



2018 Report of the Auditor General of New Brunswick

Volume I

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

Presentation Chapters

- Addiction and Mental Health Services in Provincial Adult Correctional Institutions
- WorkSafeNB Phase I – Governance
- Auditor General Concerns: New Brunswick's Fiscal Decline Continues
- Auditor General's Office: AG Independence Eroded Due to Lack of Resources



Addiction and Mental Health Services in Provincial Adult Correctional Institutions

Departments of Health and Justice and Public Safety

Volume I Chapter 3

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Objective of our Audit

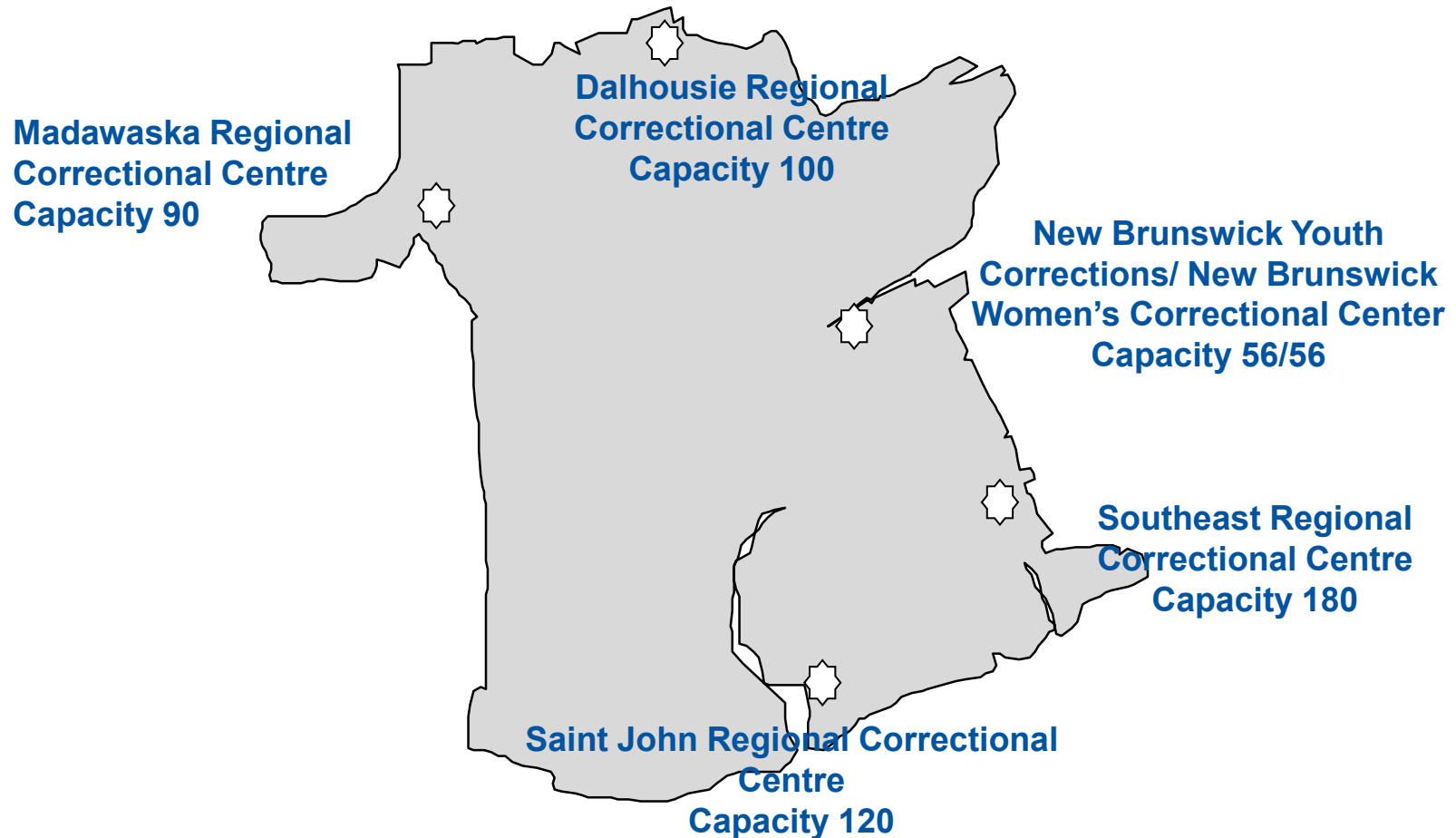
To determine if the Department of Health and the Department of Justice and Public Safety (the Departments):

- Deliver addiction and mental health services to provincial correctional institution inmates to improve health outcomes and contribute to safer communities.

