



# 2021 Report of the Auditor General of New Brunswick

## Volume II & III

AUDITOR GENERAL  
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL  
DU NOUVEAU-BRUNSWICK



# Residential Energy Efficiency Programs

Department of Natural Resources and Energy Development,  
NB Power

## Volume II Chapter 2

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# Why is this important?

Energy efficiency programs:

- are key to addressing climate change and GHG emissions
- help households spend less on energy bills and have healthier homes

About \$124 million will be invested during 2018-2023



# What is Energy Efficiency?



- Use less energy to perform the same task
- Ratio of energy output to energy input
- Heating systems oil furnace vs. heat pump – keep home at same temperature – vary in energy input

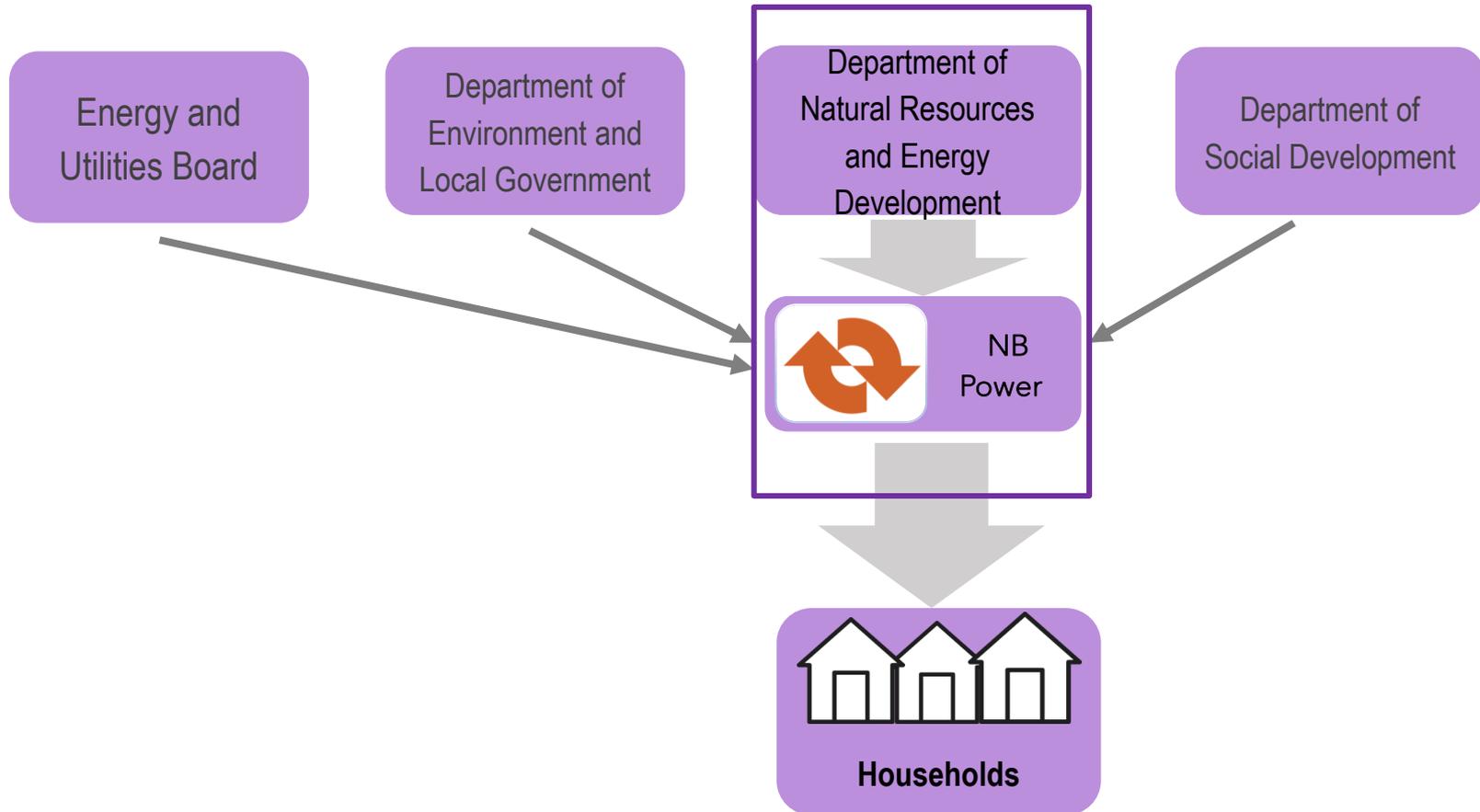
# Conclusions

- DNRED was **not effective in providing oversight** regarding energy efficiency programs
- NB Power's energy efficiency **programs were not equally accessible** to all New Brunswick residents
- NB Power is **effective in delivering** its current residential energy efficiency programs **to those who can participate**

# Objectives

- To determine whether DNRED provides effective oversight to ensure NB Power fulfills its energy efficiency mandate
- To determine whether NB Power effectively delivers the residential energy efficiency programs

