



2016 Report of the Auditor General of New Brunswick

Volumes III & IV

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

Presentation Topics

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





Department of Health Meat Safety – Food Premises Program

Volume III Chapter 2

AUDITOR GENERAL
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Why Meat Safety is Important

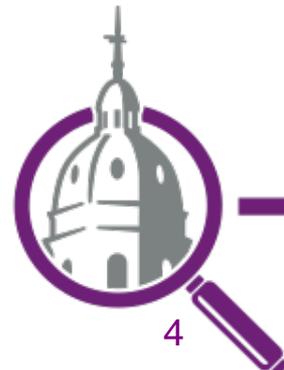
1 IN 8 PEOPLE

(4 MILLION CANADIANS)
GET SICK EACH YEAR FROM
CONTAMINATED FOOD.

OVER 11,500
HOSPITALIZATIONS
AND 240 DEATHS
OCCUR EACH YEAR
DUE TO FOOD-RELATED ILLNESSES.

* Includes both estimates for 30 foodborne pathogens and unknown causes of acute gastrointestinal illness.

- 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)



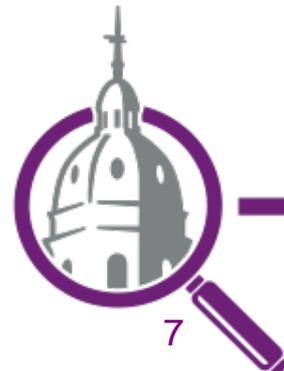
-Restaurants

(where meat is prepared and served for public consumption)