Overall Highlights - *Addiction and Mental Health Services in Provincial Adult Correctional Institutions*

- Inmates are released back into communities without being adequately treated
- No clear roles and responsibilities
- No mental health or addiction screening and assessment
- Lack of treatment for inmates
- Care ends when incarcerated

5 Provincial Correctional Institutions



New Brunswick Corrections Branch

(NB Corrections)

Most common reasons for incarceration in provincial institutions:

- Theft under \$5,000
- Breaching court order or conditional sentence



Southeast Regional Correctional Center - Shediac, NB

76 days

Average period in custody in NB

\$66,000

Average cost in NB per inmate per year

500 People

in custody at any given point in time

Mental Illness in Canada

20%

of Canadians are affected
by mental illness annually

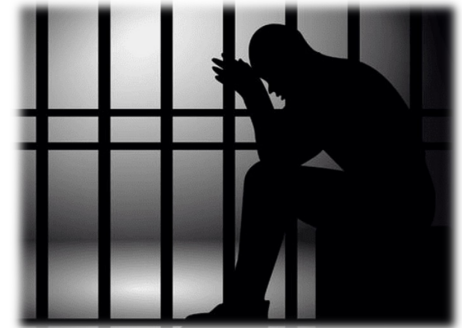


3x More
Likely

to have illicit drug problems
if affected by mental illness

70%

of inmates suffer addiction
and mental health issues



Strategic Plans

Mental Health Strategy for Corrections in Canada

- Framework, principles and outcomes for addiction and mental health service delivery

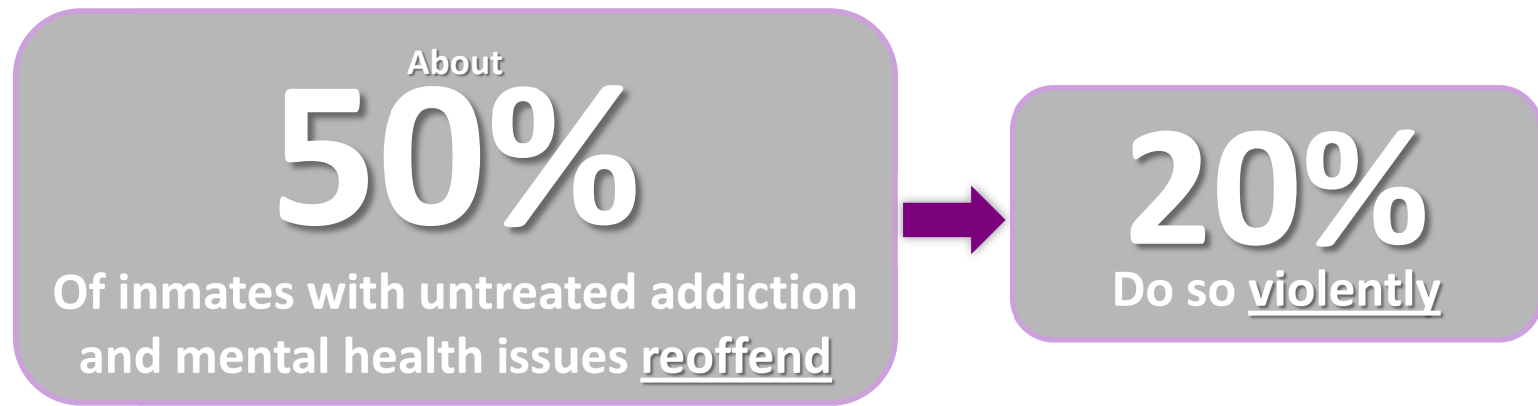


Action Plan for Mental Health in NB 2011-2018

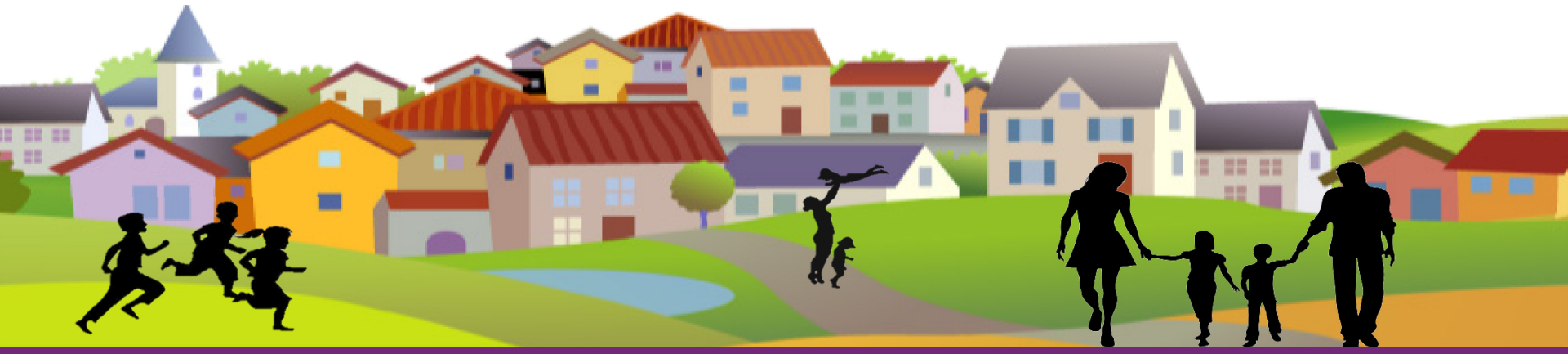


- NB strategy on mental health services in correctional institutions
- Was created using the McKee Report recommendations from a 2009 task force