# Background - Key Stakeholders

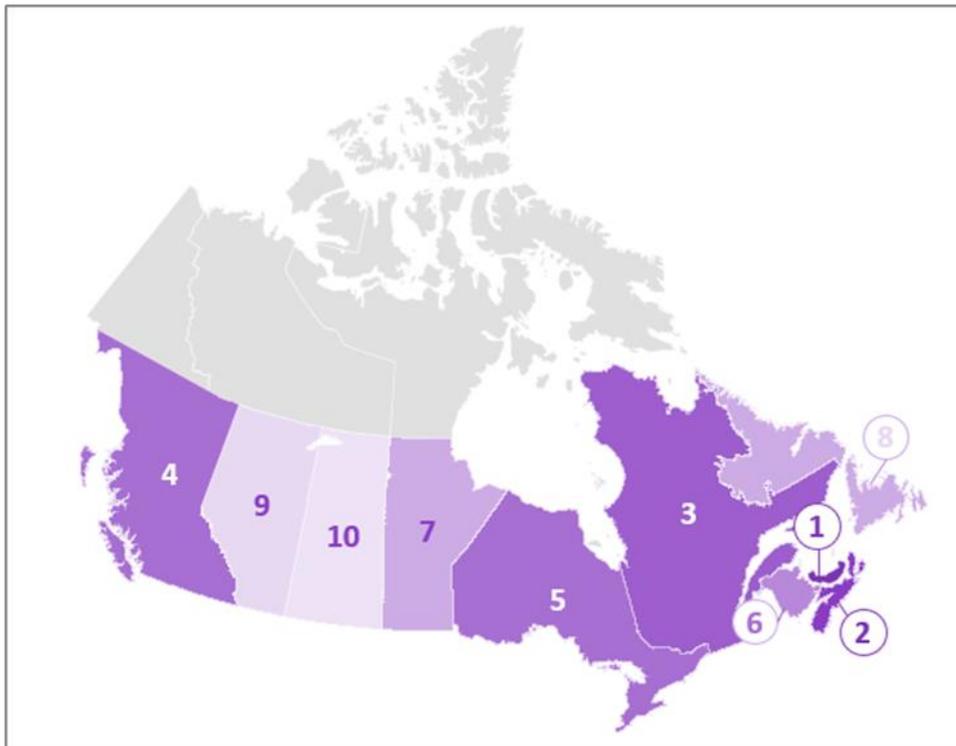


# Residential Energy Efficiency Programs Included in our Audit

- **Total Home** – money back following completion of energy efficiency upgrades suggested by Home Energy Evaluation
- **New Home** – incents builders and buyers to make new constructions >55% energy efficient per EnerGuide
- **Low Income** – energy efficiency retrofits paid for by the Government of New Brunswick for those who qualify

# NB Energy Efficiency Programs Compared Poorly to Other Maritime Provinces

- New Brunswick ranked 6<sup>th</sup> in overall Energy Efficiency Program Performance for 2021, but continues to be behind NS and PEI



Source: 2021 Provincial Energy Efficiency Scorecard Efficiency Canada

# What We Found

- Insufficient oversight from the DNRED
- NB Power's **current programs are not equally accessible** to all New Brunswick residents
- NB Power **effectively delivers** current residential energy efficiency programs **to those who can participate**

# Insufficient Oversight from the Department

## DNRED did not:

- set energy-saving targets for NB Power
- secure a sustainable funding source for all-fuel programs
- mandate NB Power to implement a financing mechanisms

# NB Power's Current Programs are Not Equally Accessible to All New Brunswickers

- Moderate-income households may have difficulty accessing energy efficiency programs
- **NB is one of only two jurisdictions in Canada without financing mechanisms**
- Fewer non-electric households (all fuels) participated in the programs

# NB Power Effectively Delivers Current Residential Energy Efficiency Programs to Those Who Can Participate

- ✓ adequate process for determining eligibility
- ✓ adequate process for calculating incentives
- ✓ reasonable monitoring and evaluation processes

# NB Power's Delivery of Current Programs

- Insufficient quality assurance
- Document requirement can be cumbersome for those wishing to participate in low-income program
- No public reporting of NB Power's finalized targets
  - Finalized targets were 60% lower than those publicly reported

# AGNB Recommendations:

DNRED and NB Power work together to develop **a sustainable funding model** for all-fuel energy efficiency programs

DNRED:

- **fully exercise** its oversight authority over energy efficiency programs

NB Power:

- implement a plan for financing mechanism
- improve quality assurance over service organizations
- publicly report on energy efficiency programs using consistent performance indicators



# Crown Agency Salary and Benefits Practices

Volume II Chapter 3

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# Why is this Important?

Salaries and Benefits expense are significant

- comprise over \$2 billion of expenses in 2019
- can make up to 75% of total expenses for Crown agencies

Providing information, in one place (from across all Parts of government) increases

- comparability, transparency, and accountability to taxpayers and members of the legislative assembly

# Background

Focus of work: Crown agencies in Parts I, III, and IV of government in 2019



KINGS LANDING



**Part I – Government Departments  
and some Crown Agencies**

**Part II – Schools  
(not in scope)**

# Background



## Part III – Hospitals



## Part IV – Crown agencies

# Overall Conclusions

- Part IV Crown agencies
  - salaries and benefits practices are **generally not consistent** with Part I government or other Part IV Crown agencies
  - legally government is not the employer and Part IV Crown agencies are **free to set own practices**
- Parts I and III Crown agencies
  - salaries and benefits practices are **generally consistent** with Part I government

