



# 2022 Report of the Auditor General of New Brunswick

## Volume II – Performance Audit

AUDITOR GENERAL  
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL  
DU NOUVEAU-BRUNSWICK



# Contaminated Sites

Department of Environment and Local Government

Volume II Chapter 2

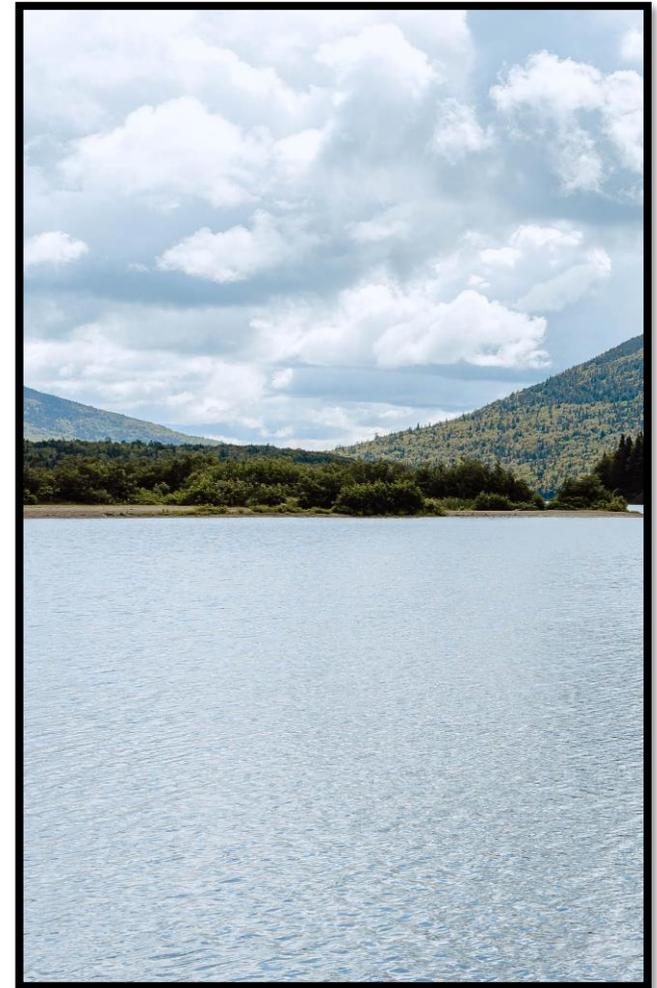
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# Why is this important?

- Can be a risk to human health and the environment
- Ineffective processes risk contamination spreading & higher remediation costs
- Province recorded a liability of \$50.8M in 2021-2022 for contaminated sites



# Conclusions:

## The Department:

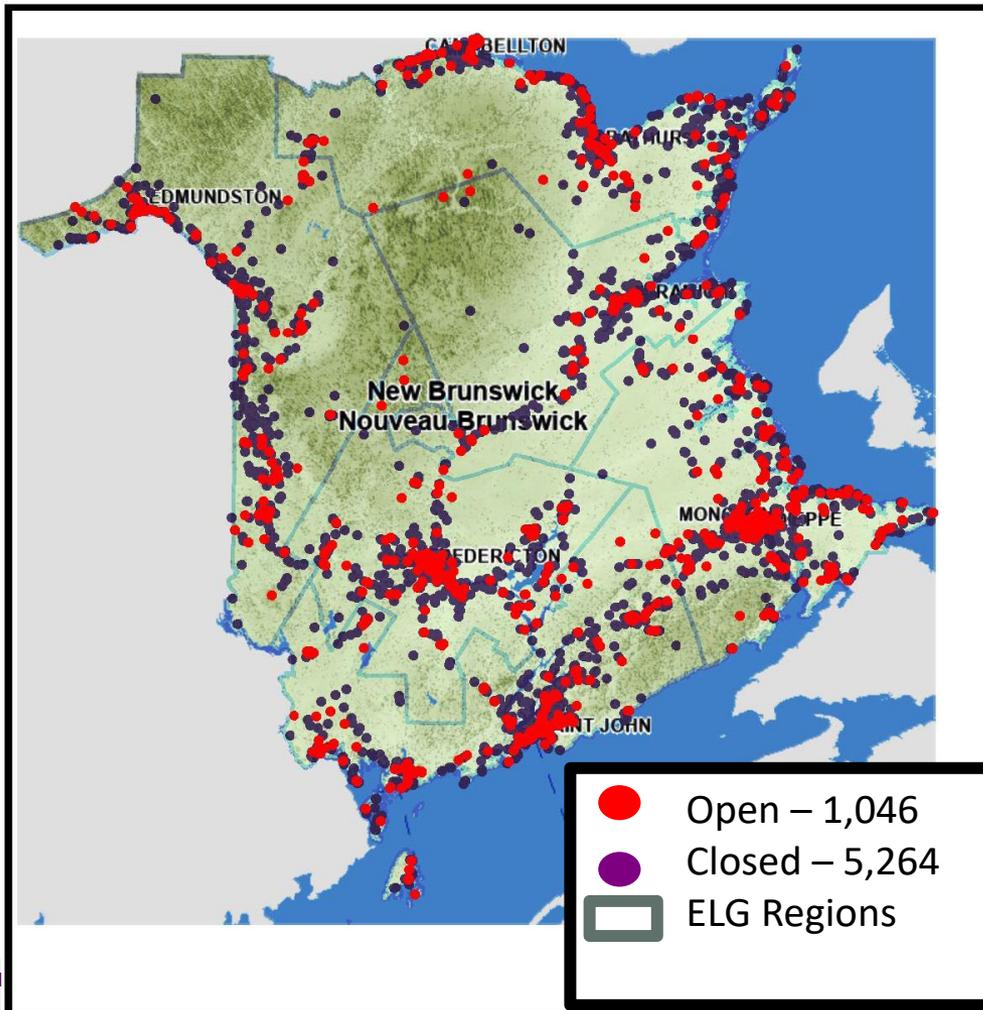
- Does not ensure timely remediation of contaminated sites
- Lacks performance monitoring
- Has a backlog of over 1,000 contaminated site files spanning over 35 years

# Background – Contaminated Sites Remediation Program

- Contamination released into the environment not otherwise covered by an authorization/permit
- Ensures risk to human health and environment is minimized and contamination is cleaned up



# Background – Geographic Representation of Open and Closed Site Files



Most common types of contaminated sites files in NB:

- Petroleum hydrocarbon spills
  - \* Motor Vehicle Accidents
  - \* Storage tank leaks

## Overview of Findings to be Discussed:

- No Clear Authority
- Execution Gaps in Management Process
- Insufficient Monitoring and Reporting
- Orphan Sites Program Lacking

# No Clear Legislative Authority

Guideline to address contaminated sites is not always clearly connected to legislation

<i>Water Quality Regulation – Clean Environment Act</i>	<i>Petroleum Product Storage and Handling Regulation – Clean Environment Act</i>	<b>No Direct Act or Regulation</b> 
<ul style="list-style-type: none"><li>• All <b>petroleum hydrocarbon</b> contamination at risk of polluting water</li></ul>	<ul style="list-style-type: none"><li>• Contaminated sites originating from petroleum storage tank leaks and spills</li></ul>	<ul style="list-style-type: none"><li>• All <b>other contaminant types</b> (dry-cleaning chemicals, industrial chemicals like chromium)</li></ul>

# Atlantic Canada Comparison – Contaminated Sites Legislation

	NB	NS	PEI	NL
<i>Contaminated Sites Regulations</i>	N	Y	Y	N
<i>Remediation process reference</i>	N	Y	Y	Y
<i>Insurance or security requirement for polluting activities</i>	N	Y	N	Y
<i>Orphan Sites</i>	N	Y	N	N
<i>Remediation timeline required</i>	N	Y	Y	N
<i>Liability apportionment</i>	N	Y	N	Y

# No Information Available to Public on Website in New Brunswick

NB is 1 of 6 with no  
contaminated sites  
information available  
online

4 of 6 require  
user fee for  
access

7 other jurisdictions  
have summary or  
complete info  
publicly available on  
website