Why This is Important



Inmates are released back into communities without being adequately treated



Case Example

Appendix III

- Examples of cases which lead to cycles of segregation and re-incarceration.
- Inmate B, page 120

Conclusions

- **Responsibilities in providing addiction and mental health services** in provincial adult correctional institutions **are not clearly defined.**

The Departments:

- **Do not deliver these services to adult inmates**, to improve health outcomes and contribute to safer communities
 - **Services provided are reactive** and limited to stabilizing and easing symptoms
- **Do not have policies and protocols for the delivery** of these services in the provincial correctional system

Key Findings

- Roles & Responsibilities
- Screening & Assessment
- Treatment
- Continuity of Care

Roles & Responsibilities

Confusion & Misunderstanding Among Entities

- **Legislation is silent on which entity is responsible** for providing addiction and mental health services to provincial inmates.

We found there is:

- No entity mandated to provide these services
- No defined roles and responsibilities
- No service delivery model / framework
- No monitoring or performance measurement

International Trend to Shift Responsibility

- Healthcare in correctional institutions is shifting to health authorities and ministries in:
 - England, Wales, France, Norway and the state of New South Wales in Australia
- In Canada, BC and NL have made or are initiating legislative change to this effect
- However, healthcare in a prison environment is complex, and must work in conjunction with safety and security constraints

Collaboration Needed Between Depts.

- Data on mental health issues in NB's criminal justice system is poor
 - E.g.: Not possible to determine how many inmates admitted with schizophrenia
- Almost 10 years ago, McKee report recognized need for integrated data systems to expedite information sharing
 - However, this was never implemented.

Screening & Assessment

Upon incarceration / admissions process

Mental Health Screening & Assessments

- Screening & assessment can help identify previously undiagnosed mental health issues
- A treatment plan can then recommend the appropriate type of support
- Potential problems can be addressed before posing a risk



Mental Health Screening Not Meeting Standards



- We found NB Corrections **has not incorporated nationally accepted practices** for screening and assessments into their admissions processes.
- Screening is not being used to flag potential mental health issues for further in-depth assessment.
- Nursing staff do not have access to mental health databases

Treatment

New Brunswick Among Least Effective in Canada in Providing Treatment to Inmates

Many jurisdictions we reviewed:

- Have dedicated mental health and addiction staff
- Provide treatment services inside correctional institutions

For New Brunswick we found:

- Such services are not provided
- The departments do not provide treatment services to meet long-term addiction and mental health needs of inmates

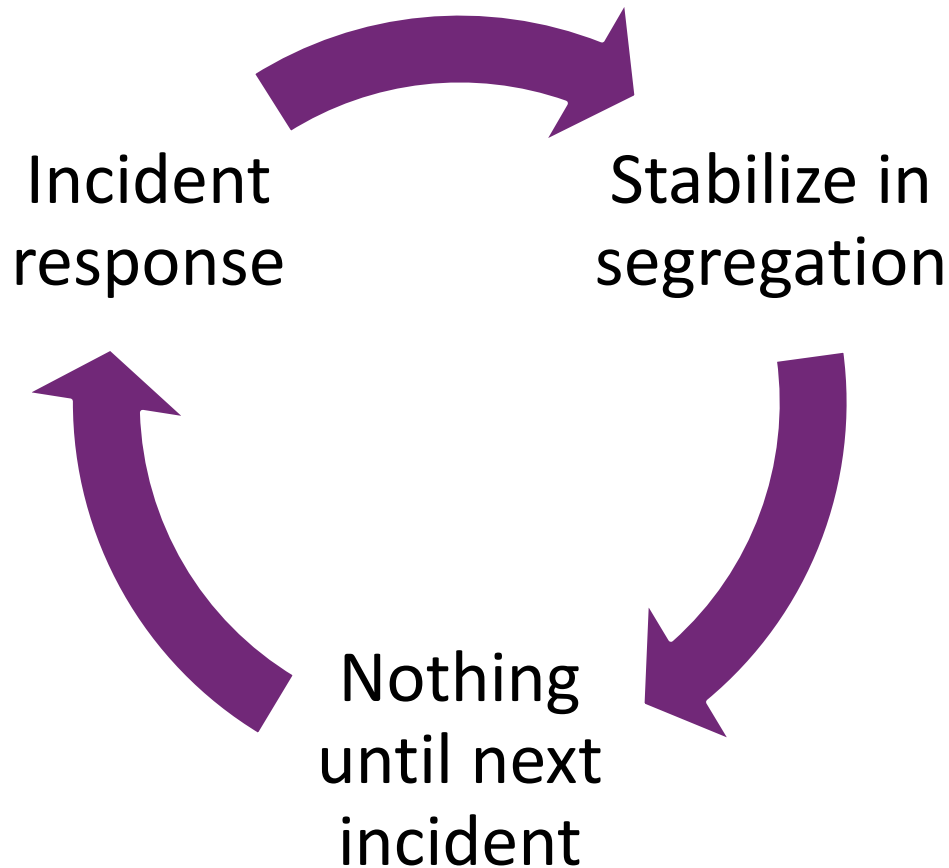
Case Example

- **Inmate D**
- Appendix III, page 121

Lack of Treatment Options Available

- Counselling and therapy services are not available
- Emergency mental health services are not consistently available in all regions
- Some drugs and narcotics are prescribed, but inconsistently between institutions
- Intervention sometimes come from informal networks, but is inconsistent and unsustainable