# Overall Conclusions (cont'd)

- More work needed: If government expects salary and benefits practices remain consistent, where possible, for similar staff in Parts I and IV

# Observations and Findings

- Salary and benefits practices in Part IV differed from government Part I
- Notable differences in salary and benefits practices between
  - Part IV Crown agencies (NB Power, RPC, FCNB)
  - Part I Crown agency and government (ONB)
- Out-dated central government policy
- Issues with wording in government's direction to Part IV Crown agencies (Memorandum of Understanding)

# Part IV Crown Agencies Differed From Part I

## Bonuses

### Differed from Part I

- CNB
- ANBL
- NB Power
- RPC

### Follow Part I

- CCNB
- NBCC
- WSNB
- FCNB

## Merit Increases

### Differed from Part I

- RPC
- ANBL
- NBCC
- NB Power
- ONB
- WSNB

### Follow Part I

- CCNB

\*Excludes FCNB

# Part IV Crown Agencies Differed From Part I

## Vacation

### Differed from Part I

- CNB
- ANBL
- NB Power
- FCNB
- WSNB

### Follow Part I

- CCNB
- RPC
- NBCC

## Health and Wellness Spending

### Differed from Part I

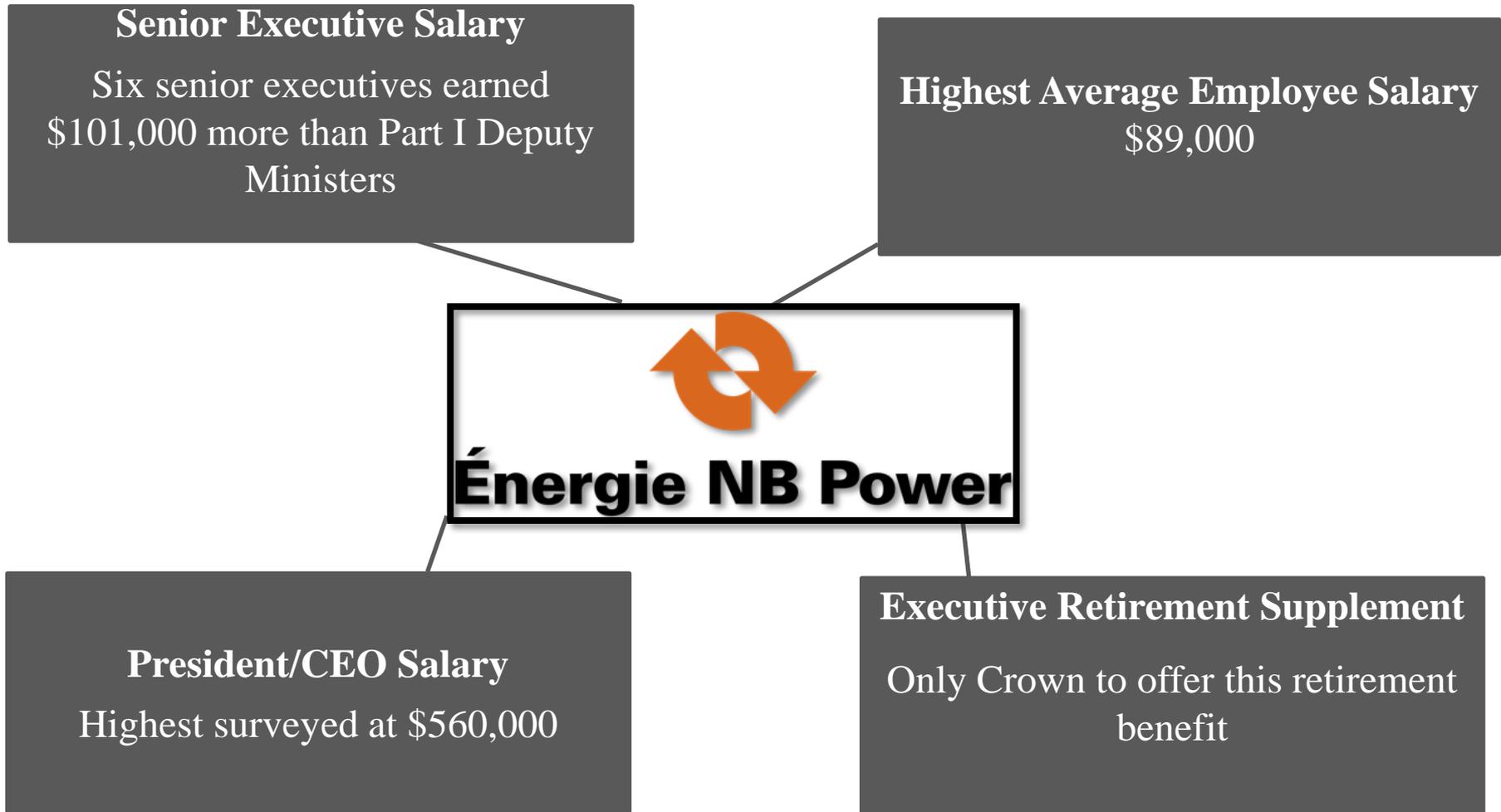
- RPC
- ANBL
- NBCC
- FCNB
- CNB
- CCNB\*

