

# Chapter 1

## Introductory Comments by the Auditor General

### **Contents**

Introduction.....	3
Acknowledgements.....	7

# Introductory Comments by the Auditor General

## Introduction

**1.1** My Office's mission, as included in our 2014 to 2020 strategic plan is:

*To provide objective, reliable, and timely information to the Legislative Assembly on government's performance in its delivery of programs and services to the people of New Brunswick.*

**1.2** In this volume of our 2017 Report, we include two performance audit reports.

**1.3** Millions of dollars in goods and services are acquired by government every year through contract procurement processes. Robust and effective procurement processes assist New Brunswick citizens to have confidence government goods and services are acquired impartially and competitively, and with due regard for cost and quality.

**1.4** Chapter 2 of this Volume presents our findings regarding a \$13 million Department of Social Development Advisory Services Contract. Several significant weaknesses were found in the procurement processes of this Department and in Service New Brunswick.

**1.5** Chapter 3 reports on government's progress in addressing its commitments to climate change initiatives. Climate change is a global issue, however many New Brunswickers have experienced first hand the significant and devastating impacts of severe weather events.

**1.6** Also in Chapter 3 of this volume we report whether the government has made progress towards adapting to climate change and towards its commitments to reduce Greenhouse Gas (GHG) emissions.

**Very troubling disregard of procurement practices**

*Consultant was paid based on anticipated savings, not actual savings*

*Department paid for \$37 million in savings solutions that to date have not been achieved*

*\$10 million savings calculation could not be substantiated*

*Many other serious weaknesses found in our audit*

**1.7** In our audit of a Department of Social Development \$13 million contract for advisory services, we found the contract had no clear objectives or deliverables, used unfair procurement practices, and had a lack of performance monitoring.

**1.8** This contract for advisory services was to assist the Department in identifying savings. The consultant was paid based on anticipated savings, not actual savings from implemented initiatives. In other words, the consultant was paid regardless of whether or not government implemented and achieved the savings solutions identified.

**1.9** While the consultant identified \$ 47 million in government savings ideas, the Department indicated only \$10 million in savings had been achieved by the end of the contract. Therefore the Department paid for \$ 37 million in savings solutions that to date have not been achieved.

**1.10** Further, the \$10 million savings identified as achieved by the Department could not be substantiated in our audit. The actual benefit to the Department of the \$13 million consultant payments remains unclear at best.

**1.11** We noted many other serious weaknesses in our audit including:

- The Department relied solely on the consultant to evaluate their own performance and the project quality;
- The Department inappropriately used an urgent/emergency exemption for part of the contract process (which permits exclusion from a competitive procurement process);
- The Department did not measure and monitor deliverables;
- The Department used an invited tender for part of the contract process, however, the tender was only open for 12 days while the consultant was on site, providing a clear advantage to the consultant; all other respondents were disqualified;
- The Department paid \$1.3 million for out of scope services not covered in the contract.
- The Department exceeded the total amount allowed on the purchase order by at least \$700,000; and
- The Department did not verify invoices for discounts or time charges and paid over \$600,000 in travel expenses

with no invoices or support.

***No repercussions to the Department***

**1.12** In addition, we found the same consultant is still doing work for the Department as of February 2017. The basis for this continued work is not evident, especially given the serious procurement issues experienced in the past with this consultant. There appears to be no repercussions to the Department from failures to follow proper procurement practices.

***Department culture of complacency for procurement violations***

**1.13** As well, the length of time the Department has had a close relationship with this consultant is notable as it dates back to at least 2013. The close involvement between this consultant and the Department spans changes in Department senior leadership and changes in government. I am very concerned about the culture of complacency within the Department's bureaucracy regarding procurement violations and unfair procurement practices.

**1.14** Overall the weaknesses noted in this chapter represent a very troubling disregard of provincial procurement practices within the Department of Social Development (DSD) and also Service New Brunswick (SNB).

**1.15** Although my Office has made a number of recommendations to address our findings, no real change will occur without a concerted effort from the DSD and SNB Deputy Ministers and senior management.

**1.16** SNB's role with respect to the Government of New Brunswick (GNB) procurement function is to spearhead a solid framework of legislation, regulation and policy resulting in fair and transparent practices throughout GNB. However, in this instance, SNB appeared to lack sufficient authority, rigorous processes and consequences for the numerous violations and inappropriate practices.

**1.17** DSD's Deputy Minister holds ultimate responsibility and accountability for the Departmental operations. During the period of the Advisory Services Contract which was the subject of the audit there were four different DSD Deputy Ministers.

**1.18** I am hopeful the DSD and SNB culture with respect to procurement will change in order to have a fair, transparent process in compliance with the legislative framework that is in the best interest of New Brunswickers.

**Some progress on climate change, but details and commitments are lacking**

**1.19** In our audit on climate change we noted some progress in the efforts to reduce New Brunswick GHG emissions. New Brunswick GHG emissions peaked in 2001 and have since declined. The reduction target set for 2020 in the New Brunswick Climate Change Action Plan appears on track to be met.

***No province-wide risk assessment***

**1.20** However, emissions are not projected to decline much further under the status quo and meeting the 2030 and 2050 targets will require significant action from provincial and Federal initiatives. Many climate change action items do not have a timeline, allocated funding or implementation plans, and New Brunswick's GHG emission targets are not protected in legislation. Also, there is no province-wide risk assessment performed to evaluate vulnerability to climate change.

***No NB Power specific GHG reduction target***

**1.21** Electricity generation, industry and transportation are the three dominant contributors to New Brunswick's GHG emissions. Given that NB Power is one of the highest GHG emitters in New Brunswick I am concerned NB Power does not have a specific GHG reduction target.

***No decision on the future of coal-fired plant***

**1.22** Also very concerning is the lack of an implementation plan regarding the Federal government's decision to phase out coal-fired electricity by 2030, as 13% of NB Power's total capacity comes from the coal-fired plant in Belledune. A decision respecting this situation is multi-layered and complex, however, needs urgent attention given the possible significant investments involved in either reducing electricity demands or seeking alternative energy sources.

**1.23** Overall, the Province is making some efforts to reduce GHG emissions and implement measures for climate change adaptation, but it is not enough. The details, plans and funding are lacking to demonstrate commitment to implementing climate change initiatives.

**Acknowledgements**

**1.24** Staff in my Office worked very hard in carrying out the work reported upon in this volume of our report. The individual chapters of this report are a reflection of their level of commitment, professionalism and diligence. I would like to express my appreciation to each for their contribution and continuing dedication to fulfilling the mandate of the Auditor General of New Brunswick.



Kim MacPherson, CPA, CA, ICD.D  
Auditor General