Treatment Process is Reacting to Incidents and not Improving Outcomes



Segregation Without Mental Health Supports

- We found cycles of segregation occurring with mentally ill inmates
 - Incidents of segregation for **several months**
 - Further aggravating individual's state of mental health



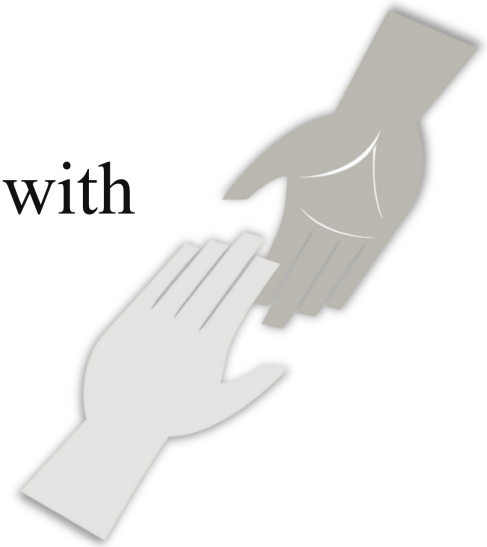
No Access to Addiction Services

- Inmates suffering from addictions and substance abuse must wait until released before beginning treatment
 - However, with their basic needs being met in custody, inmates are in a better position to respond to addictions interventions
- Corrections staff requested Regional Health Authority (RHA) addictions staff provide sessions to inmates, but this has not occurred



Inmates Fear if They Are Denied Help They Will Likely Reoffend

- We found inmates have asked for help with addictions while in custody
- They recognize if released without treatment they:
 - May pose a risk to themselves and the public
 - Will most likely reoffend in order to obtain drugs



Continuity of Care

Before, during and after custody

Discontinued Treatment Plans

- We found addiction and mental health services are **severely disrupted** and **often discontinued** when individuals:
 - Transition in and out of custody
 - Transferred between institutions



Released Into Community in Worse Condition

Cases of prescribed medication denied in correctional institution, example:

- Individual's medications for attention deficit disorders were not continued upon transfer (from Fed. To Prov.)
- Condition worsened and behavioural issues re-emerged
- Led to incidents and segregation
- Released into the community in worse condition than when admitted



Factors Contributing to Service Disruption

- Silo nature of government services along department and organizational boundaries
- Differences in policies, protocols and treatment practices
- Lack of timely sharing of information
- Community mental health service providers do not visit institutions to offer or continue treatment
- Transportation & security logistics prevent inmates from visiting community clinics

AGNB Recommendations

16 recommendations:

- 4 - Department of Justice and Public Safety
- 2 - Department of Health
- 10 - Both departments



WorkSafeNB

Phase I – Governance

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Objective of the Audit

- To determine if the WorkSafeNB governance framework is structured to enable the organization to meet its mandate, goals and objectives.

Overall Highlights - WorkSafeNB

Phase I – Governance

- Government diminished WorkSafeNB's independence and impacted operations
 - Issues with board chair appointment process
- Board practices require improvement
- WorkSafeNB strategic plans need improvement
- Compensation and benefits not aligned with government expectations

Why This Audit is Important

- Strong governance is vital given WorkSafeNB's social and financial responsibilities to New Brunswick's injured workers, its workforce and employers.
- WorkSafeNB operations affect benefits, employer costs and the sustainability of the workers' compensation system
- Board of directors has faced increasing and conflicting pressures from stakeholders

Why This Audit is Important - *Continued*

- WorkSafeNB manages about **\$1.6 billion in total assets**
- Provided nearly **\$400 million in annual benefits** to injured workers in 2016
- However, it also had a **\$111 million deficit** in the same year