### Follow Part I

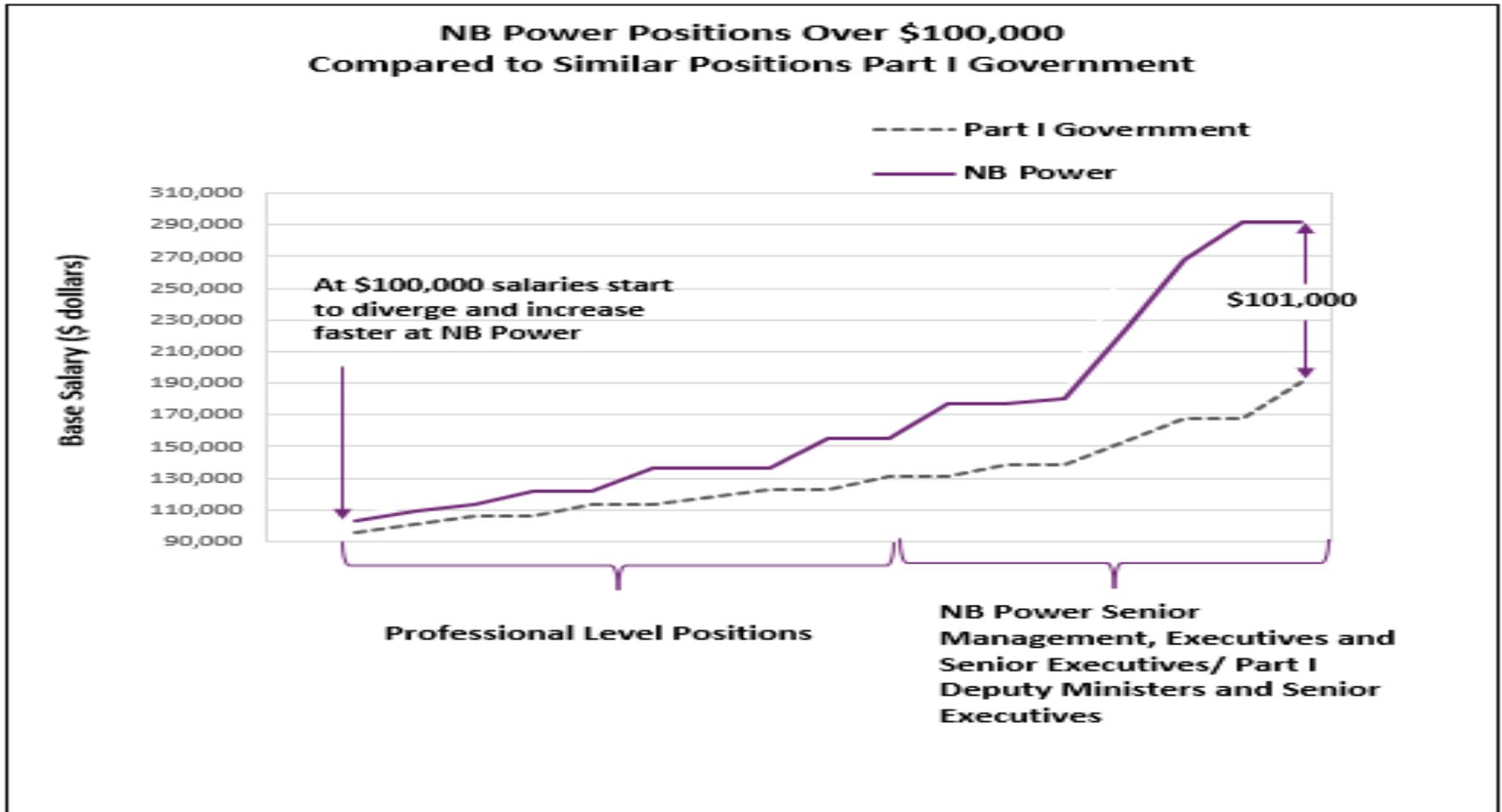
- NB Power
- WSNB

\*CEO only

# Notable Differences



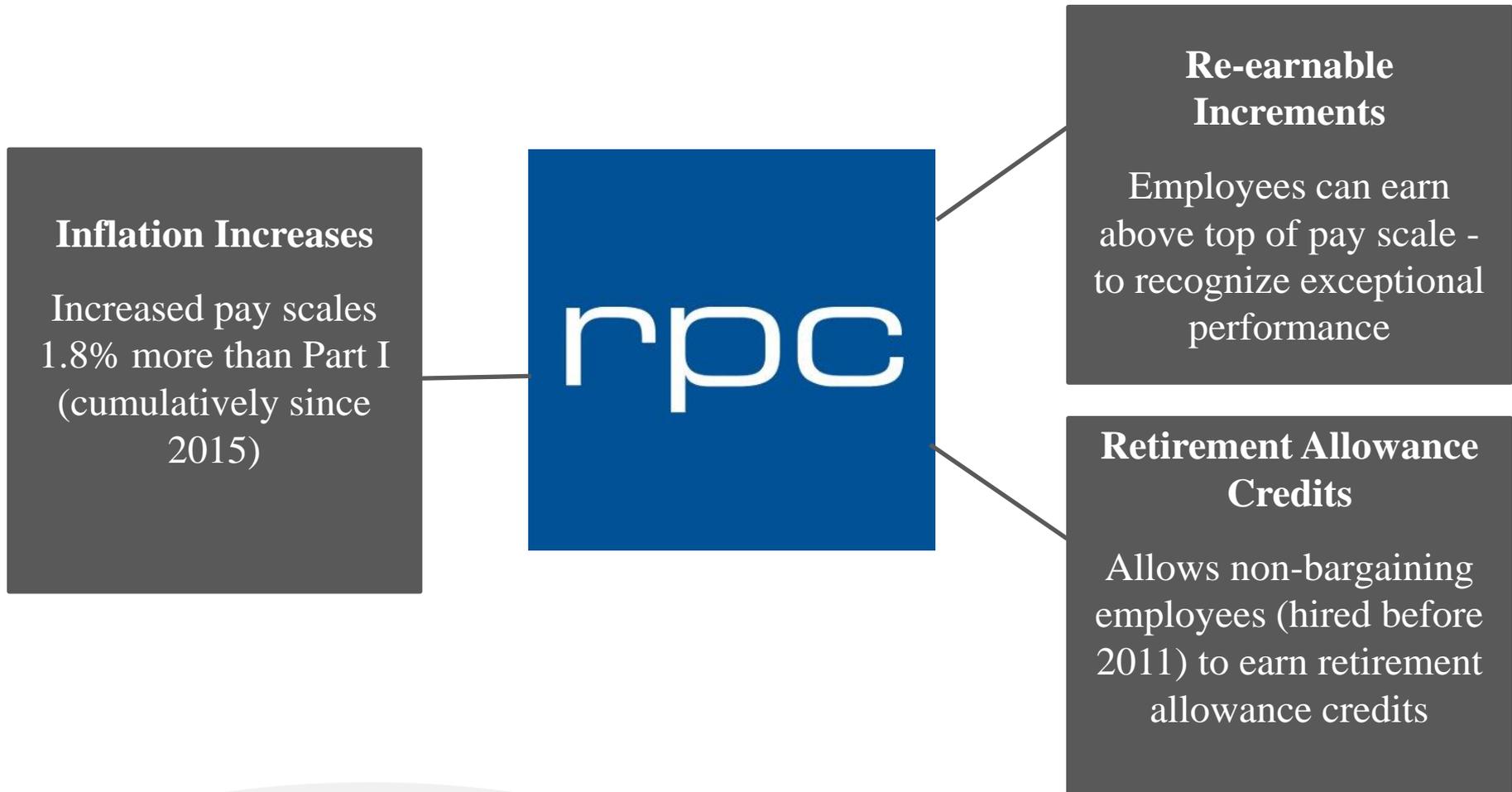
# Investigated NB Power Salary Differences



# How Does NB Power Set Its Salaries?

- NB Power aligns with group of similar entities in Atlantic Canada from both the public and private sector (at the mid-point - 50<sup>th</sup> percentile)
- Another group of similar entities more heavily weighted to public sector could be more appropriate
- Government's salary expectations in MOU not clearly defined

# Notable Differences



# Notable Differences



## Stipend for Chair of Board of Directors

Pays highest annual stipend \$137,000  
(Chair had a dual role)

## Health and Dental

Pays 100% of health & dental  
insurance premiums

## Sick Leave Payout (Retirement Benefit)

Up to 20% of sick days on retirement  
(up to 48 days)

# Notable Differences



## President/CEO Salary

Highest of Part I Crown agencies at  
\$291,000  
(\$100,000 higher than Deputy Ministers)

## Merit Increases

Awards up to 4% for merit increase for  
exceptional performance

# Government Policy Out of Date

- *Policy Performance Pay and Re-earnable Increments*
- Not updated to reflect the changes made in 2011 and 2013
  - 2011 – disallowed re-earnable increments
  - 2013 – disallowed awarding merit increases over 2%

# Memoranda of Understanding (MOU)

- Required as part of the *Accountability and Continuous Improvement Act*
- Government issues every 3 years to Part IV
- Used to provide some direction to Part IV
- MOU states government “Expects salary and benefits practices remain *consistent* with similar staff in Part I and Part IV for non-bargaining employees”
- Consistent is not defined in the MOU

# AGNB Recommendation to ECO

## Recommendation to the Executive Council Office to:

- update Memoranda of Understanding with each Part IV Crown agency to clearly define what government expects for salary and benefit practices for non-bargaining employees

# AGNB Recommendation to FTB

Recommendation to the Department of Finance and Treasury Board to:

- revise *Pay Administration policy AD-2404 Performance Pay and Re-earnable Increments* to reflect current government practices



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

Volume II Chapter 4

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# Detailed Follow-Up on 2015 and 2017 AGNB Reports

## Chapters selected:

### 2015

- Financial Assistance to Atcon Holdings Inc. and Industry
- Centennial Building
- Public Debt

### 2017

- Financial Assistance to Atcon Holdings Inc. and Industry
- Advisory Services Contract
- Climate Change
- Residential Property Assessment Special Examination
- School District Purchase Cards

# Overall Conclusions

- Overall, government entities have implemented 65% including entity self-reported and AGNB verified results from our 2015 through 2019 reports