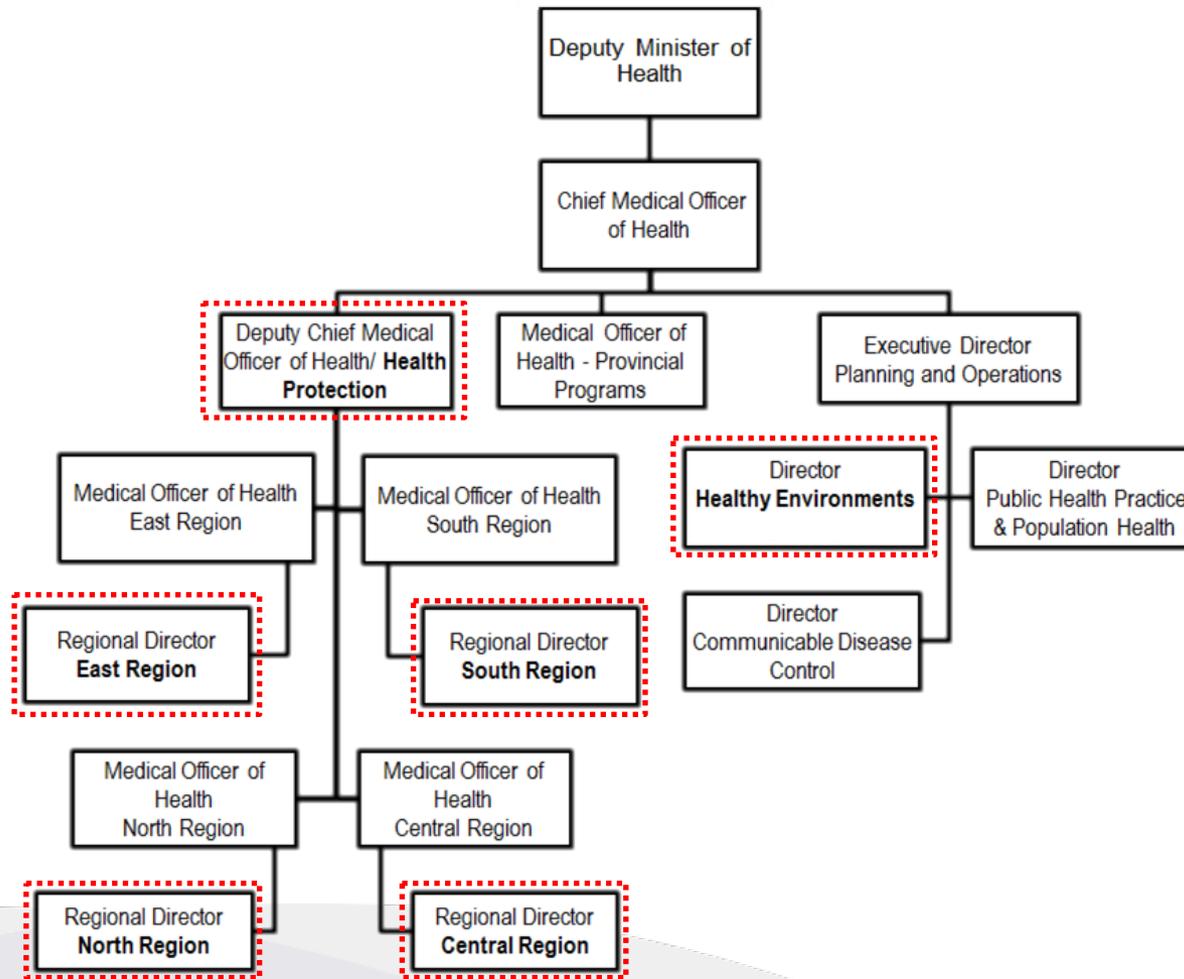


NB Food Premises Program

- 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

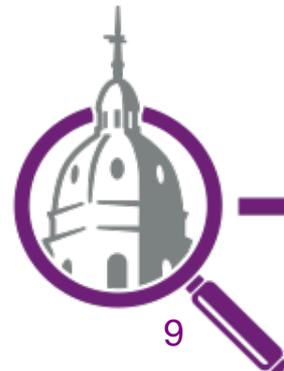


Who is responsible for this program?



Overall Highlights

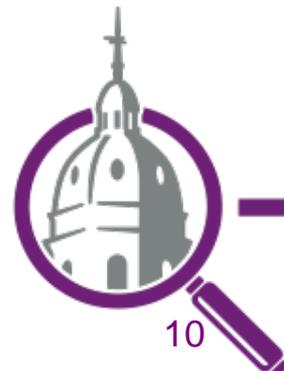
- ✓ **Documented procedures, risk-based** inspection strategy, **inspections** done to monitor operators
- × **Numerous serious deficiencies** identified in the files we tested (quality control lacking)
- × **Unaddressed food safety** risks exist in NB
- × **Stronger enforcement** action needed for operators 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

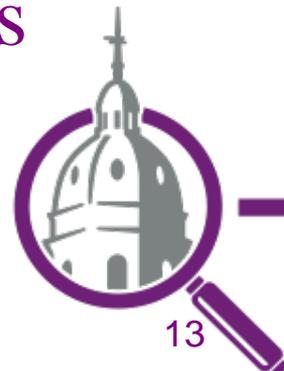
In the Department files we tested:

- × **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)

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

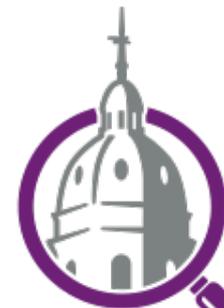


Deficiencies in Inspection Process

Date	Temp	Cooler 1a	Cooler 1b	Cooler 2	Cooler 3
17th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
18th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
19th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
20th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
21st	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
22nd	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
23rd	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
24th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
25th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
26th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
27th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
28th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
29th	Temp AM	2	2	2	2
	Temp PM	2	2	2	2
30th	Temp AM	2	2	3	2