Background - WorkSafeNB

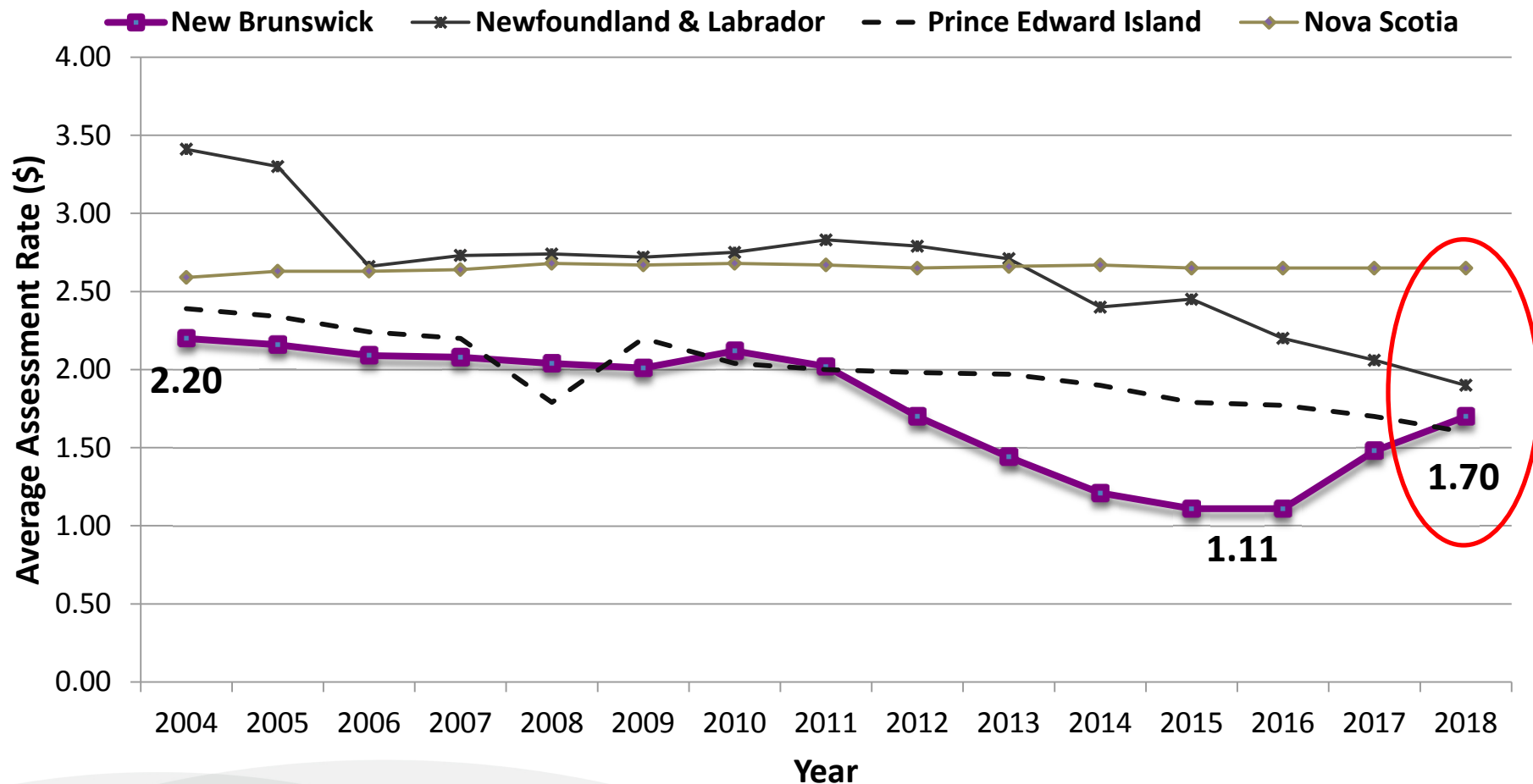
- Crown corporation with over 450 employees
- Submits reports to the Minister of Post-Secondary Education, Training and Labour
- Governed by a board of directors
- Oversees provincial Acts which govern:
 - Workers' compensation
 - Occupational health and safety



WorkSafeNB is Funded by Employers

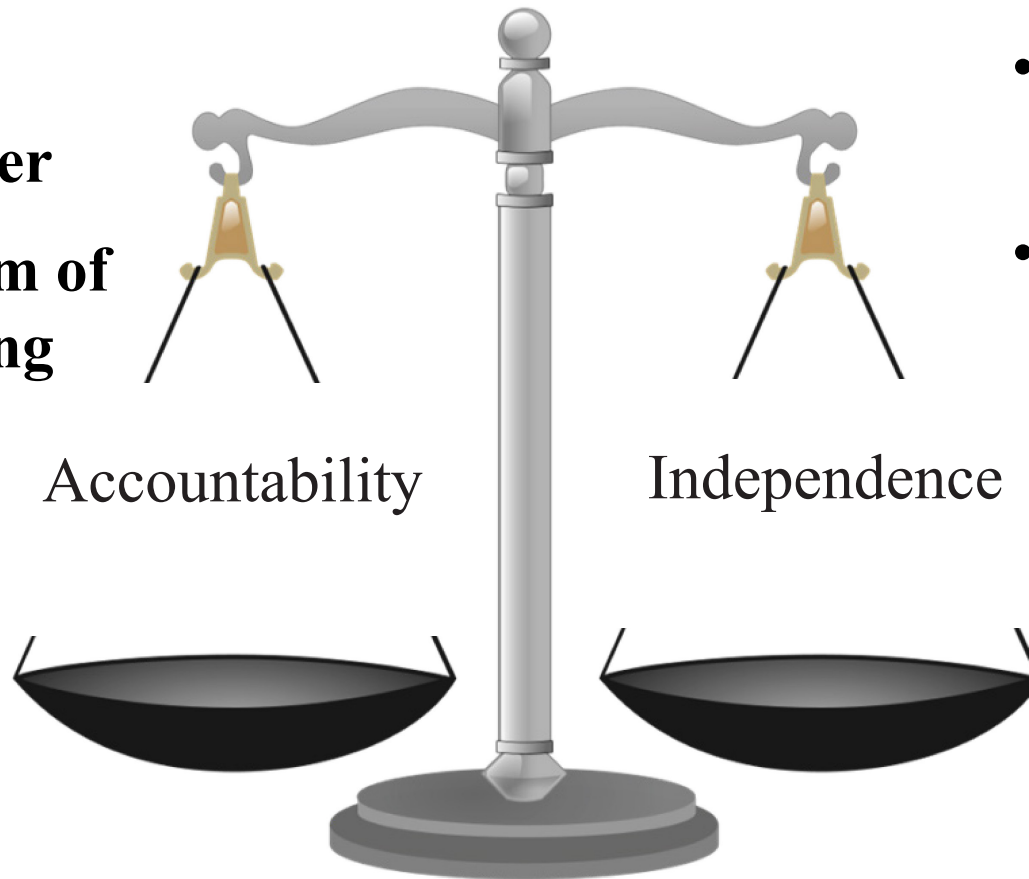
Rate Typically Lowest in Atlantic Canada