# Remediation Standard Operating Procedures (SOP) Not Always Followed

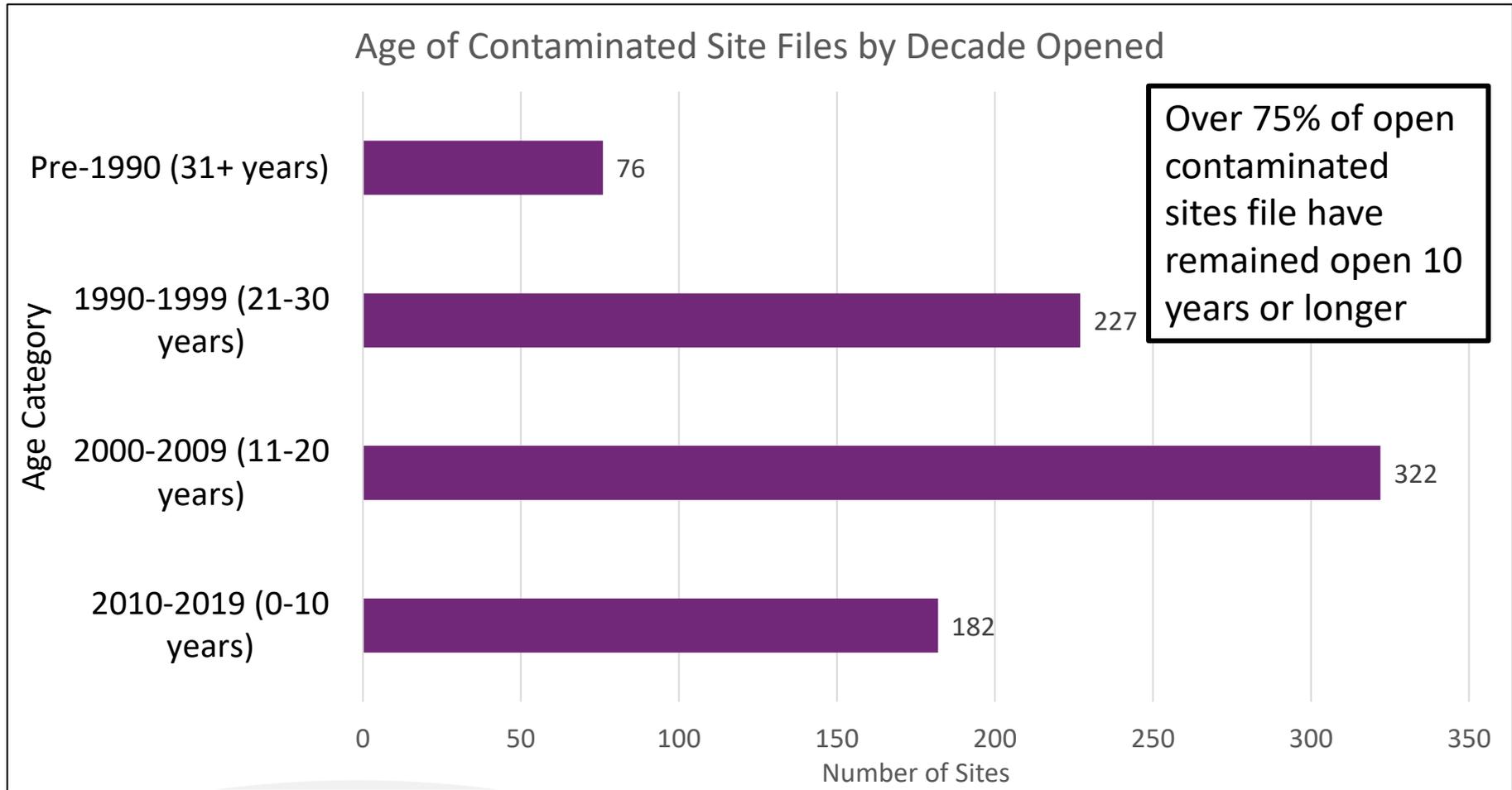
Staff frequently missed steps in SOP & did not consistently document file progress in remediation database

Missing SOP steps:  
compliance letter (86% missing)

No processing date for site closure reports

Missing site closure checklist

# Files Not Processed in a Timely Manner



# Lack of Performance Monitoring

Department does not create and track performance targets for site management process, such as:

- Turnaround time for site report submissions
- Data entry in remediation database
- Compliance letter sent to Responsible Party

# Lack of Reporting on Performance to the Public

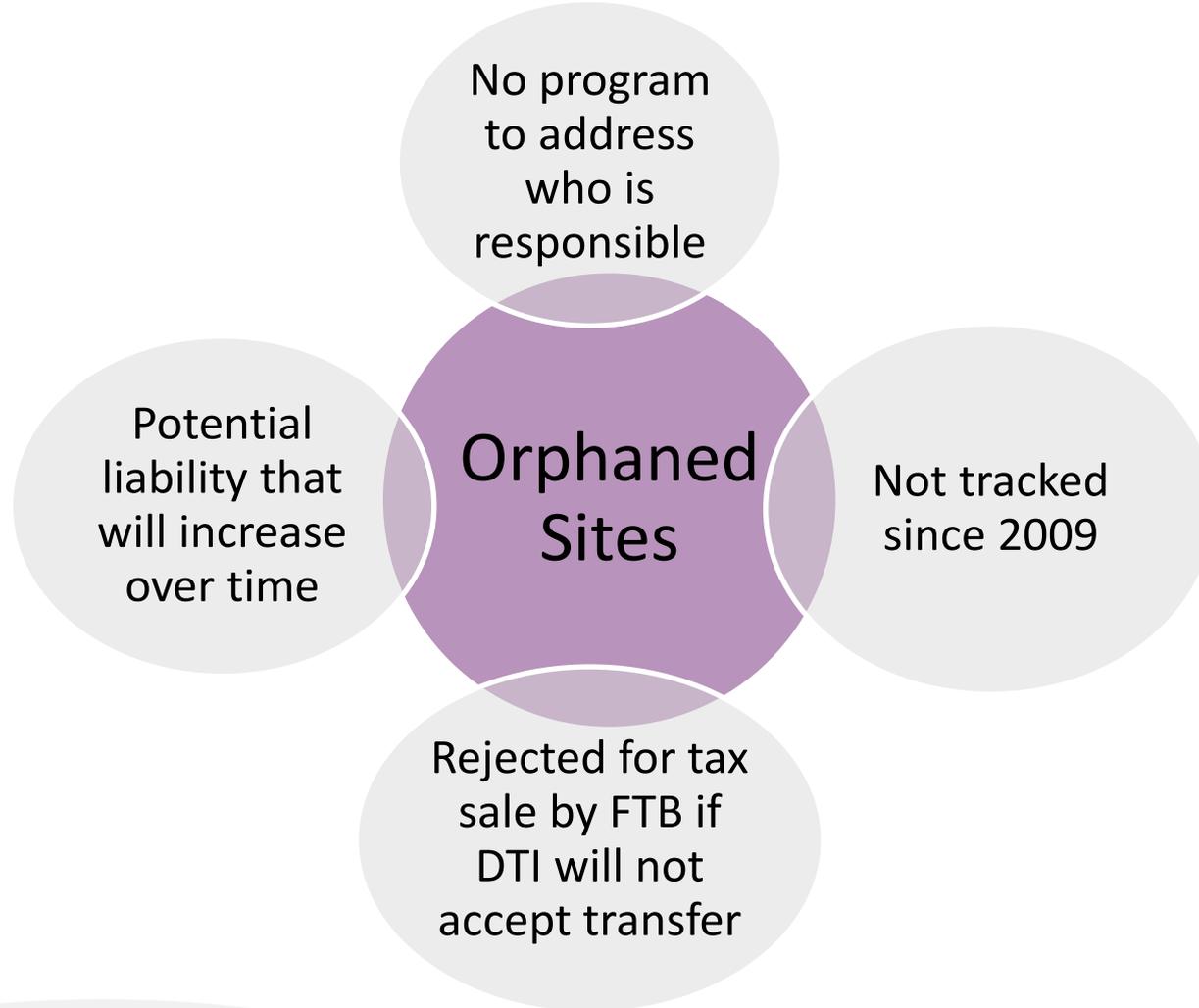
Information available does little to describe the performance of the program

Limited relevance for remediation based on timing

# Department Non-Compliant with *Accountability and Continuous Improvement Act*

- Department was not aware of its responsibilities under the Act, resulting in non-compliance related to annual planning and reporting
- ECO instructions to Department for annual planning inconsistent with the requirement of the Act

# No Program to Address Orphaned Sites



# Government-Owned Sites Have No Responsible Entity for Coordinating Remediation

- No government-wide plan to assess risk and prioritize remediation work
- Departments separately budget for and remediate sites they are responsible for
- Department of Environment and Local Government acts as regulator, not in a coordinating role

# AGNB Recommendations

We made **15** recommendations to the Department of Environment and Local Government which focused on:

- Updating the Act and regulations to address gaps in authority
- Making more information available publicly
- Ensuring management process and remediation happen in a timely manner
- Updating policies, plans, and reporting mechanisms

# AGNB Recommendations

We made **2** recommendations to Executive Council Office:

- Align instructions to departments with the *Accountability and Continuous Improvement Act*
- Assign responsibility to an oversight body for the coordination of Government-owned contaminated sites



# Environmental Trust Fund

Department of Environment and Local Government

Volume II Chapter 3

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# Why is this important?

