

Chapter 1

Introductory Comments by the Auditor General

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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 2016 Report, we include our performance report on Meat Safety – Food Premises Program.

1.3 Our objective for this audit was *to 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.*

1.4 We also include our annual follow up chapter on the implementation status of recommendations in prior years' performance audit chapters. This year's chapter includes the results of our review level follow up on recommendations included in the following 2012 performance reports:

- Medicare – Payments to Doctors;
- EHealth – Procurement and Conflict of Interest;
- Solid Waste Commissions; and
- Capital Maintenance of Highways.

1.5 It also includes the results of follow up work we completed relating to the following other performance reports:

- Financial Assistance to Atcon Holdings Inc. and Industry (2015 Report Chapter);
- Constituency Office Costs for MLAs and Executive

Council (2011 Report chapter); and

- CMHC Social Housing Agreement (2011 Report chapter).

1.6 Further, it includes summaries of the implementation status of recommendations self-reported by involved departments and agencies included in our 2013 and 2014 chapters, along with:

- Appendix A, which contains a “Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years”,
- Appendix B, a “Detailed Status Report of Recommendations Since 2012”; and
- Appendix C, a Glossary referencing Report sections relevant to each department or Crown agency.

1.7 There are five areas of particular concern I would like to highlight in connection with this volume.

Meat Safety

1.8 Our chapter on Meat Safety – Food Premises Program includes a number of recommendations directed to the Department of Health. Serious deficiencies that are being addressed in our recommendations include:

- the lack of deterrent available to the Department due to the minimal penalties that can be levied against operators of food premises who fail to comply with standards;
- the existence of numerous unlicensed and uninspected food premises operating in New Brunswick including farmers’ markets, convenience stores, food warehouses, hotels/motels serving continental breakfasts, community suppers, soup kitchens, and other not-for-profit food operations;
- the lack of quality assurance over the food premises program resulting in the Department’s *Standard Operational Procedures* for the program not being followed consistently;
- provincial food premises files we examined indicated that in most cases inspections were not completed and documented in accordance with departmental policy;
- documentation in the files of virtually all newly-licensed food premises did not adequately demonstrate that the Department was compliant with its own licensing requirements; and

- the significant limitations in the current manual system for capturing data for the food premises program, including inspection results. Data available is neither consistent between regional offices nor is its accuracy assured. Therefore, management does not have ready access to the decision-making information it needs to properly manage the food premises program.

Atcon Update

- 1.9** Opportunities New Brunswick (ONB) and the Executive Council Office (ECO) provided us with a full update on their progress in implementing the recommendations from our 2015 audit of Financial Assistance to Atcon Holdings Inc. and Industry. ONB and the ECO indicated that 15 of our 19 recommendations from that report have been implemented.
- 1.10** We intend to verify the assertions made by ONB in 2017. We will report back to the Legislative Assembly in conjunction with our ongoing work related to Atcon, as described below.
- 1.11** My hope is that we will find that 100% of our 2015 recommendations will be implemented upon our 2017 review, in order to reduce the risk of a similar situation occurring in the future.
- 1.12** Our 2015 audit focused primarily on internal government decision-making around loan guarantees provided to Atcon. Therefore, there are still important unanswered questions on the Atcon file such as:
- Where did \$70 million of taxpayers' money go?;
 - Who benefited from the \$70 million in financial assistance provided by the government?; and
 - Which vendors were paid in connection with the assistance and loan guarantees granted by government?
- 1.13** This year, in order to provide the Legislative Assembly and New Brunswick taxpayers with answers to these questions, I commenced an examination of the books and records of Atcon Holdings Inc. and numerous subsidiary companies. At present my work is continuing, and I intend to report my findings and recommendations during 2017.
- 1.14** Completing this second phase of work relating to Atcon will mean exceeding my regular budget. However, it is my understanding that government is willing to fund any overages related to my examination of Atcon. In particular, in a letter received 18 June 2015, we were informed by the Clerk of the Executive Council and Secretary to Cabinet, "If,

from your perspective, further review of the matter is required to determine the final disposition of the financial assistance monies associated with the Atcon file, government has indicated that it will be both supportive and cooperative.”

Total MLA Constituency Office Costs Still Not Reported Publicly

1.15 In our 2016 follow up review of our 2011 audit of Constituency Office Costs for Members of the Legislative Assembly and Executive Council, we were disappointed to note that two important recommendations have still not been implemented by the Executive Council Office and/or the Legislative Assembly.

1.16 I find it very concerning that a full five years after our audit, total MLA Constituency Office Costs for Members of the Legislative Assembly (MLAs) are still not being reported publicly. Constituency Office expenditures have been a problem in other jurisdictions. I would expect our legislators would want to eliminate any risk of inappropriate expenditures occurring in New Brunswick, while at the same time showing leadership in the areas of transparency and public accountability.

1.17 Implementation of these recommendations is critical in ensuring that Members of the Legislative Assembly can be held accountable for these costs. Therefore, I again strongly encourage the Legislative Assembly and Executive Council Office to work cooperatively in implementing these recommendations as soon as possible.