15 Year Comparison of the Average Assessment Rate (\$/\$100 payroll)



Oversight and Governance of a Crown Agency

- **Acts**
- **Mandate letter**
- **Memorandum of Understanding (MOU)**



- **Board of Directors**
- **Operate at arms-length from gov.**

Overall Conclusions

- We have concluded that both government and board oversight practices have **weakened WorkSafeNB independence** and **impacted board effectiveness**.
- The board appointment process controlled by government has **impeded WorkSafeNB operations**, hindered board governance and ultimately increased costs.
- While the WorkSafeNB board of directors has adopted some governance best practices, others are yet to be fully implemented.

Key Findings

- Government oversight of WorkSafeNB
- Board governance
- Strategic planning
- WorkSafeNB compensation and expenses

Government Oversight of WorkSafeNB

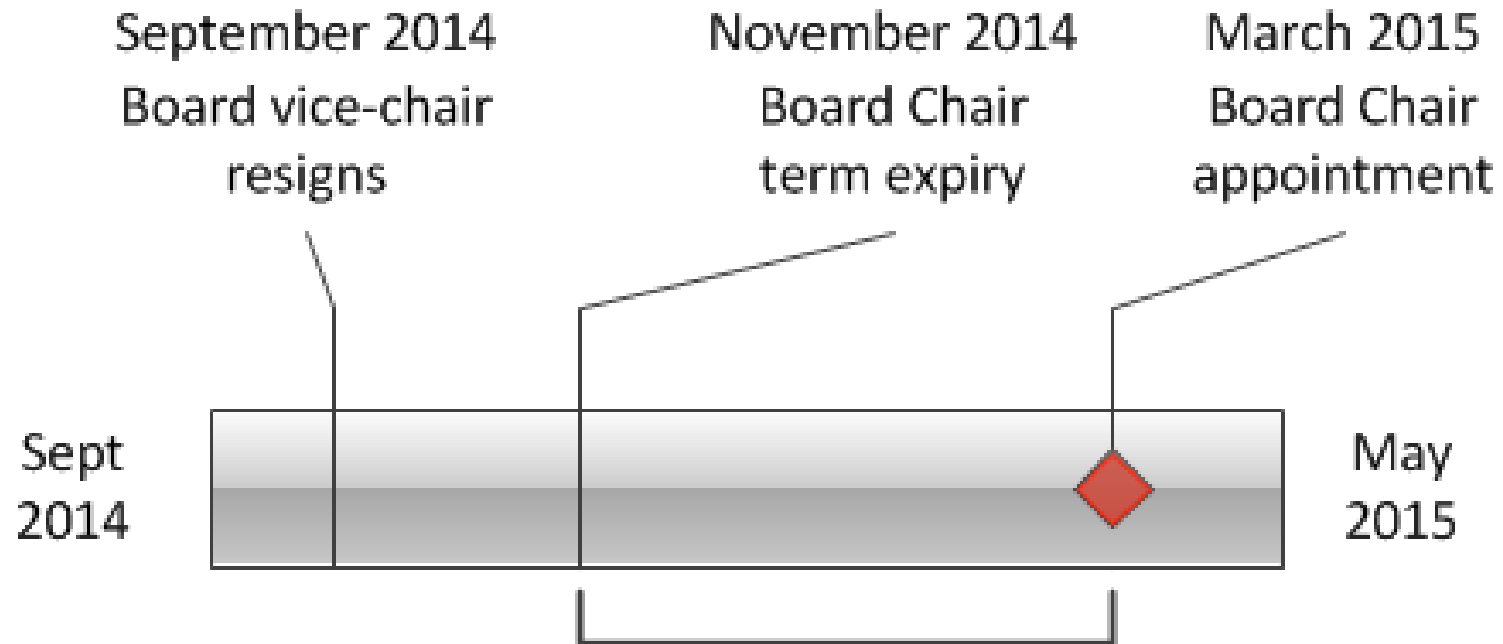
Department Mandate Letter

- Department issued mandate letters to WorkSafeNB that included ambiguous requirements and could increase costs

The Department is not:

- Monitoring WorkSafeNB performance in meeting mandate letter requirements and expectations
- Compliant with *Accountability and Continuous Improvement Act*.