× 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

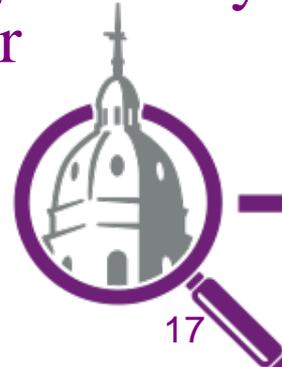


-Bloody and damaged packaging

-Blood on floor

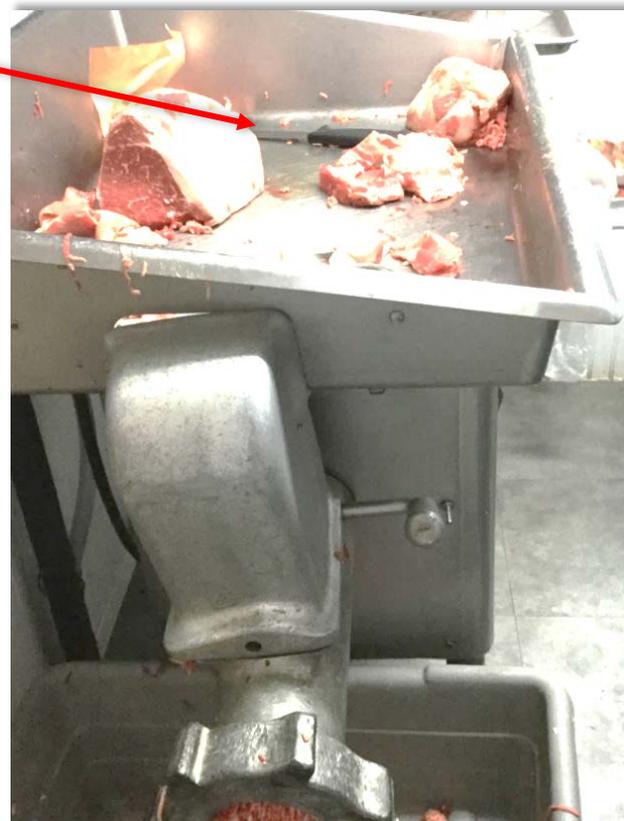
-Meat stored directly on metal shelves

-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



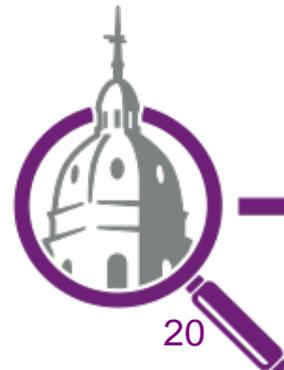
Unaddressed Food Safety Risks

- × 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

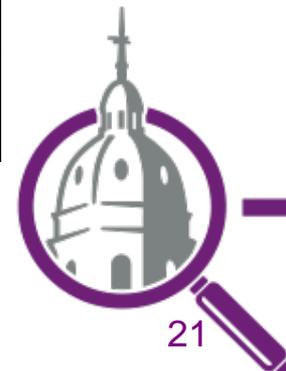
- New Brunswick is only province that does not have a meat inspection program
 - Meat slaughtered in NB is not inspected
 - Dept. estimates this represents 3% of meat consumed in NB
 - Only abattoir (building & equipment) is inspected



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

Food Premises Licences (~4,000)	
Year	Revocations
2015	6
2014	9
2013	8



Penalties for Operators are Minimal

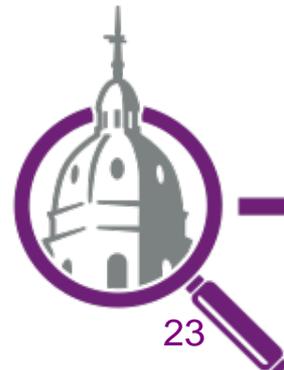
- × Repeat offenders are common
 - 47% of files we tested had a prior revocation
 - One file had 5 revocations and one licence suspension over a 10-year period
- × Operator may lose licence but no fine imposed
- × In many cases, operator reapplies for a licence and resumes business in a few days



Need for Stronger Penalties

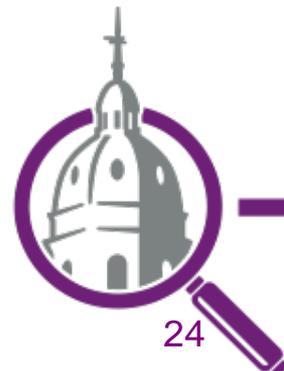
File example:

- 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

Name	Location (Civic #, Street Name, City)	Last Inspection Date (mm/dd/yyyy)	Status	Follow-up Date (When Required) (mm/dd/yyyy)	PDF Report
		10/05/2016	Green		
		11/20/2015	Green		
		02/02/2016	Green		
		11/03/2016	Yellow	11/17/2016	

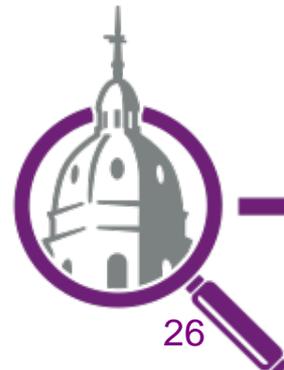
✗ Not all food premises inspection reports posted on Dept. website (daycares, abattoirs, etc.)

✗ 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

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Overall – 63% Implementation

Year	Recommendations				% Implemented *
	Total	Implemented	Agreed/ Not implemented	No longer applicable/ Not determinable	
2014	17	12	5	0	71
2013	44	27	17	0	61
2012	32	19	12	1	61*
Total	93	58	34	1	63*

**Excludes recommendations no longer applicable*



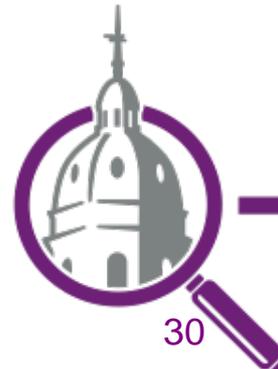
Heat Map – Online Reporting

Legend			
	100% of Recommendations Implemented		50%-74% of Recommendations Implemented
	75%-99% of Recommendations Implemented		<50% of Recommendations Implemented