## Self-reported implementation rates versus verified rates in selected chapters from 2015 and 2017

***Self-Reported Rate***

83%

***AGNB Verified Rate***

62%

**Difference of 21%**

# Overall Conclusions on Financial Assistance to Atcon Holdings Inc. and Industry

- From 2015 and 2017 Chapters – 86% of recommendations were implemented
- ONB public reporting of performance results continues to be difficult to interpret and too broad for public use
- ONB has not fully implemented a recommendation that required company management and shareholders provide related party declarations to cabinet where significant, high risk financial assistance is being considered
- New Government policy created to standardize financial assistance to industry

# Property Tax Assessments (2017)

- ✓ 64% of recommendations have been implemented
- ✗ SNB has not implemented several AGNB recommendations on data validation, and independence of the statutory officer
- ✓ FTB and SNB have separated tax bills from assessment notices
- ✗ SNB still cannot provide reasons for assessed value changes on Annual Property Assessment Notices
- ✗ FTB could not yet display full residential tax credits on Real Property Tax Notices

# Climate Change (2017)

- ✓ 50% of recommendations to Environment and Local Government and NB Power have been implemented
- ✗ Recommendations remain to be implemented on:
  - Reduction of greenhouse gas emissions
  - Climate change adaptation

# Advisory Services Contract (2017)

- ✓ 38% of recommendations implemented by Social Development
- ✗ Department has yet to:
  - fully track actual savings from contract
  - publicly report on impacts to client service quality from contracted services

## Other Chapters Included in Detailed Review

- School District Purchase Cards – 67% implemented
- Public Debt – 25% implemented
- Centennial Building – 100% of relevant recommendations are implemented; 3 recommendations no longer applicable after sale of building

# AGNB Unsatisfied with Implementation Rate

- Very unfortunate that recommendations from 4 to 6 years ago remain unimplemented (*see Exhibit 4.3*)
- We observe that, since 1999, an average of 59% are implemented within four years
- We expect implementation of our recommendations

# Significant Theme in AGNB Report

- If government expectations are not addressed consistently, this may lead to unaddressed risks and unintended consequences
- Risks also exist when Crown agencies do not always have a clear mandate or direction for implementing government strategies or policies



# 2021 Report of the Auditor General of New Brunswick

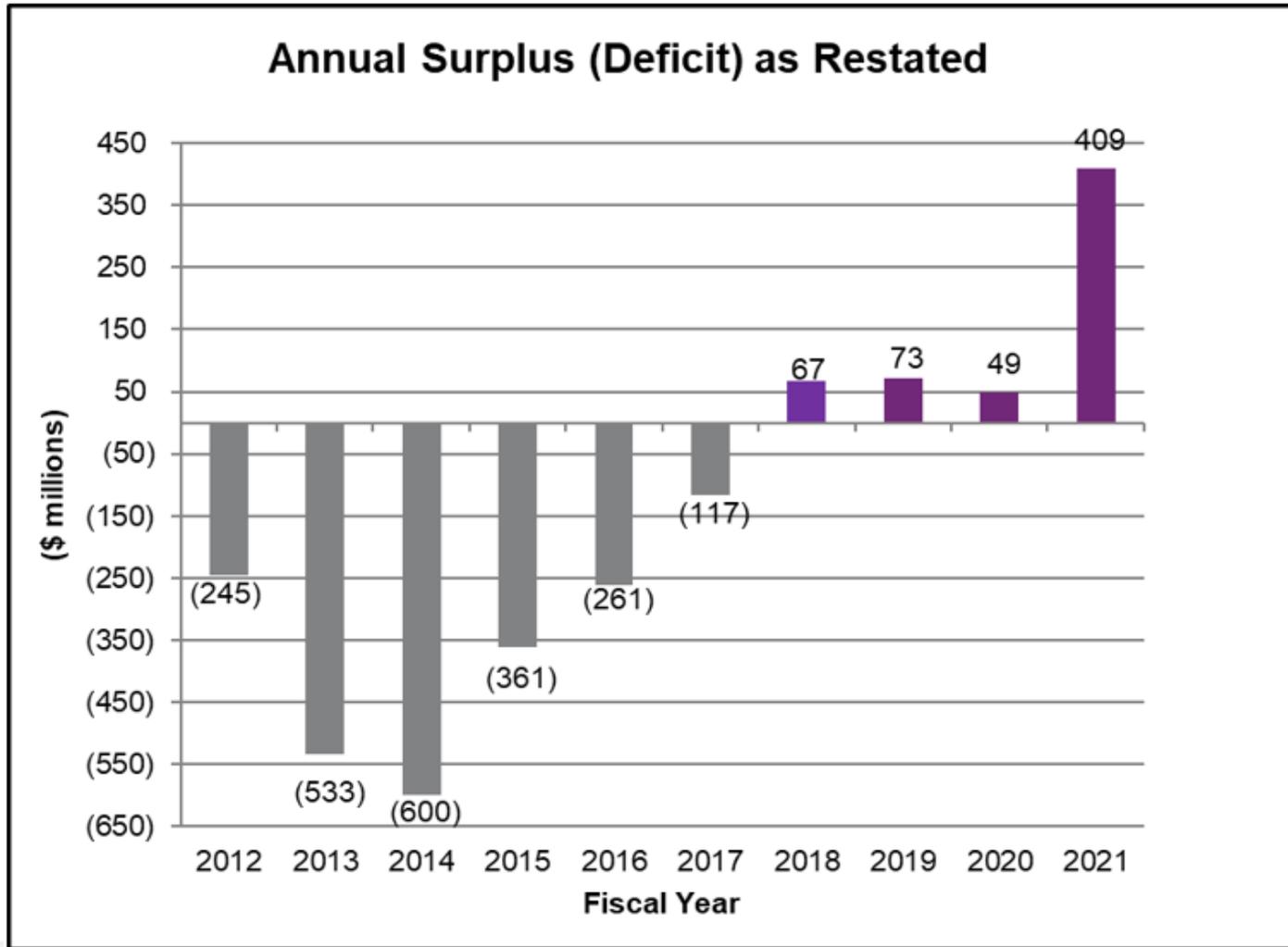
## Volume III – Financial Audit

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# Province's Fourth Consecutive Surplus