Board Operations Impeded by Government Delay in Appointment of Board Chair



November 2014 – March 2015

No Board Decisions

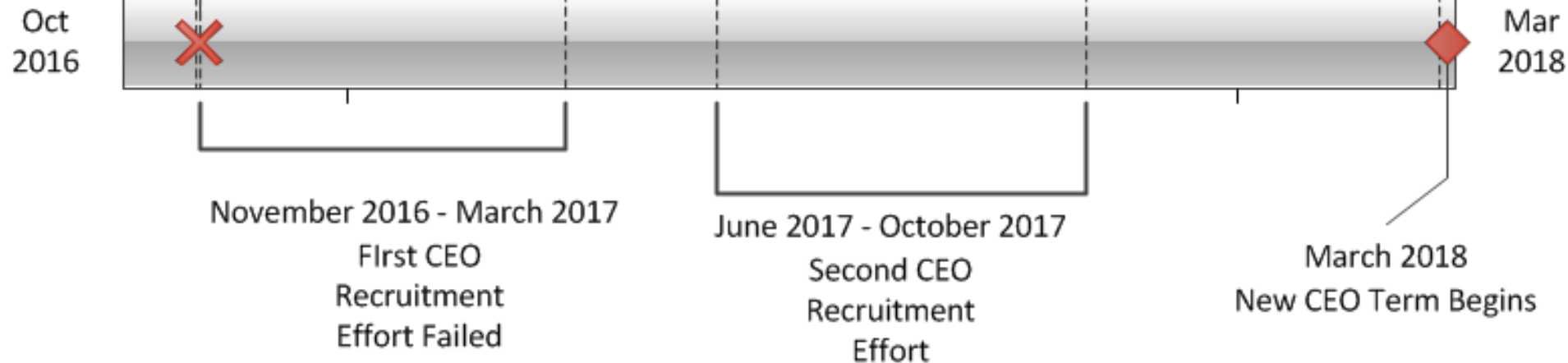
Delays in CEO Appointment Impacted WorkSafeNB Operations

November 2016

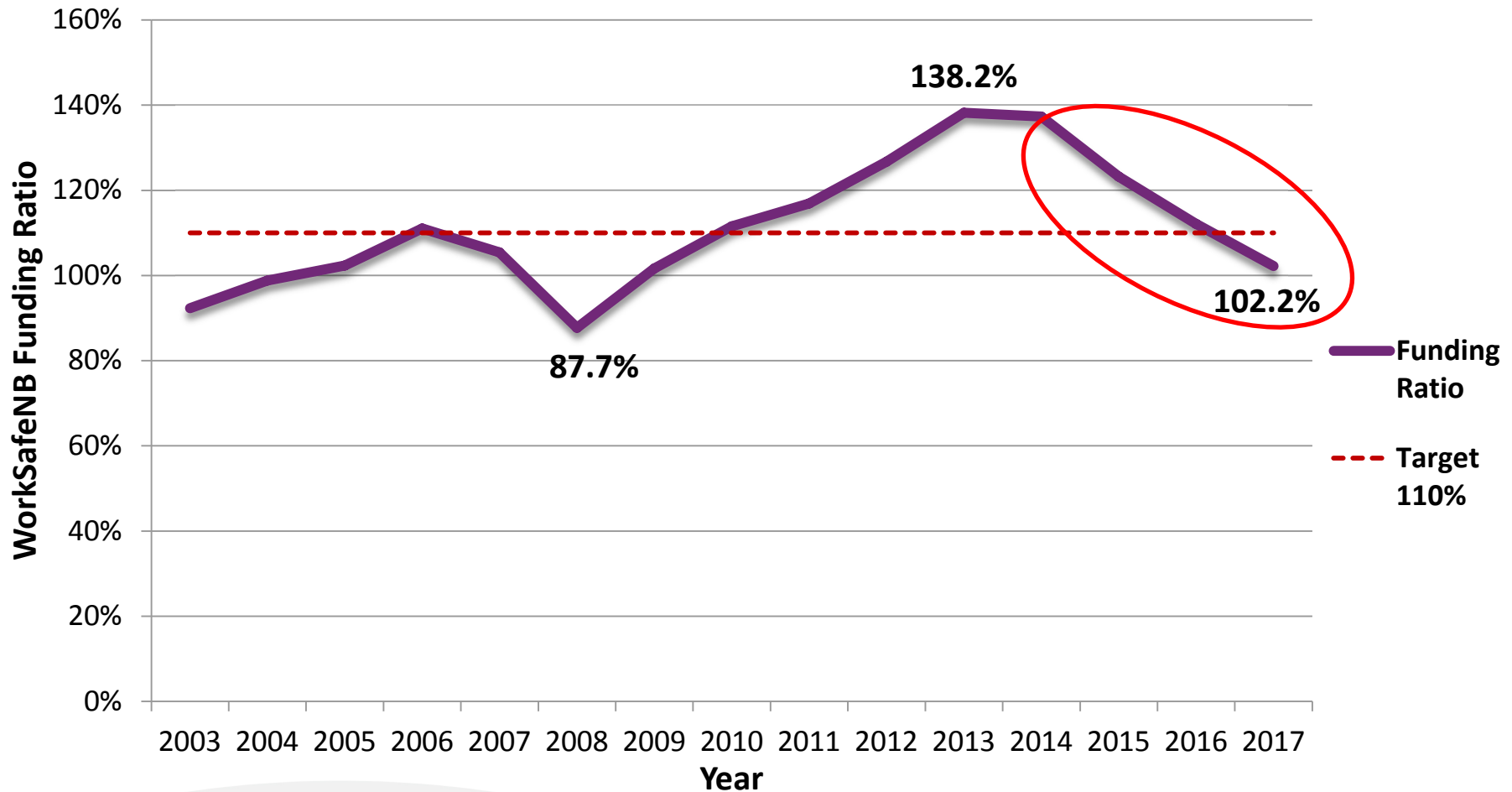
Former CEO on Administrative Leave
after Government Rejected Board
Recommendation to Extend Term