- Expenditures over \$77 million dollars over 10 years
- Accumulated Fund surplus of almost \$41 million dollars

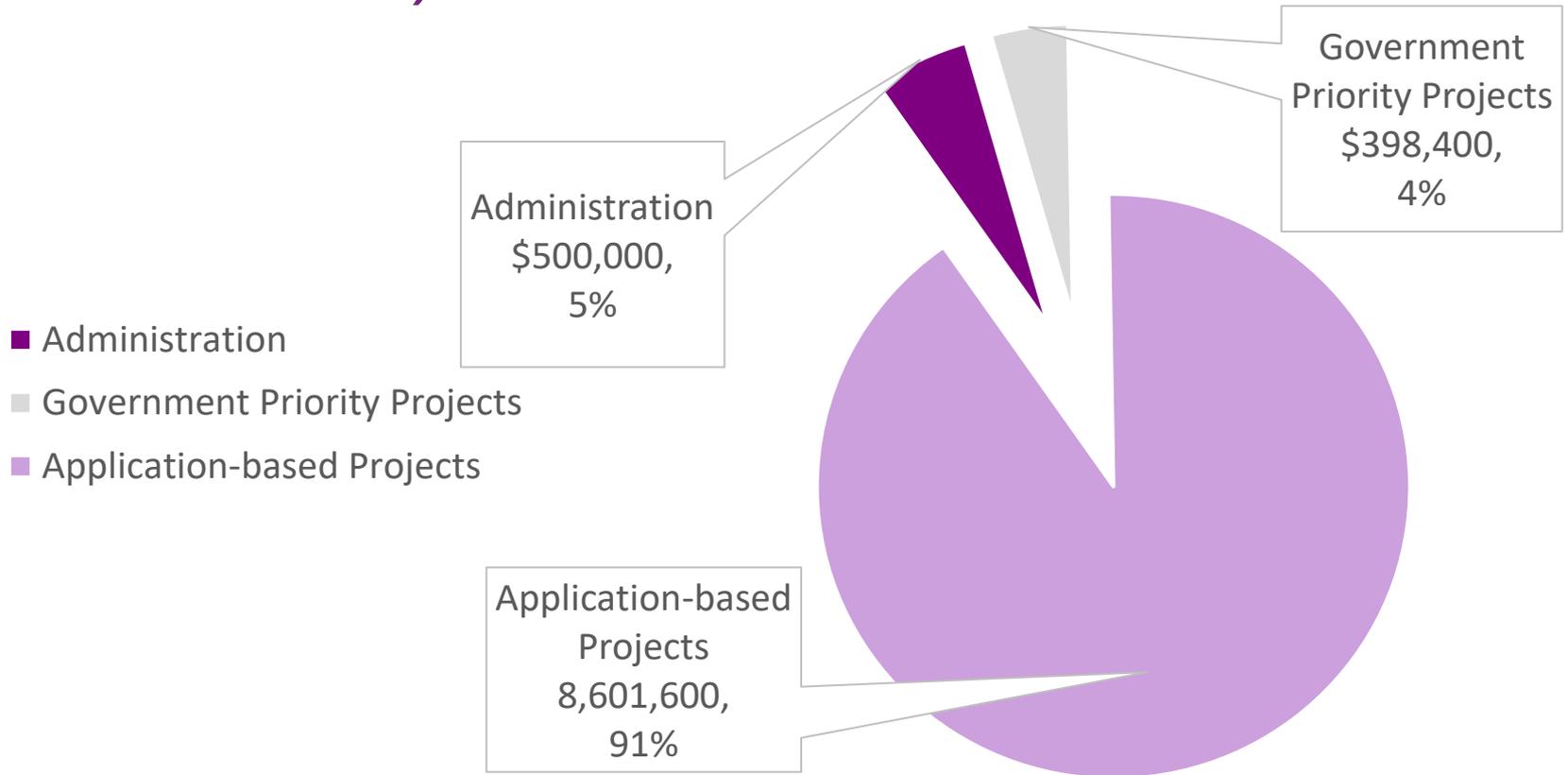


# Overall Conclusions

The Department is NOT effectively overseeing the Environmental Trust Fund:

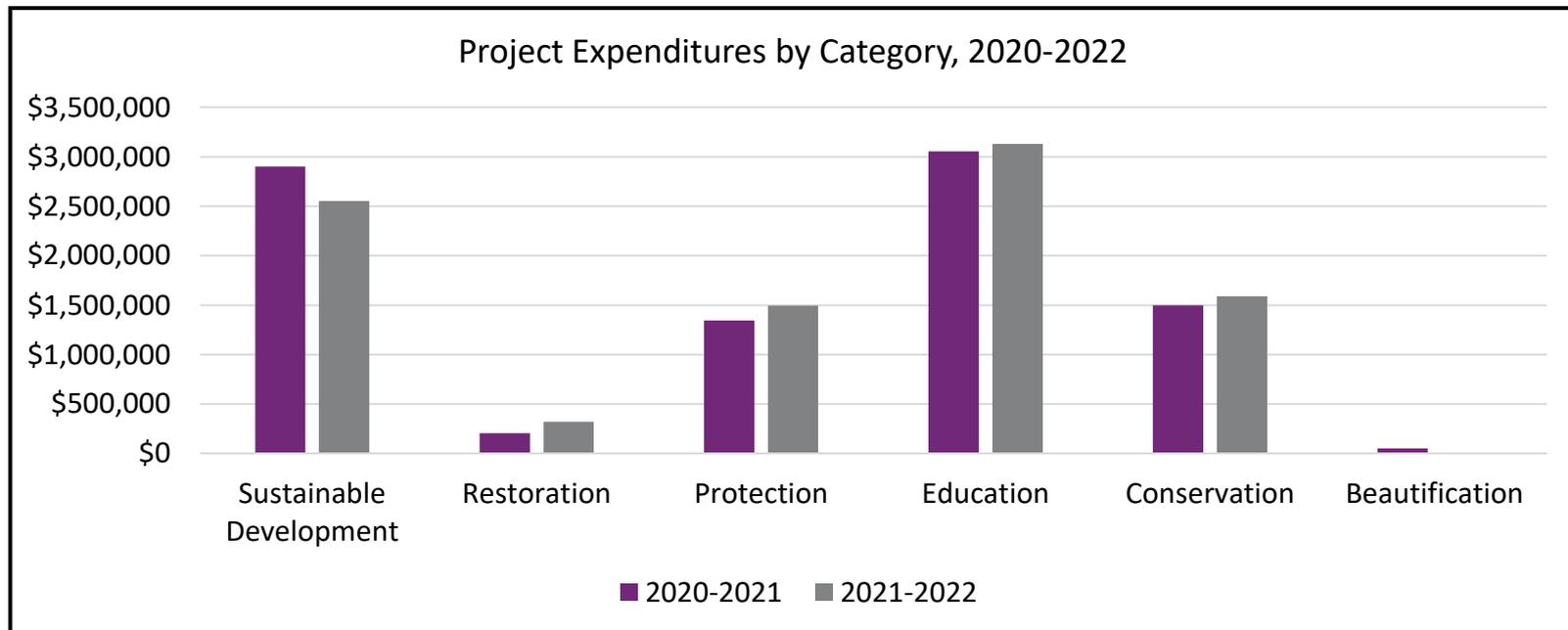
- Roles and responsibilities not clearly defined or documented
- No strategic or annual plans for the fund
- Funding evaluation and project selection lack clarity
- No reporting on past projects and their outcomes