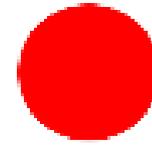
Departments	Report Release Date & Project Name	Year of AG Report		
		2016	2015	2014
Environment and Local Government	(2012) - Solid Waste Commission			
Government Services	(2013) - Procurement of Goods and Services – Phase I			
Health	(2012) - EHealth – Procurement and Conflict of Interest			
	(2012) - Medicare – Payments to Doctors			

Heat Map found at the following link:

www.agnb-vgnb.ca/content/agnb-vgnb/en/publications/follow-up.html



Medicare – Payments to Doctors (2012)



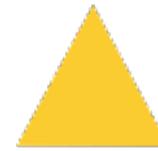
<50% of
Recommendations
Implemented

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)



75% - 99% of
Recommendations
Implemented

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)



50% - 74% of
Recommendations
Implemented

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)



50% - 74% of Recommendations Implemented

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)



50% - 74% of
Recommendations
Implemented

- × 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)



CMHC Social Housing Agreement (2011)



50% - 74% of
Recommendations
Implemented

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



Financial Assistance to Atcon and Industry (2015)

- 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

AUDITOR GENERAL
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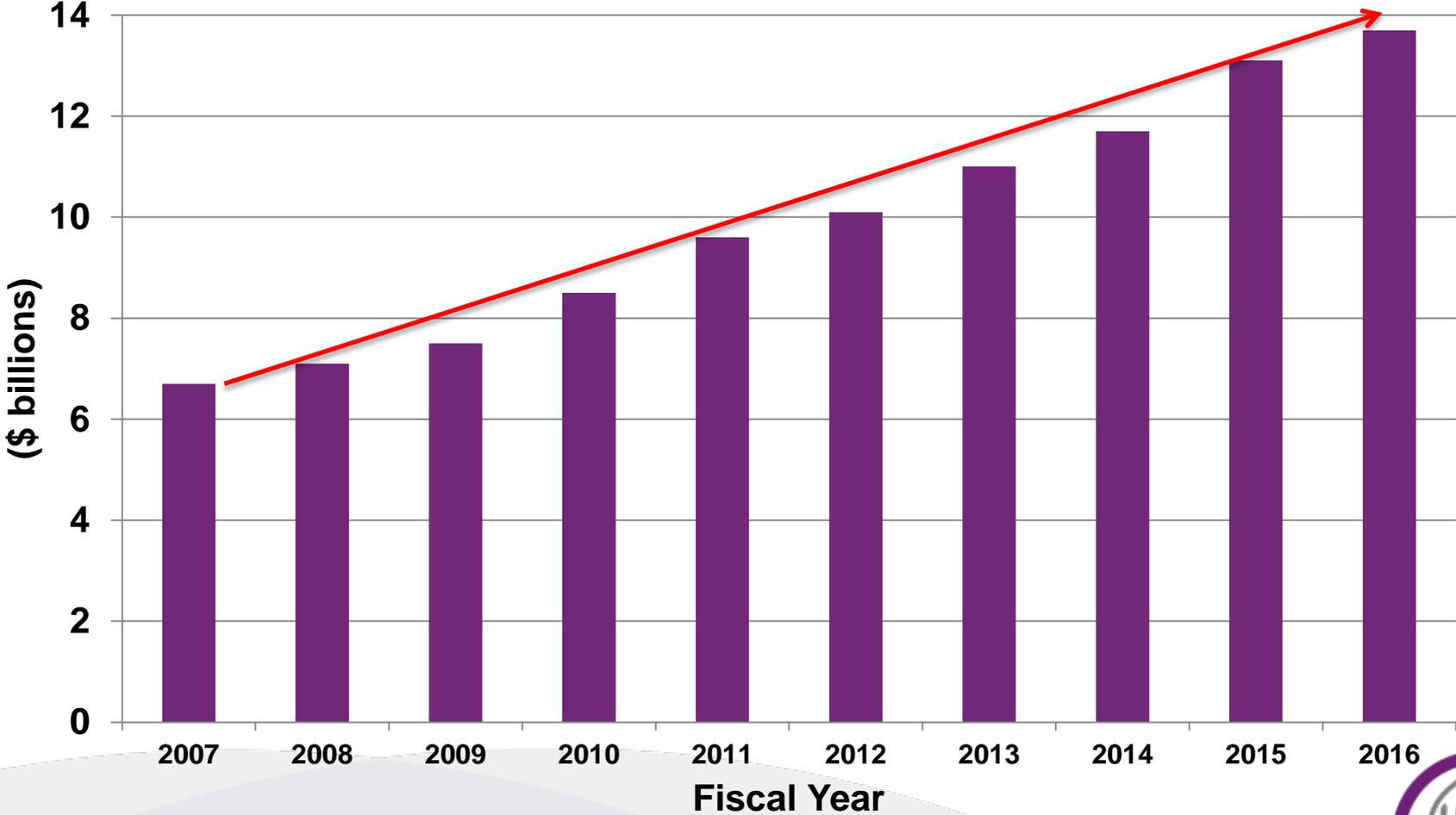


