt-to-total annual revenue</td>
<td>Unfavourable</td>
<td>Unfavourable</td>
</tr>
<tr>
<td>Expense by function-to-total expenses</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Net Debt-to-GDP</td>
<td>Unfavourable</td>
<td>Unfavourable</td>
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<tr>
<td>Accumulated deficit–to-GDP</td>
<td>Unfavourable</td>
<td>Unfavourable</td>
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<tr>
<td>Total expenses-to-GDP</td>
<td>Favorable</td>
<td>Unfavourable</td>
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</tbody>
</table>
Highlights

Financial Statement Audit for PNB

• Clean audit opinion signed Sept 27, 2016

• Nursing homes now included in financial statements

• New audit committee created
Accounting for Pensions - What Changed?

The Province changed its accounting policy

<table>
<thead>
<tr>
<th>Shared risk pension plan</th>
<th>Province’s 2015 accounting treatment</th>
<th>Province’s 2016 accounting treatment*</th>
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</thead>
<tbody>
<tr>
<td>Public Service (PSSRP)</td>
<td>Defined contribution</td>
<td>Defined Benefit</td>
</tr>
<tr>
<td>Teachers’ (NBTPP)</td>
<td>Defined contribution</td>
<td>Joint Defined Benefit</td>
</tr>
<tr>
<td>Canadian Union of Public Employees of NB Hospitals (H-CUPE)</td>
<td>Defined contribution</td>
<td>Joint Defined Benefit</td>
</tr>
<tr>
<td>Certain Bargaining Employees of NB Hospitals (H-CBE)</td>
<td>Defined contribution</td>
<td>Joint Defined Benefit</td>
</tr>
</tbody>
</table>

*Matches AGNB 2015 & 2016 recommendations
Accounting for Pensions - What Changed?

• New info. obtained that was not available in the prior year
• New audit committee to discuss significant audit issues
• Discussed seriousness and consequences of the pension accounting classification issue
• Opening deficit, net debt, liabilities increased by $224 million
Pension Plan Contributions - Public Service

Fiscal Years

|-------------|-----------|-----------|-----------|-----------|------------|------------|------------|

(millions $)

PSSA: Public Service Superannuation Act
PSSRP: Public Service Superannuation Retirement Plan

Employee

Employer
Pension Plan Contributions - Teachers

(millions $)

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<tbody>
<tr>
<td>Employee</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
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<td>40</td>
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<tr>
<td>Employer</td>
<td>100</td>
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<td>100</td>
<td>140</td>
<td>140</td>
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</table>

Fiscal Years

TPA: Teachers' Pension Annuity
NBTPP: New Brunswick Teachers' Pension Plan

Legend:
- Employee
- Employer
Nursing Homes in Financial Statements - Rationale

Province has a key role in nursing home activities:

• Determines nursing home budgets

• Influences operating & human resource policies of the homes

• Responsible for risk of loss
Financial impact of consolidating not-for-profit nursing homes in Province’s financial statements

<table>
<thead>
<tr>
<th>Fixed Assets</th>
<th>Liabilities / Debt</th>
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<tbody>
<tr>
<td>$490 million</td>
<td>$593 million</td>
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</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Expenses*</th>
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</thead>
<tbody>
<tr>
<td>$85 million</td>
<td>$60 million</td>
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</tbody>
</table>

*This is in addition to ~$300 million of nursing home expenses already recorded*
Response From Nursing Homes

• Disappointing response in 2016
• Only two nursing homes responded to info requests
• Impacts calculation precision in statements
• Auditor General encourages all nursing homes to respond in future to the info requests
Accounting for the Contingency Reserve

• Contingency reserve implies extra funds are available for unexpected costs, however in NB:
  – No extra funds or reserve of assets
  – Simply an amount added to the budget deficit

• What is the problem?
  – Obscures the true deficit
  – Adds unnecessary layer of complexity

• Satisfactory resolution for this year
Financial Audits of Crown Agencies

Volume IV Chapter 5
14 Financial Audits of Crown Agencies

- Centre communautaire Sainte-Anne
- Collège communautaire du Nouveau-Brunswick
- Kings Landing Corporation
- New Brunswick Agricultural Insurance Commission
- New Brunswick Community College
- New Brunswick Highway Corporation
- New Brunswick Legal Aid Services Commission
- New Brunswick Lotteries and Gaming Corporation
- New Brunswick Municipal Finance Corporation
- Opportunities New Brunswick
- Premier’s Council on the Status of Disabled Persons
- Public Trustee - Trusts administered
- Regional Development Corporation
- Service New Brunswick
## Highlights and Recurring Themes

<table>
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<th>Theme of audit findings for Crown agencies</th>
<th># of audits where finding was observed</th>
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<tr>
<td>Accounting concerns</td>
<td>9</td>
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<tr>
<td>Financial Management / Cash concerns</td>
<td>8</td>
</tr>
<tr>
<td>Oversight/governance concerns</td>
<td>6</td>
</tr>
</tbody>
</table>
Financial Management & Cash Concerns

Findings in 8 Crown agencies included:

• Lack of proper procedures for safe guarding of cash
• Insufficient management of inventory
• Delays in implementing investment policies
• Lack of approval of budgets used for comparison purposes in the audited financial statements
• Payment of duplicate invoices
Oversight & Governance Concerns

Findings in 6 Crown agencies:

- Lack of regular board meetings
- Lack of oversight of key decisions
- Delays in publishing annual reports
- Lack of risk management or internal control oversight
- Weaknesses in conflict of interest disclosures and other oversight weaknesses
Other Comments

• All Crown agencies should review these highlights and themes

• Importance of timely completion of audits
  – NB Lotteries & Gaming Corp. 31 months behind

• SNB amalgamation audit new this year

• Renewal of ‘Mission Critical’ Systems
Overall - Financial Audits

• Pleased with clean PNB audit opinion:
  – Progress on addressing major audit issues
    • Accounting for Shared Risk Pension Plans
    • Consolidation of Nursing Homes
    • Contingency Reserve
    • Creation of Audit Committee

• Concerned over growing net debt: $14 billion, long-term sustainability given population & economy
Questions?