# Breakdown of ETF Budget (\$9.5 million) 2021-2022

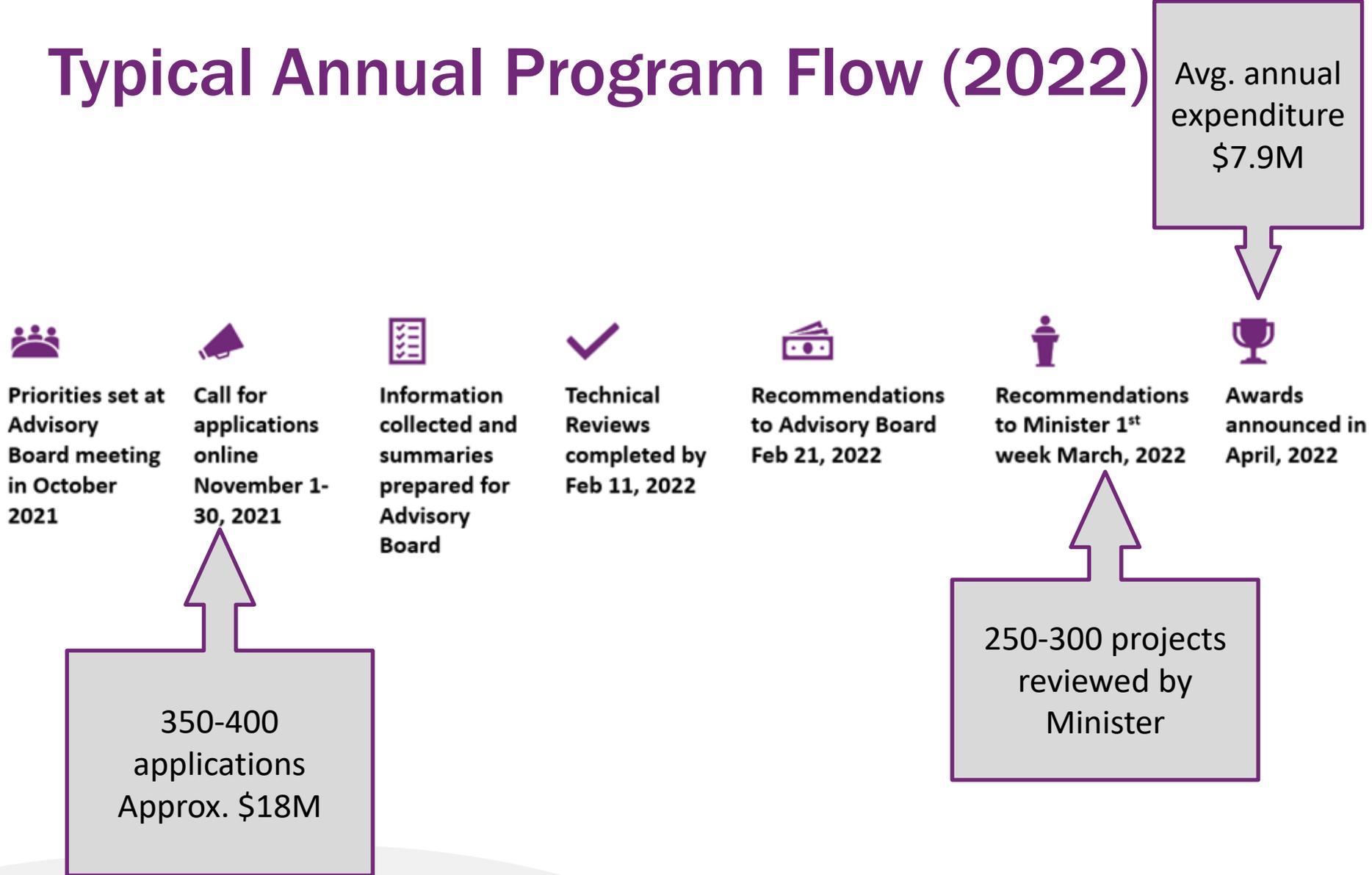


# Background – Funding Categories

- Sustainable Development
- Restoration
- Protection
- Education
- Conservation
- Beautification



# Typical Annual Program Flow (2022)



## Overview of Themes in Findings

- No clear roles & responsibilities
  - Lack of planning
- Lack of evidence-based decisions & evaluations
- Inadequate performance evaluation reporting

# Advisory Board Has No Defined Basis for Evaluating Funding Recommendations

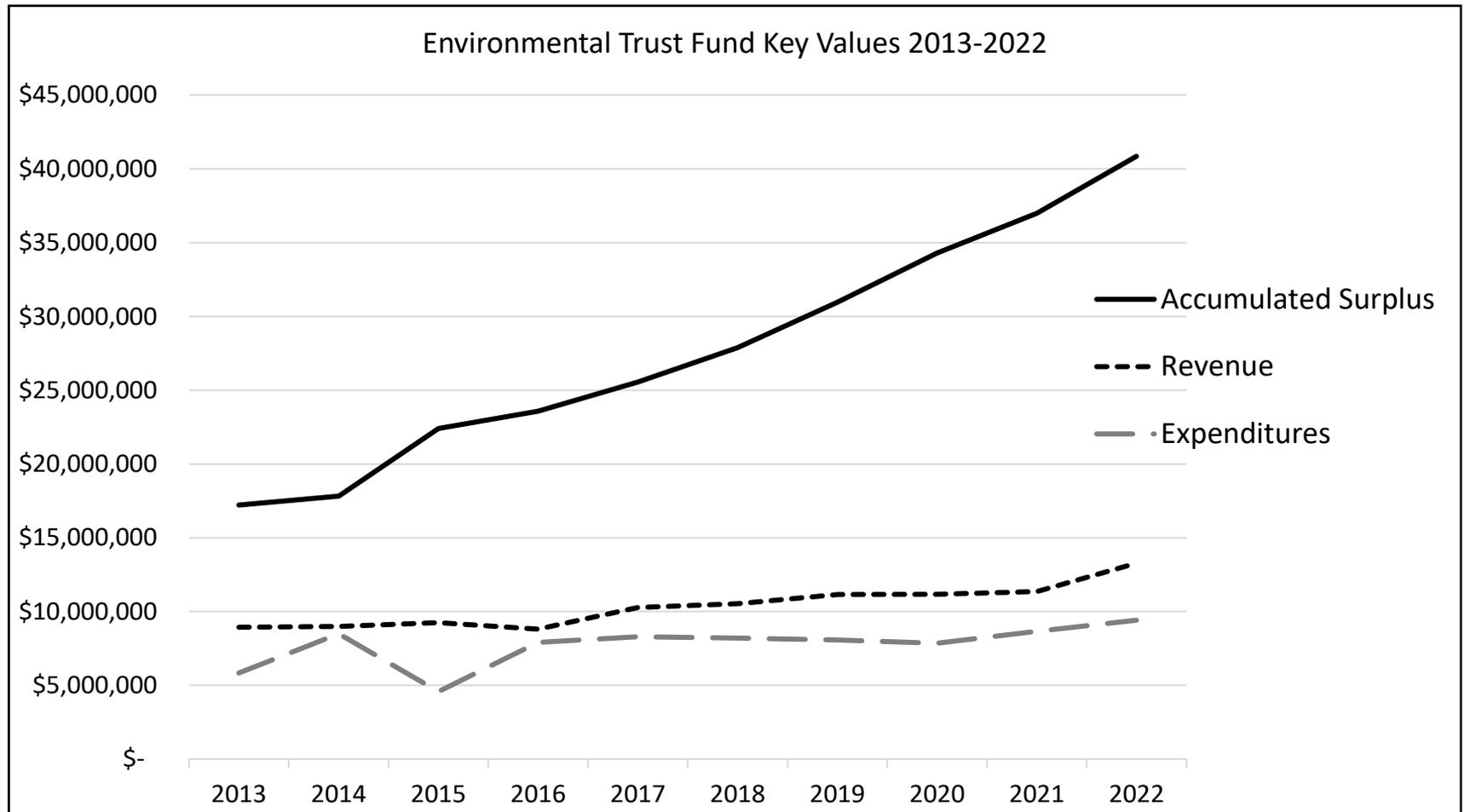
- Decisions based on members' own opinion as well as the advice of the technical reviewers
- No defined, standard method for evaluating project funding
- Funding decisions may not be evidence-based or supported by objective data

**RISK:**  
Project and funding decisions will be subjective and inconsistent

# Surplus Grew While Approved Projects Received Reduced Funding Every Year

- Approved projects typically receive lower amounts of funding than requested, with no evidence-based rationale
- For approved projects, an average of 64% of the requested funding is granted

# Surplus Grew by \$20M from 2013-2022



# No Plan to Use Accumulated Surplus

- Surplus remains unused, while projects and funding recommendations are reduced and rejected because of budget constraints
- Without a transparent and well-planned approach to using Fund's surplus, money may remain idle and not contribute to achieving mandate