# What is Driving the Surplus This Year?

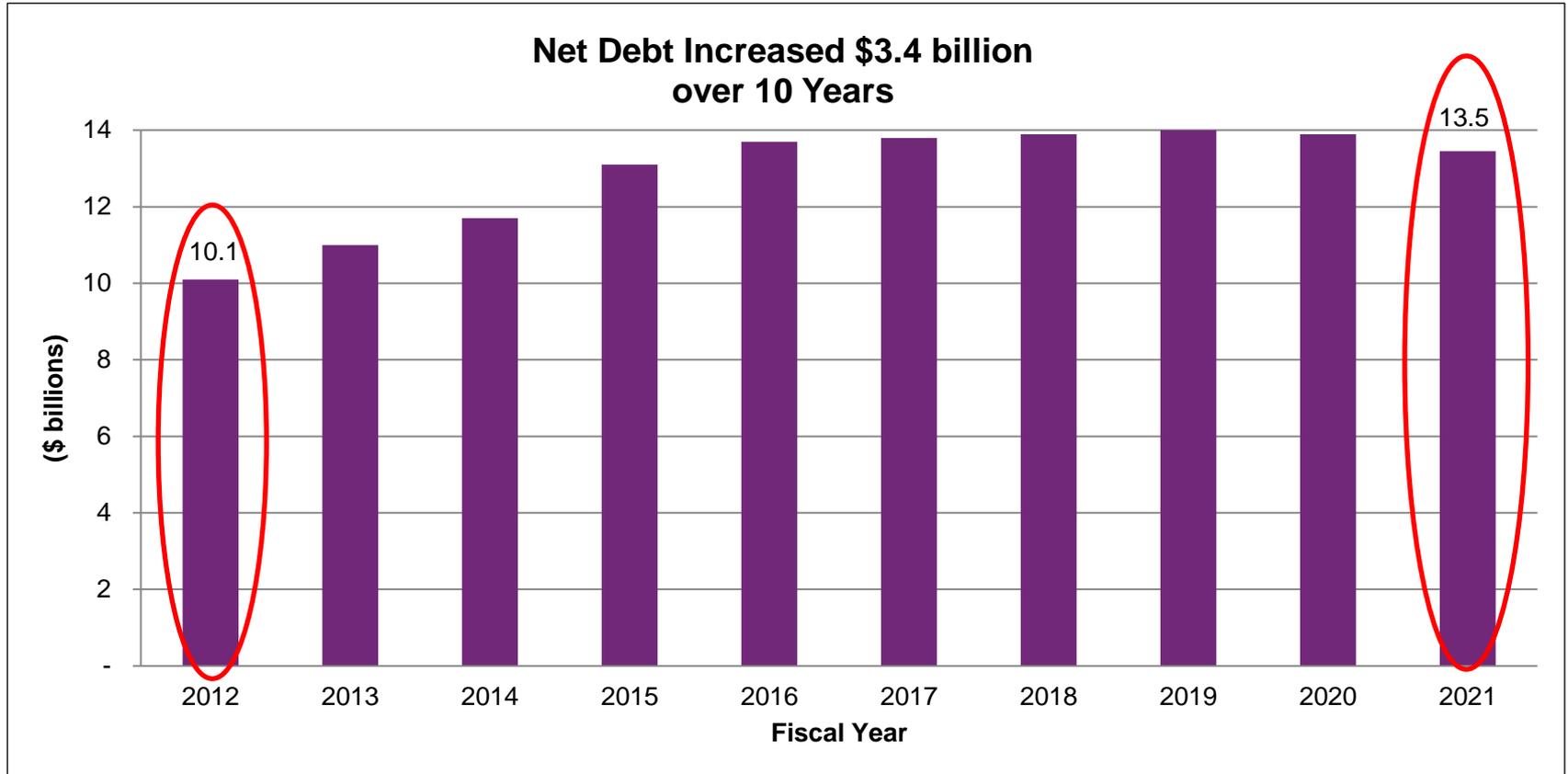
## What Happened Since Last Year?