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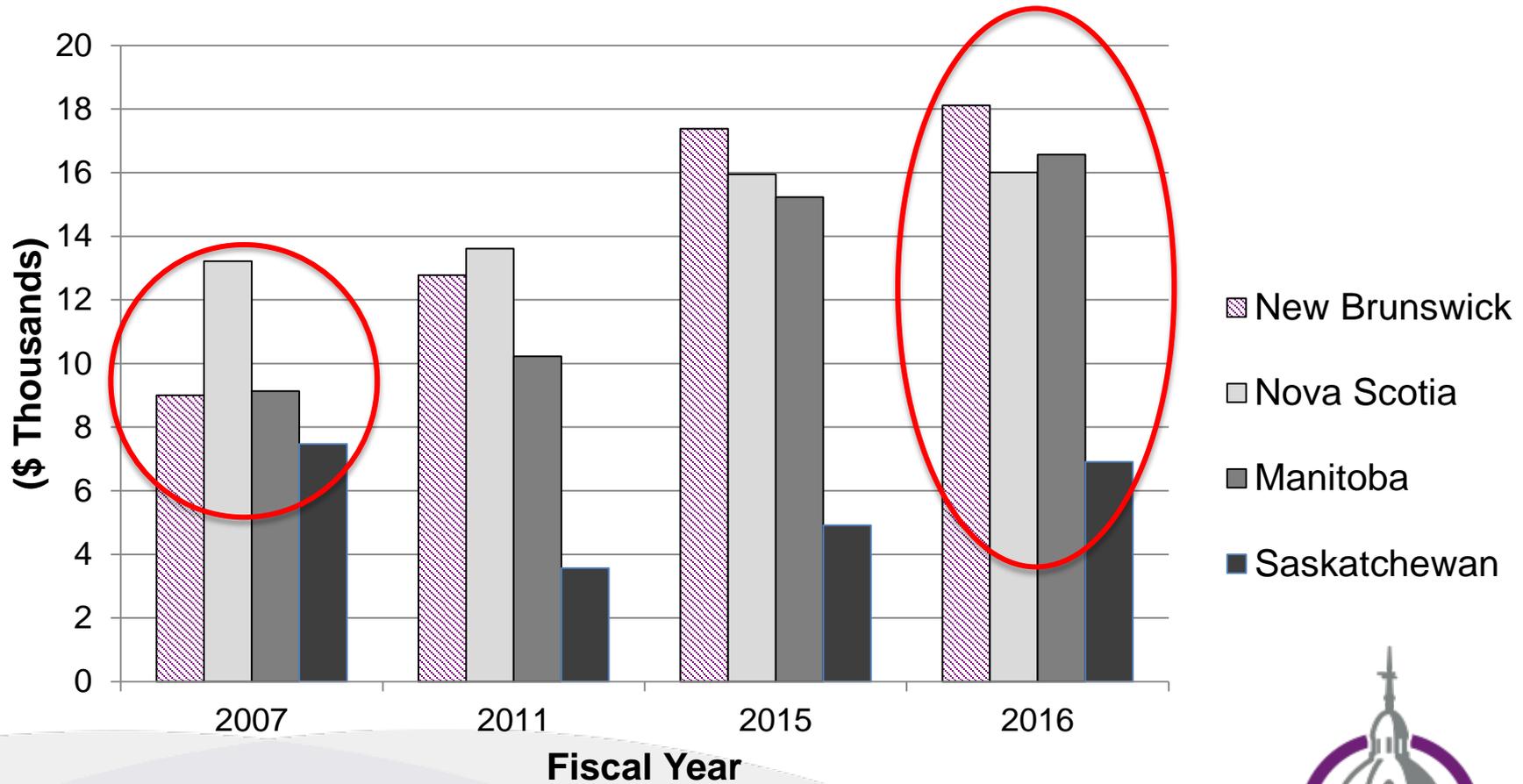
Province of New Brunswick Annual Surpluses & Deficits