2021-2022

91% of approved projects were only partially funded

22% not selected for funding at all

# No Single Role Specifically Tasked to Oversee the Administration of the Fund

- No evidence that responsibility for oversight has been clearly documented or assigned
- No formal documents defining purpose, expectations, roles, or responsibilities of the Advisory Board
- No evidence to demonstrate that key responsibilities are fulfilled

# No Strategic or Annual Plans, Despite Legislated Obligation

- Department has not established strategic or annual plans for the ETF to deliver on the Fund's mandate
- Use of Fund assets, including revenue and surplus are not linked to any plans or objectives

# Fund Priorities Are Not Aligned

Fund Categories	Government Priorities	DELG Priorities
<ul style="list-style-type: none"> <li>• Sustainable Development;</li> <li>• Restoration;</li> <li>• Protection;</li> <li>• Education;</li> <li>• Conservation; and</li> <li>• Beautification.</li> </ul>	<ul style="list-style-type: none"> <li>• Energizing the private sector;</li> <li>• Vibrant and sustainable communities;</li> <li>• Dependable public health care;</li> <li>• World-class education;</li> <li>• Affordable, responsive and high-performing government; and</li> <li>• Environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Protecting our Environment;</li> <li>• Increasing Environmental Awareness;</li> <li>• Managing our Waste;</li> <li>• Addressing Climate Change; and</li> <li>• Building Sustainable Communities.</li> </ul>

If Fund priorities are not aligned, the ETF will not achieve its mandate, or support Government priorities

# No Fund Performance Evaluation Since it was Established in 1990



Department did not provide any explanation for why this has not been done

- No analysis of past project data has been done
- Without analysis, existing data cannot inform planning, project evaluations or decision making

# No Comparison of Budget to Actual Expenditures – Despite Requirement in Act

- No information provided on variances

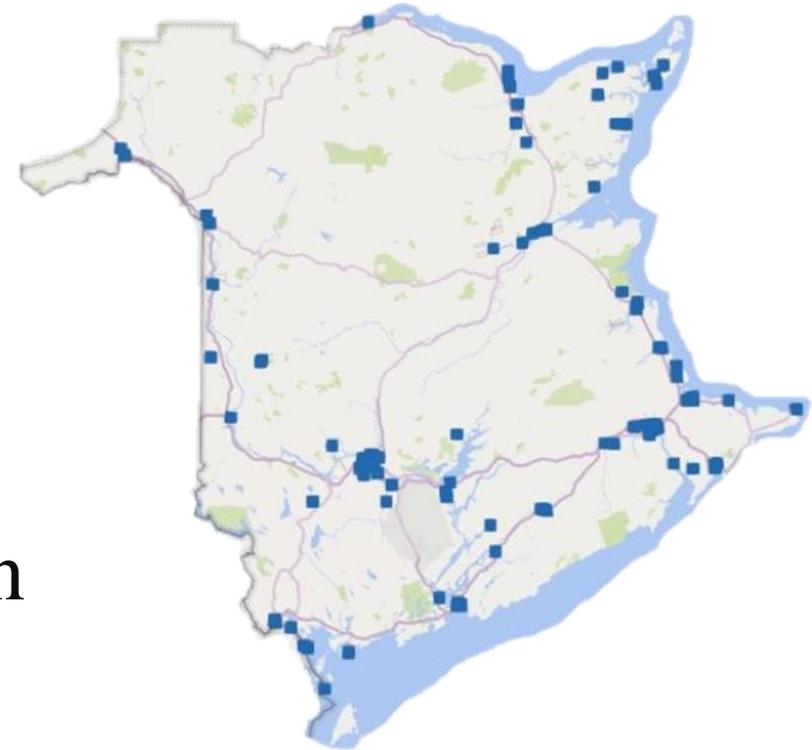
- No prior year comparison presented

# Department Cannot Demonstrate If Spending is Contributing to ETF Mandate

- Reporting does not include all projects
- Current reporting only includes highlights of selected projects
- No measure of contribution to achievement of ETF mandate

# No Geographic Information for Fund Beneficiaries and Impact

- Information is collected but not reported based on geographic areas
- Reasonable to expect results to include geographic locations when reporting projects and funding results



*Distribution of Awards to NB applicants 2021-2022  
(created by AGNB)*

# AGNB Recommendations

We made **9** recommendations to the Department of Environment and Local Government which focused on:

- Identifying a single authority with oversight and clarifying roles and responsibilities
- Developing strategic and annual plans, and a plan for the use of the accumulated surplus
- Improving decision-making, transparency and compliance



# Follow-Up on Recommendations from Prior Years' Performance Audit Chapters

Volume II Chapter 4

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# Detailed Follow-Up on 2016 and 2018 AGNB Reports

## Chapters selected:

### 2016

-Legal Aid Services  
Commission: Public Trustee  
Service



### 2018

- WorkSafeNB – Phase I Governance
- DoH, JPS: Addictions and Mental Health Services in Provincial Adult Correctional Institutions
- EECD: Improving Student Performance: A New Brunswick Challenge
- WorkSafeNB: Phase II Management of Injured Workers' Claims
- ECO Follow-Up Recommendations from Prior Years' Performance Audit Chapters

# Overall Conclusion

- Overall, government entities have implemented **60% of recommendations** including entity self-reported and AGNB verified results from our 2016 through 2018 reports



Post-Secondary Education, Training and Labour <i>WorkSafeNB – Phase I – Governance</i>	2018		N/A
Executive Council Office <i>WorkSafeNB – Phase I – Governance</i>	2018		N/A
WorkSafeNB <i>WorkSafeNB – Phase I – Governance</i>	2018		N/A
Health <i>Addiction and Mental Health Services in Provincial Adult Correctional Institutions</i>	2018		N/A
Justice and Public Safety <i>Addiction and Mental Health Services in Provincial Adult Correctional Institutions</i>	2018		N/A
Education and Early Childhood Development	2018		N/A

# WorkSafeNB – Part I – Governance (2018)

- ✓ 83% of recommendations implemented
- ✗ WorkSafeNB and PETL have yet to implement timely recruitment of board members



# WorkSafeNB – Part II – Management of Injured Workers' Claims (2018)

- ✓ 69% of recommendations have been implemented
- ✗ WorkSafe NB has yet to:
  - Enable adjudicators to directly communicate treatment plans to clients when the claim is accepted
  - Use disability duration guidelines for all claim types

# Addictions and Mental Health Services in Provincial Adult Correctional Facilities (2018)

- ✓ 72 % of recommendations have been implemented
- ✗ The transfer of responsibility not yet complete
- ✗ A recognized mental health screening tool has yet to be fully implemented
- ✗ Amendments to process to improve efficiency and quality have yet to be completed

# Improving Student Performance: A New Brunswick Challenge (2018)

- ✗ Only 50% of recommendations from chapter have been implemented
- ✗ We cannot determine if the current 10-year plans will remain implemented to allow the education system to stabilize



# ECO – Follow-Up Recommendations from Prior Years’ Performance Audit Chapters (2018)

- ✓ 100% of recommendations have been implemented
- ✓ ECO has amended the Annual Report guidelines:

Added requirement to report on status of AGNB recommendations

Amended requirement to report on “*implemented*” rather than “*adopted*” recommendations.