<b>Fiscal 2020 Surplus</b>	<b>\$49</b>
<b>One-time funding from the Federal government (COVID-19)</b>	<b>+ \$301</b>
<b>Increase in other amounts from the Federal government (fiscal equalization payments)</b>	<b>+ \$192</b>
<b>Decrease in provincial revenue</b>	<b>- \$66</b>
<b>Increase in expense</b>	<b>- \$67</b>
<b>Fiscal 2021 Surplus</b>	<b>\$409</b>

# \$301 Million Federal Funding for COVID-19

- Safe Restart Agreement - \$219 million
- Essential Workers Support Fund - \$42 million
- Safe Return to Class Fund - \$40 million

# Net Debt



- 2021 was the second consecutive year Net Debt has decreased

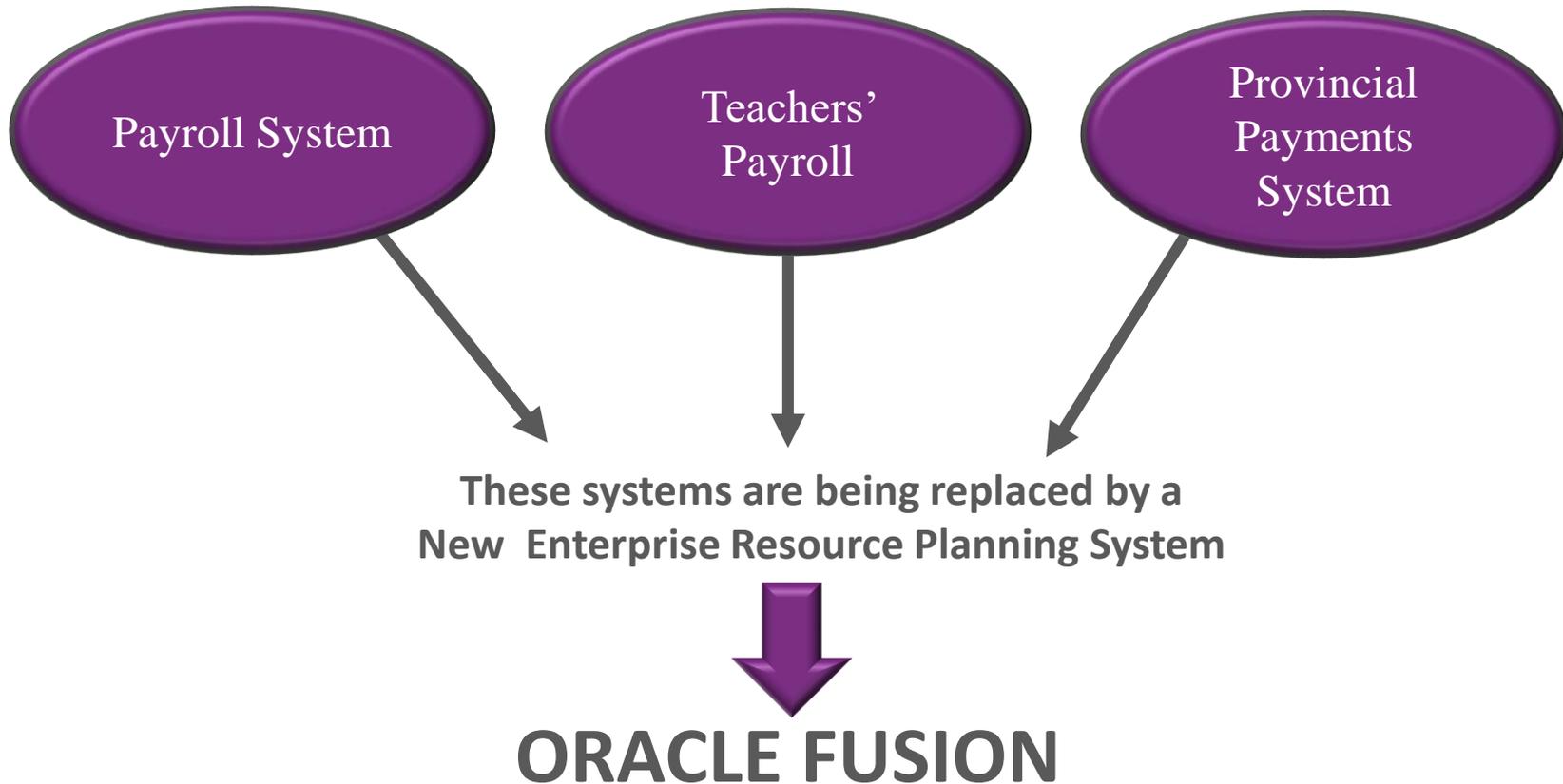
# State of New Brunswick's Financial Condition

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

# Results of our Audit of the Province's Financial Statements

- We remain concerned about NB Power's ability to self-sustain its operations
  - income is near break-even levels
  - 80/20 debt to equity ratio is not met
  - future capital investment required (e.g. Mactaquac)
  - 2020 report concerning NB Power debt
- Restriction on access to Vestcor remains a concern

# Province Has Major Outdated Systems



# Results of Audits of Crown Agency Financial Statements

Recommendations made to:

- Service New Brunswick
  - Risk of fraud
- Opportunities New Brunswick
  - Estimates for uncollectable loans

# Results of Audits of Crown Agency Financial Statements

Recommendations made to:

- New Brunswick Lotteries and Gaming Corporation
  - \$14.7 million in uncollected overpayments to First Nations
- Cannabis Management Corporation
  - Cannabis Education Awareness Fund

# Final Observations

- Improvements are encouraging, but ongoing caution is needed
- For the Province to significantly improve its fiscal situation independently, over the long term, it will need to find a way to restrain spending, consider revenue increases, or a combination of both in the future.

# Questions?