Province of New Brunswick Net Debt

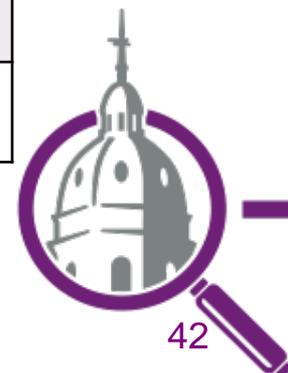


Net Debt Per Capita Comparison to Other Provinces of Similar Size



Sustainability Indicators of Financial Condition

Indicator	Short-term Trend	Long-term Trend
Assets-to-liabilities	Unfavourable	Unfavourable
Financial asset-to-liabilities	Neutral	Unfavourable
Net Debt-to-total annual revenue	Unfavourable	Unfavourable
Expense by function-to-total expenses	Neutral	Neutral
Net Debt-to-GDP	Unfavourable	Unfavourable
Accumulated deficit-to-GDP	Unfavourable	Unfavourable
Total expenses-to-GDP	Favorable	Unfavourable





Financial Statement Audit of Province of New Brunswick (PNB) – March 31, 2016

Volume IV Chapters 3 & 4

AUDITOR GENERAL
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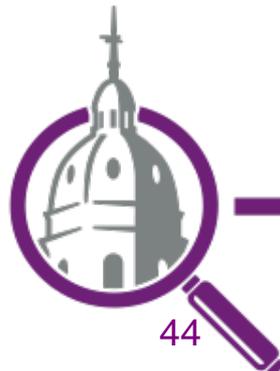


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Highlights

Financial Statement Audit for PNB

- Clean audit opinion signed Sept 27, 2016
- Nursing homes now included in financial statements
- New audit committee created

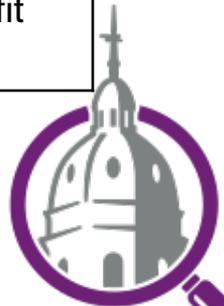


Accounting for Pensions - What Changed?

The Province changed its accounting policy

Shared risk pension plan	Province's 2015 accounting treatment	Province's 2016 accounting treatment*
Public Service (PSSRP)	Defined contribution	Defined Benefit
Teachers' (NBTPP)	Defined contribution	Joint Defined Benefit
Canadian Union of Public Employees of NB Hospitals (H-CUPE)	Defined contribution	Joint Defined Benefit
Certain Bargaining Employees of NB Hospitals (H-CBE)	Defined contribution	Joint Defined Benefit