# NB Legal Aid Services Commission

## Public Trustee Services (2016)

✓ 70% of recommendations have been implemented

✗ Public Trustee Services has yet to:

- Fully complete its upgrade of the existing case management system
- Implement an internal audit function as recommended
- Establish goals, objectives, and measurable targets for its services and report results publicly

# AGNB Unsatisfied with Implementation Rate

- Very unfortunate that recommendations from 4 to 6 years ago remain unimplemented
- Higher implementation of our recommendations in 2016 as compared to 2020
- We expect all of our recommendations to be implemented

# Overarching Theme of Performance Audits and Follow-Ups

- Lack of accountability and oversight for departments and agencies
- We hope that the Public Accounts Committee will take the information shared today and hold Departments accountable to implement our recommendations



# 2022 Report of the Auditor General of New Brunswick

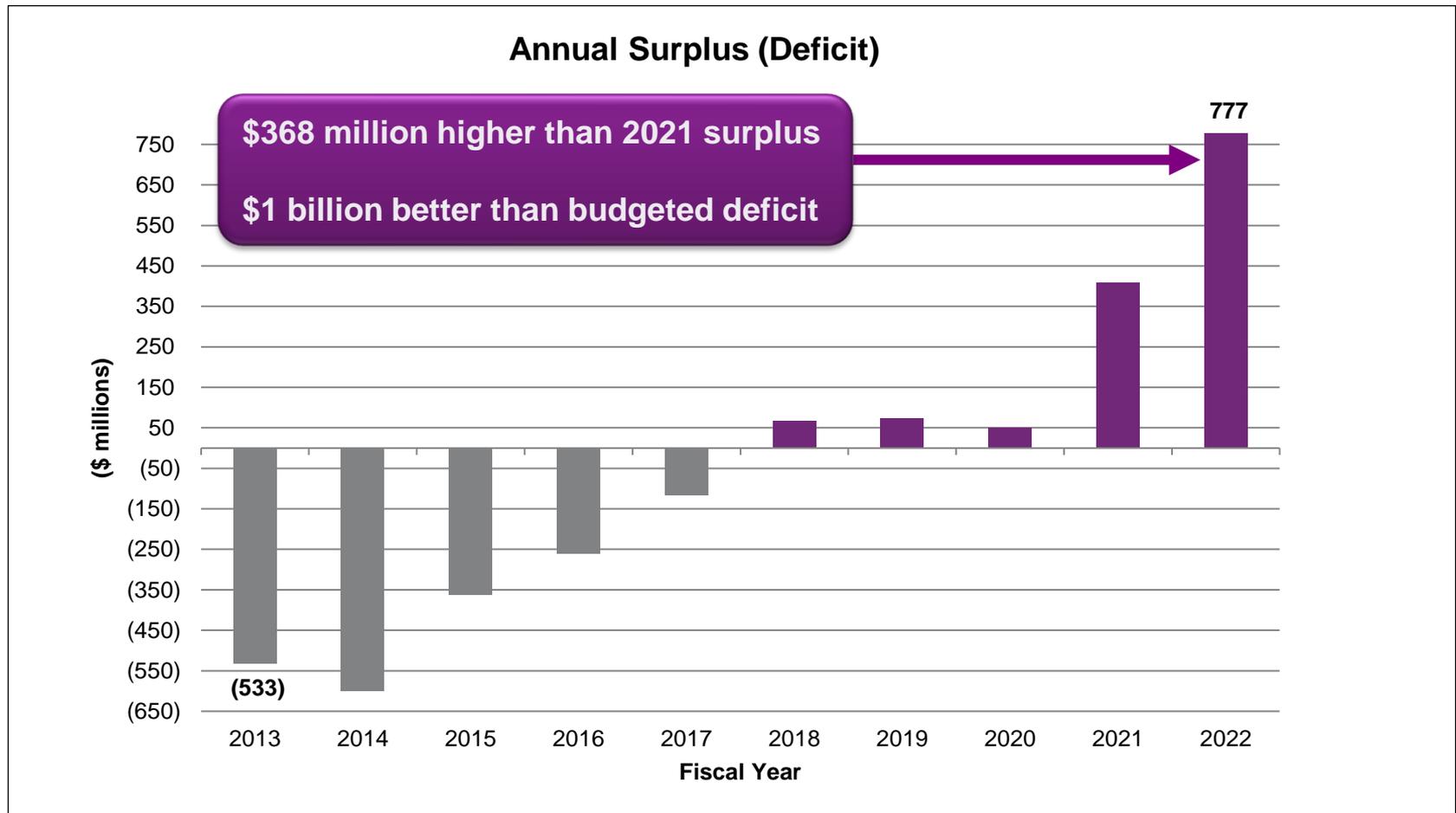
## Volume III – Financial Audit

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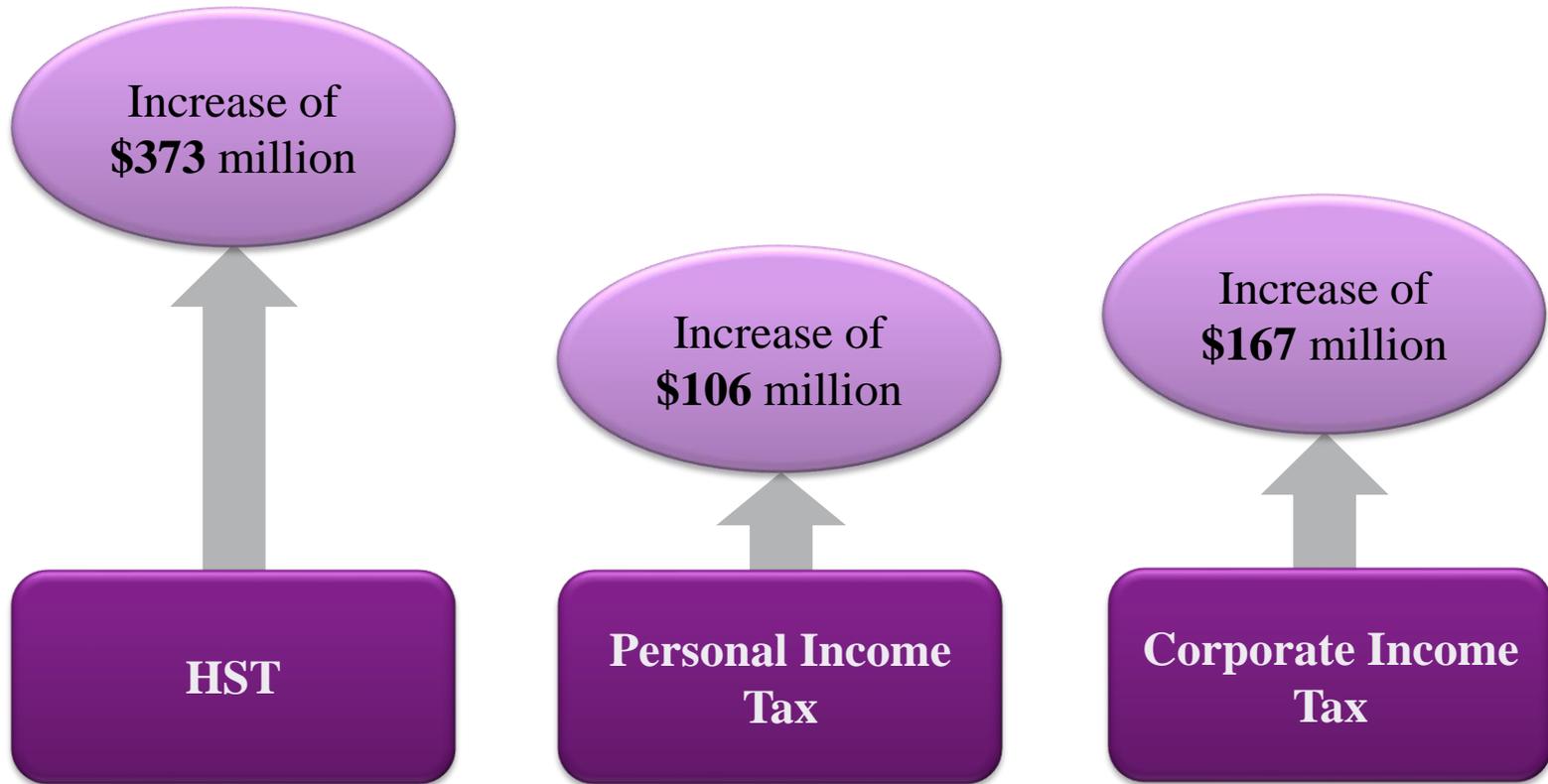
# Province's Fifth Consecutive Surplus