There Has Been Progress Towards Completion of a Comprehensive Long-Term Infrastructure Plan, but More Work Remains

1.18 In this volume, we have again followed up on areas where we believe management of provincial infrastructure could be improved. In particular:

- In connection with our follow up work on the 2012 audit on Capital Maintenance of Highways at the Department of Transportation and Infrastructure (DTI), we were pleased to note the Department has enhanced the information captured in the DTI asset management system and its use of that data in decision-making. Recommendations to address decisions relating to road surfaces used, total lifecycle costs of potential road projects, and public reporting of road condition remain to be fully implemented, although progress has been made.
- In Chapter 1 of Volume II of the 2013 Auditor General Report, I made a recommendation to the Department of Transportation and Infrastructure regarding the

Province's need for a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province. The detailed recommendations with the Department's 2016 responses can be found in Exhibit 1.1.

Medicare – Payments to Doctors

1.19 I would again encourage members of the Public Accounts committee (PAC) to pursue this important issue with DTI officials when they appear before the committee, to ensure that progress continues to be made in the coming years.

1.20 In our 2016 follow up review of our 2012 audit of Medicare - Payments to Doctors, we found that none of our three recommendations have been fully implemented although the Department has made progress in relation to the implementation of all three recommendations.

1.21 In particular, I am very concerned that some Medicare payments related to injured workers may not be recovered by the Department due to the time-consuming manual process the Department uses to identify those amounts. Where those amounts are not recovered, it means taxpayers are paying costs associated with injured workers that should be paid by WorkSafeNB (WSNB), and ultimately provincial employers. I therefore strongly encourage the Department to continue to pursue this matter with WSNB, and if a solution cannot be agreed upon, to take other appropriate steps.

1.22 I am also concerned that four years after my recommendation was first made, individual doctors earnings are still not being publicly reported. I understand the *Medical Services Payment Act* has been amended to allow such reporting, and therefore encourage the Department to implement my recommendation as soon as possible. This would bring the treatment of payments to doctors in line with current government reporting of employee compensation and vendor payments, and improve accountability.

Acknowledgements

1.23 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
Auditor General

Exhibit 1.1 - Summary of Recommendations

| Recommendations | Department's Response |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>We recommend the Department of Transportation and Infrastructure develop and implement a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges, and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province.</p> <p>Key elements of the plan should include:</p> | <p><i>In 2015-16, DTI developed a Long Term Strategic Capital Planning Framework. This framework will utilize evidence based assessment tools and asset management based principles to identify and prioritize major transportation and buildings infrastructure projects that DTI plans to pursue over the long term along with other capital expenditure categories.</i></p> |
| <p>1. the rationalization of assets (i.e. if not considered essential, remove from service and dispose in an appropriate manner);</p> | <p><i>The Strategic Capital Planning Framework utilizes an Asset Management model for existing assets to identify the optimal rehabilitation schedules along with a Multi-Criteria Analysis Matrix to evaluate and prioritize new build and divestiture candidates.</i></p> |
| <p>2. a long term approach to budgeting which includes life cycle maintenance of capital assets;</p> | <p><i>DTI has developed a Long Term Strategic Capital Planning Framework that takes into account Asset Management principles for its roads, bridges, culverts and buildings. DTI will also identify the consequences of not fully funding asset management (i.e. added infrastructure liability, percentage of roads in poor condition, etc.).</i></p> |
| <p>3. a protected stream of a base level of funding determined necessary to adequately maintain assets in service;</p> | <p><i>Through Asset Management models, DTI has identified the minimum funding required to optimize the lifecycle of its existing roads, bridges and culverts. A buildings model for roofs has also been developed and implemented. DTI is researching various models for dedicated funding for this purpose.</i></p> |

Exhibit 1.1 - Summary of Recommendations (continued)

| Recommendations | Department's Response |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. a 20 year planning horizon; | <i>DTI considers a 10-year horizon more appropriate given the uncertainty surrounding a 20 year horizon. This time horizon is consistent with capital planning periods used by other jurisdictions, including Quebec.</i> |
| 5. a process whereby new assets are constructed only when there is a business case to support the need. This should include redirecting savings from rationalized assets to the new asset life cycle maintenance costs; | <i>DTI's Multi-Criteria Analysis Matrix considers economic, social, environmental, and cultural indicators when evaluating adding or deleting capacity from its asset inventory. The weights of each category of indicators may vary depending on the asset. A benefit-cost analysis provides a further ROI assessment. This process has been used to make decisions on some assets, and is being fine-tuned for universal application.</i> |
| 6. apply the current DTI strategy and asset management system to all essential assets. This would result in a corporate approach which applies the least cost lifecycle prioritization to all essential assets; | <i>DTI has developed Asset Management Models for its roads, bridges, culverts and roofs, and has consulted with other departments, including EECD, who is interested in adopting this approach. The models are at various states of develop with the model for road surfaces most mature.</i> |
| 7. provide annual public performance reporting, which includes the actual physical condition of our essential assets versus pre-established targets, explaining the reason for any significant variances; and | <i>DTI includes several performance metrics, including % of poor roads, Bridge Condition Index, and adherence to Asset Management for capital expenditures for road surfaces on its Balanced Scorecard which are presented in its Annual Report.</i> |
| 8. a process or mechanism that ensures fiscal discipline is adhered to over the long-term (such as legislative change, statutory funding, contractual arrangements). | <i>DTI presented a 3-year Strategic Capital Plan to Government in 2015. Government endorsement of these plans will encourage fiscal discipline. Reporting through the Balanced Scorecard and Annual Report also helps encourage fiscal discipline and adherence to asset management. DTI is currently research models and best practices for dedicated funding for asset management.</i> |