*Matches AGNB 2015 & 2016 recommendations

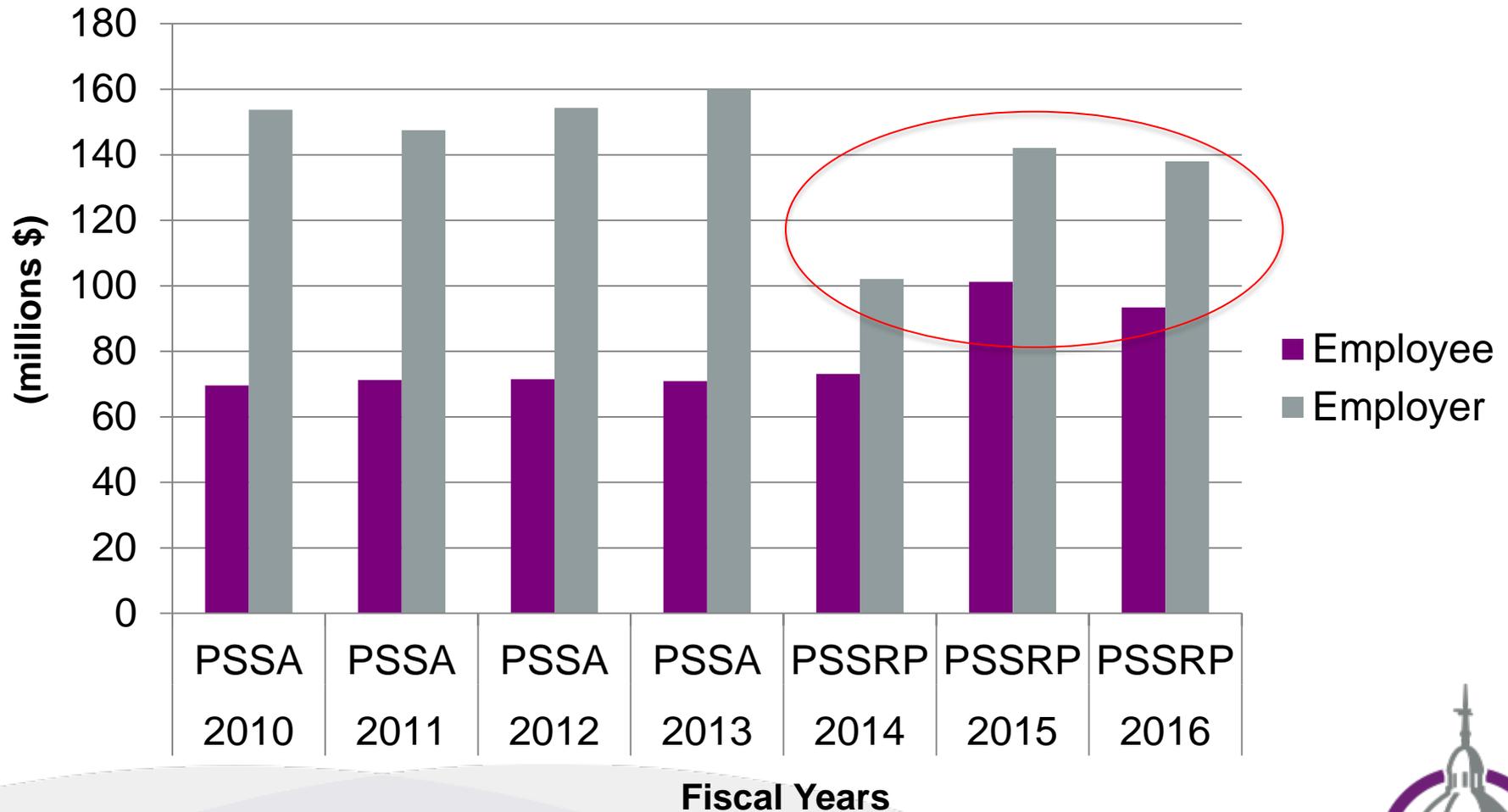


Accounting for Pensions - What Changed?

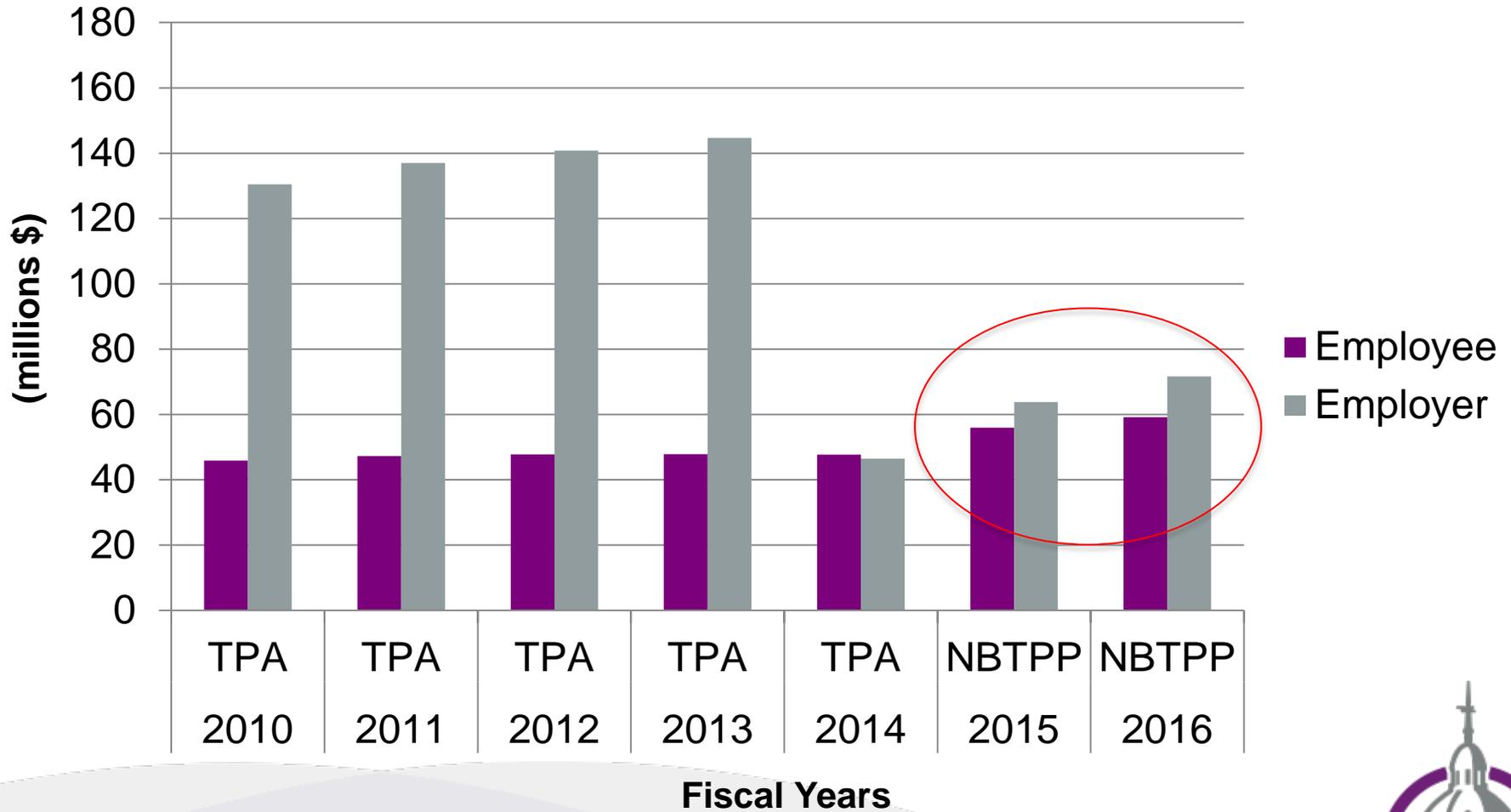
- New info. obtained that was not available in the prior year
- New audit committee to discuss significant audit issues
- Discussed seriousness and consequences of the pension accounting classification issue
- Opening deficit, net debt, liabilities increased by \$224 million