# What is Driving the Surplus This Year?

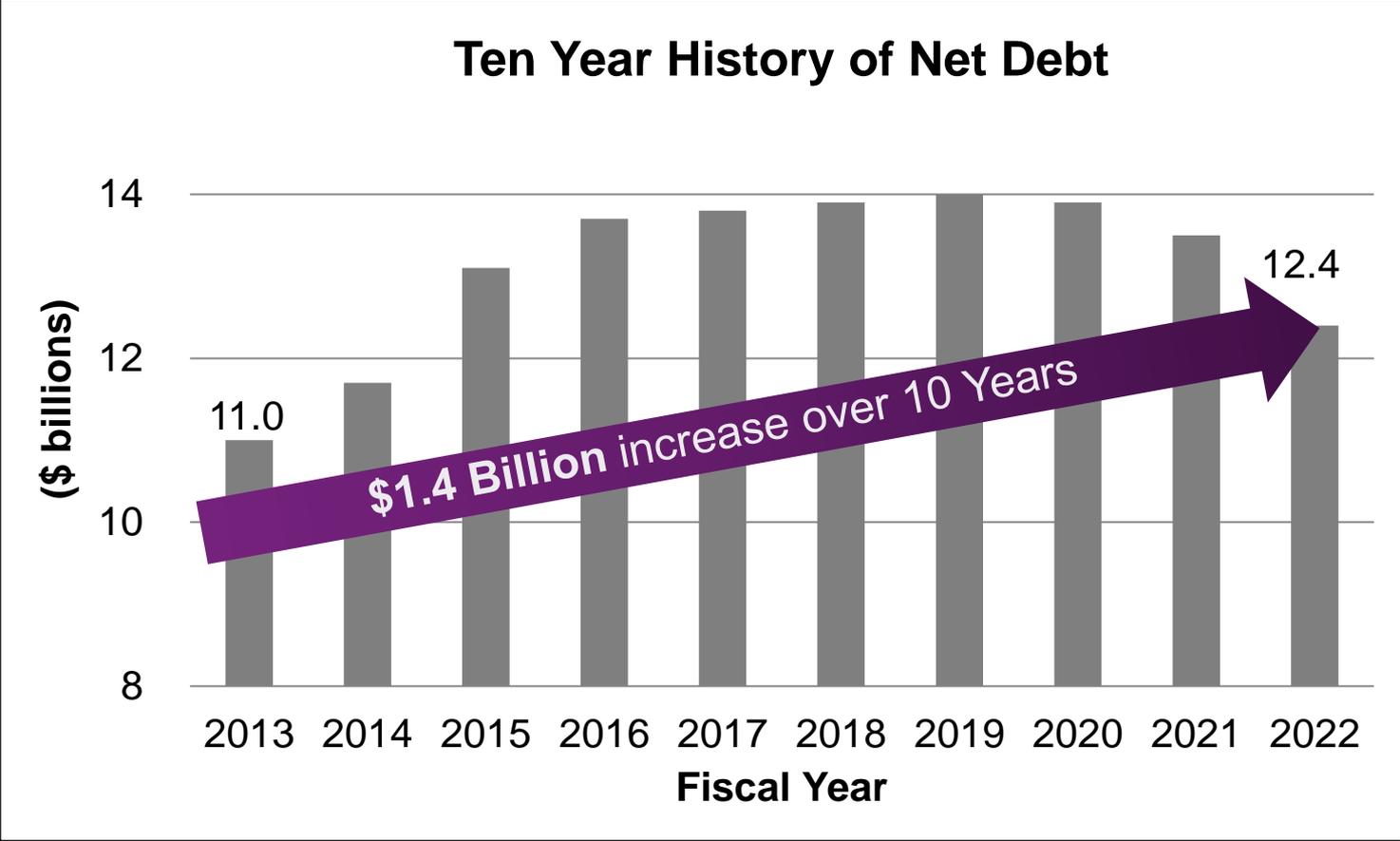
What Happened Since Last Year?	
<b>Fiscal 2021 Surplus</b>	<b>\$409</b>
Increase in Provincial Tax Revenues	+ \$726
Increase in Other Provincial Revenue Sources	+ \$251
Increase in Federal Revenues	+\$95
Increase in Expense	- \$704
<b>Fiscal 2022 Surplus</b>	<b>\$777</b>

# \$646 Million Increase from 2021 in HST, Personal Income Tax and Corporate Income Tax Revenues



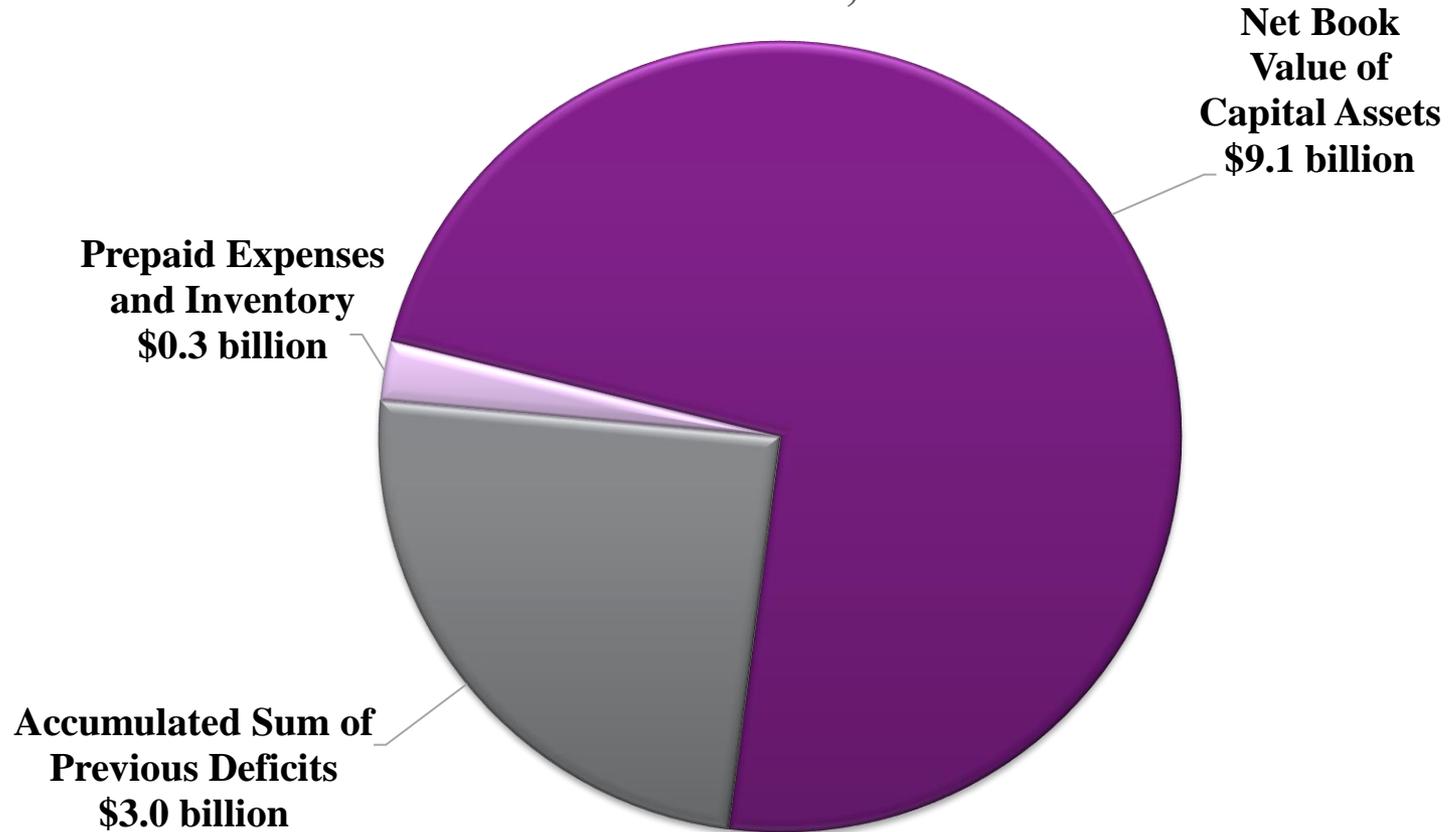
**Tax revenues subject to significant amount of estimation uncertainty**