Pension Plan Contributions - Public Service



Pension Plan Contributions - Teachers



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

Fixed Assets	Liabilities / Debt
\$490 million	\$593 million

Revenue	Expenses*
\$85 million	\$60 million

**This is in addition to ~\$300 million of nursing home expenses already recorded*



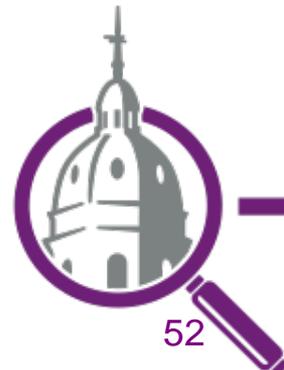
Response From Nursing Homes

- 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

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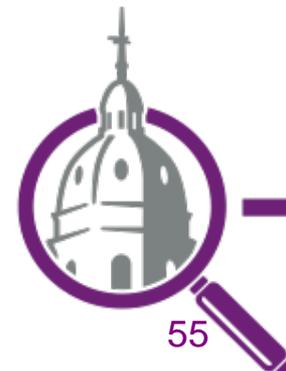
14 Financial Audits of Crown Agencies

- 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

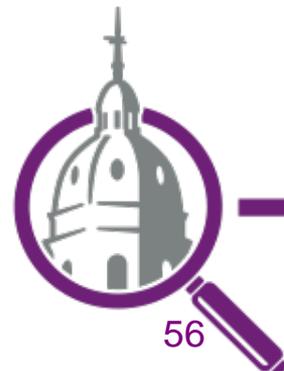
Theme of audit findings for Crown agencies	# of audits where finding was observed
Accounting concerns	9
Financial Management / Cash concerns	8
Oversight/governance concerns	6



Financial Management & Cash Concerns

Findings in 8 Crown agencies included:

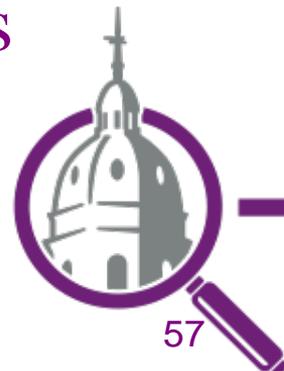
- Lack of proper procedures for safe guarding of cash
- Insufficient management of inventory
- Delays in implementing investment policies
- Lack of approval of budgets used for comparison purposes in the audited financial statements
- Payment of duplicate invoices



Oversight & Governance Concerns

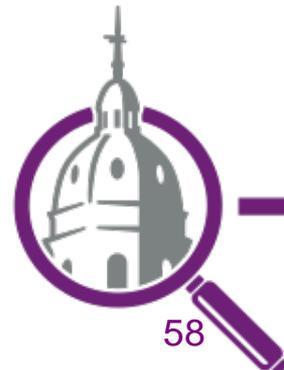
Findings in 6 Crown agencies:

- 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



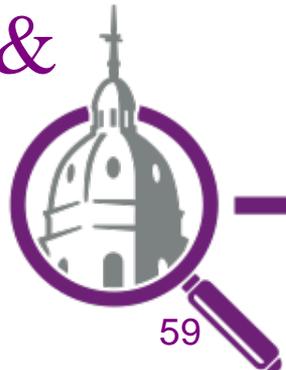
Other Comments

- 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?

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