# Net Debt - \$1.4 Billion Higher than 2013

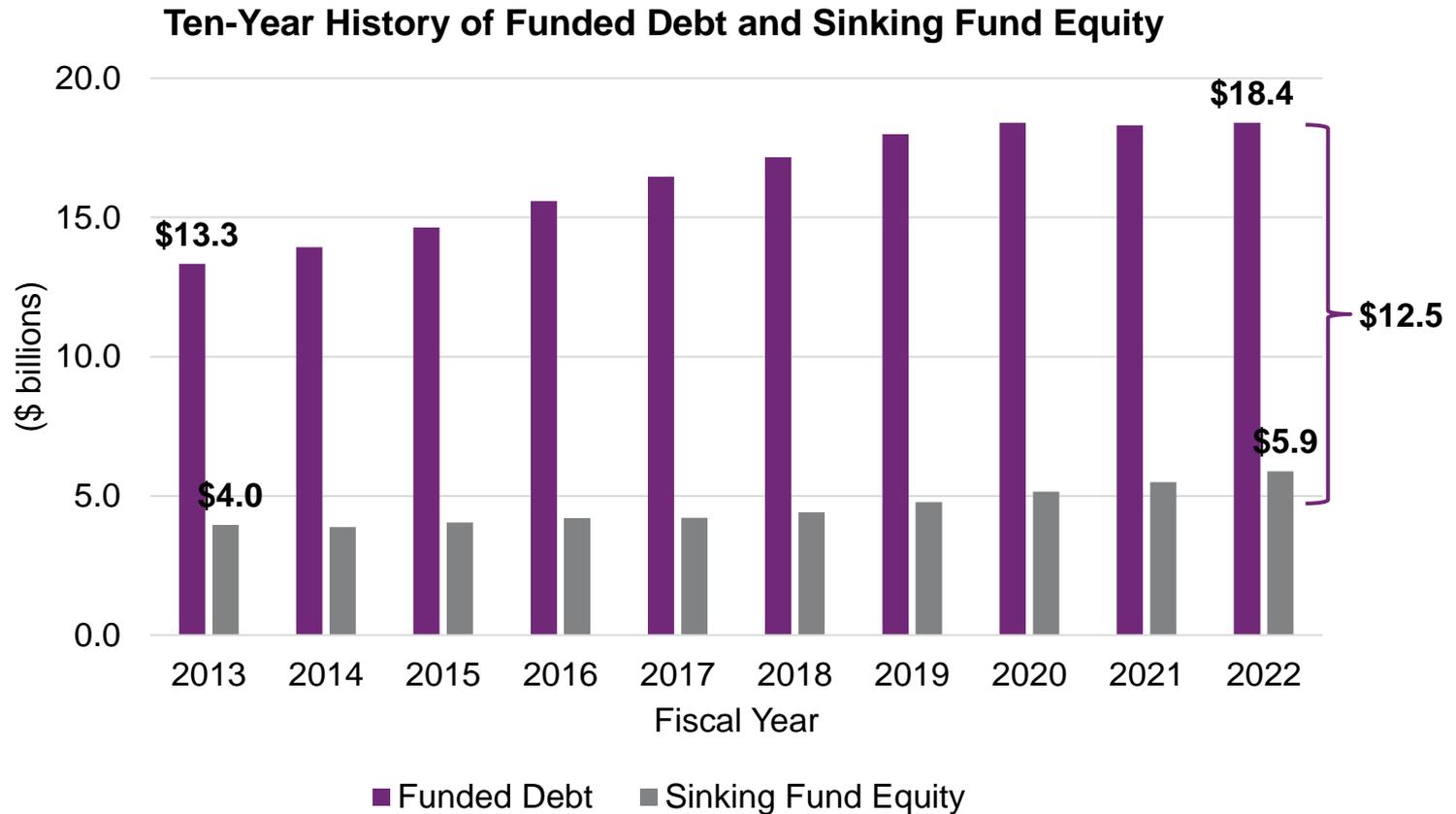


# What Makes up \$12.4 Billion in Net Debt?

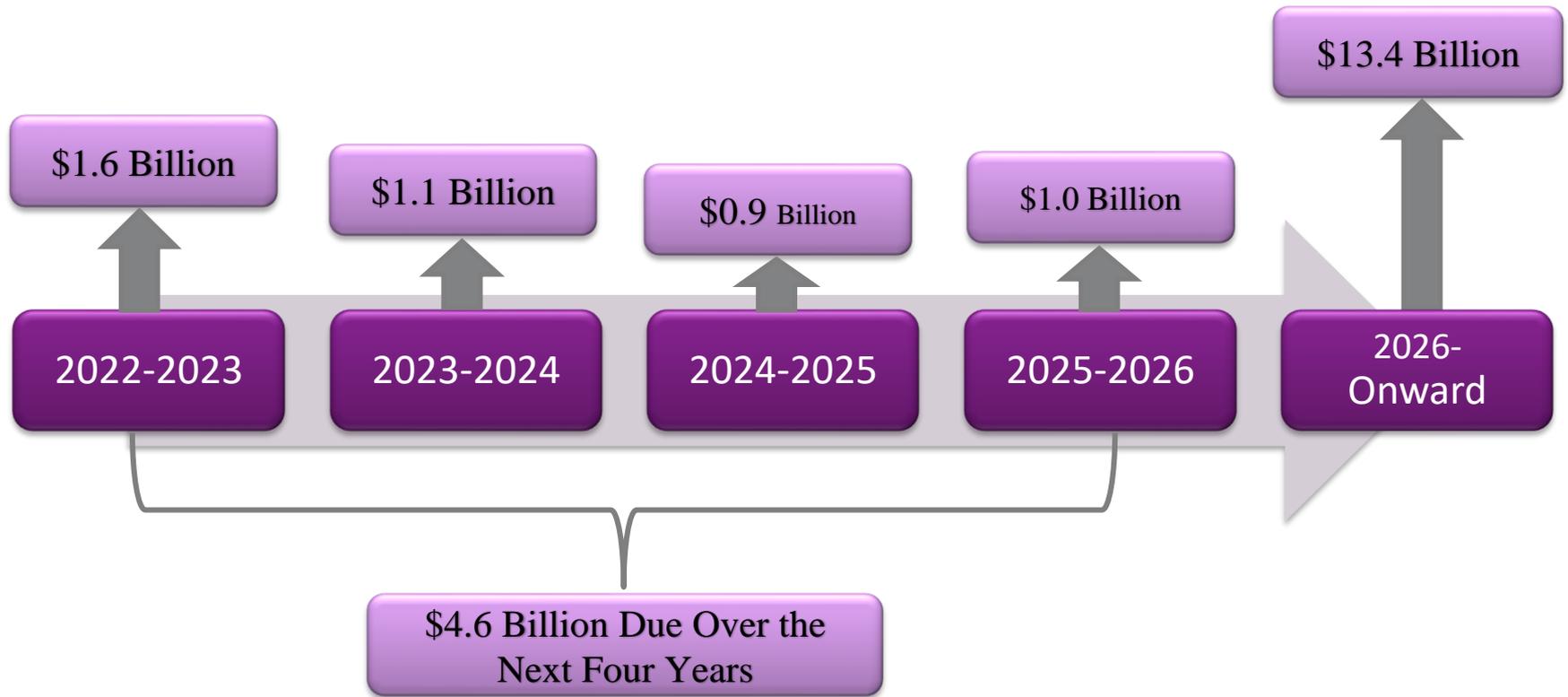
Summary of \$12.4 Billion in Net Debt  
at March 31, 2022



# Funded Debt Remains at Historic High of \$18.4 Billion



# Funded Debt: Repayments



# Funded Debt: Service Costs

## Service of Funded Debt by Year, Day, Hour and Minute in 2022

Per Year	Per Day	Per Hour	Per Minute
\$635 million	\$1.7 million	\$72 thousand	\$1,208



# State of New Brunswick's Financial Condition

Indicator	Short-term	Long-term
<b>Sustainability</b> (living within means)	Mostly Favourable	Mixed
<b>Flexibility</b> (how much can debt or tax burden be increased)	Mostly Unfavourable	Mostly Unfavourable
<b>Vulnerability</b> (items outside of government control)	Mixed	Mixed

# NB Power: Concerns About Self-Sustainability

We remain concerned about NB Power's ability to self-sustain its operations

- Mactaquac estimated to cost \$3 billion
- 80/20 debt to equity ratio is not met and NB Power has almost \$5 billion in debt
- Future capital investment required (e.g. generating and transmitting infrastructure)



# Oracle Fusion: Significant Audit Area this Year

New ERP system  
to replace certain  
outdated systems

Province still has  
major outdated  
systems

Transactions  
recorded for the  
first time

Payments

Payroll

Journal entries

General ledger and  
chart of accounts

Significant  
amount of audit  
time needed

Fusion will require  
multiple years to  
fully implement

# Oracle Fusion: Findings and Recommendations

- Recommendations made to address weaknesses in internal control and improve existing processes
- Implementing our recommendations is important to reduce any risks

# Audits of Crown Agency Financial Statements

## Recommendations made to:

### Service New Brunswick

**Payments made in duplicate or not properly authorized lead to increased risk of fraud**

### Opportunities New Brunswick

**Estimates for collectability of \$170 million in loans receivable**

**Payment processes**

# Final Observations

- Significant improvements are encouraging, but ongoing caution is needed
- For the Province to continue to improve its fiscal situation independently, over the long term, it will need to continue to find ways to manage spending, consider revenue increases, or a combination of both in the future

# COVID-19 Audit Update

- Substantial work to scope audits we plan to do

Next phases:

- Complete audit work
- Determine findings
- Reporting process
- Release report – planned for June & December 2023

# Questions?