October 31, 2016 - March 25, 2018

No Permanent CEO for nearly 17 months



Key Positions Vacant During Period of Change for WorkSafeNB - 15 Year History of Funding Ratio



Issues With Board Chair Appointment Process

- We found significant issues regarding government's handling of the 2015 board chair appointment process
- The board chair appointment:
 1. Represented a perceived conflict of interest
 2. Did not follow government policy
 3. Was not compliant with the act

1. Board Chair Appointment Resulted in a Perceived Conflict of Interest

We believe:

- Appointment of senior civil servant as board chair while employed by the governing department of a Crown corporation **represents a perceived conflict of interest**
- This 2015 appointment represented a **threat to WorkSafeNB's independence**
- It was possible the **Department could influence WorkSafeNB operations** through the board chair

2. Government did not Follow Policy in Appointing Board Chair

- Government appointed the board chair directly
 - Did not to select from the Agencies, Boards and Commissions (ABC) applicant list
 - Documentation we reviewed did not provide specific rationale for this decision
- We believe government appointments should be timely, open and transparent

3. Government Did Not Follow Legislation When Appointing Board Chair

- We found government appointed a **full-time** Board Chair
 - However, Act states board members shall serve **part-time**
- In our view, none of the requirements we reviewed clearly justified the need for a full time chair.

Board Governance

Board Governance Improvements Required

- Board has developed and implemented some best practices
- However, during our audit only 4 of 12 board practices we evaluated followed best practices

Examples:

- WorkSafeNB has not developed a board or CEO succession plan.
- Board appointments are not staggered to ensure board continuity

Strategic Planning

Strategic Plans Should Improve

- WorkSafeNB strategic plans are inconsistent and incomplete
- Gaps exist between strategic plans and Department expectations
- Strategic goals did not always have performance targets
- Difficult to assess if WorkSafeNB was successful in achieving strategic goals without targets

Inadequate CEO Performance Evaluation

- We found the board had no performance expectations and inadequate performance evaluation for the CEO
- CEO is critical link between board's oversight activities and the operations of WorkSafeNB
- CEO performance expectations should be documented and linked to WorkSafeNB strategies

WorkSafeNB Compensation and Expenses

WorkSafeNB Board Expenses

- Board chair costs have risen significantly to about \$150,000, triple the 2014 amounts
 - Due to full time compensation
-
- In contrast, board per diem compensation unchanged since 1994
 - No significant issues with board per diem payments in 2015 and 2016

WorkSafeNB Compensation not Aligned with Government Expectations

Government expected WorkSafeNB compensation and benefits be comparable to Part I of NB public service

- WorkSafeNB did not include NB public service as a benchmark during compensation review
- New compensation model did not meet government expectation but board approved new model
 - Benefited management and professional positions
 - Estimated compensation increase of \$385,000

WorkSafeNB Executive Compensation

Exceeds NB Public Sector & Mandate Letter Expectations

- **WorkSafeNB CEO** compared to Deputy Minister II
 - CEO earns 40% to 42% more compensation
- **WorkSafeNB VP** compared to Public service band 12
 - VP earns 18% to 34% more compensation
- Annual pay increase are not merit based
- Benefits also more generous

AGNB Recommendations

18 recommendations:

- 7 - WorkSafeNB Board of Directors
- 5 - Department of Post-Secondary Education, Training and Labour (PETL)
- 4 - WorkSafeNB
- 1 - Executive Council Office & PETL
- 1 - WorkSafeNB Board of Directors & PETL



Auditor General Concerns: New Brunswick's Fiscal Decline Continues

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Topics of Concern

- Continuing provincial deficits and increasing Net Debt
- Government not effectively managing all its long-term P3 contracts
- Governments spending before obtaining legislative approval
- Releasing the province's audited financial statements before next election

Continuing Provincial Deficits and Increasing Net Debt

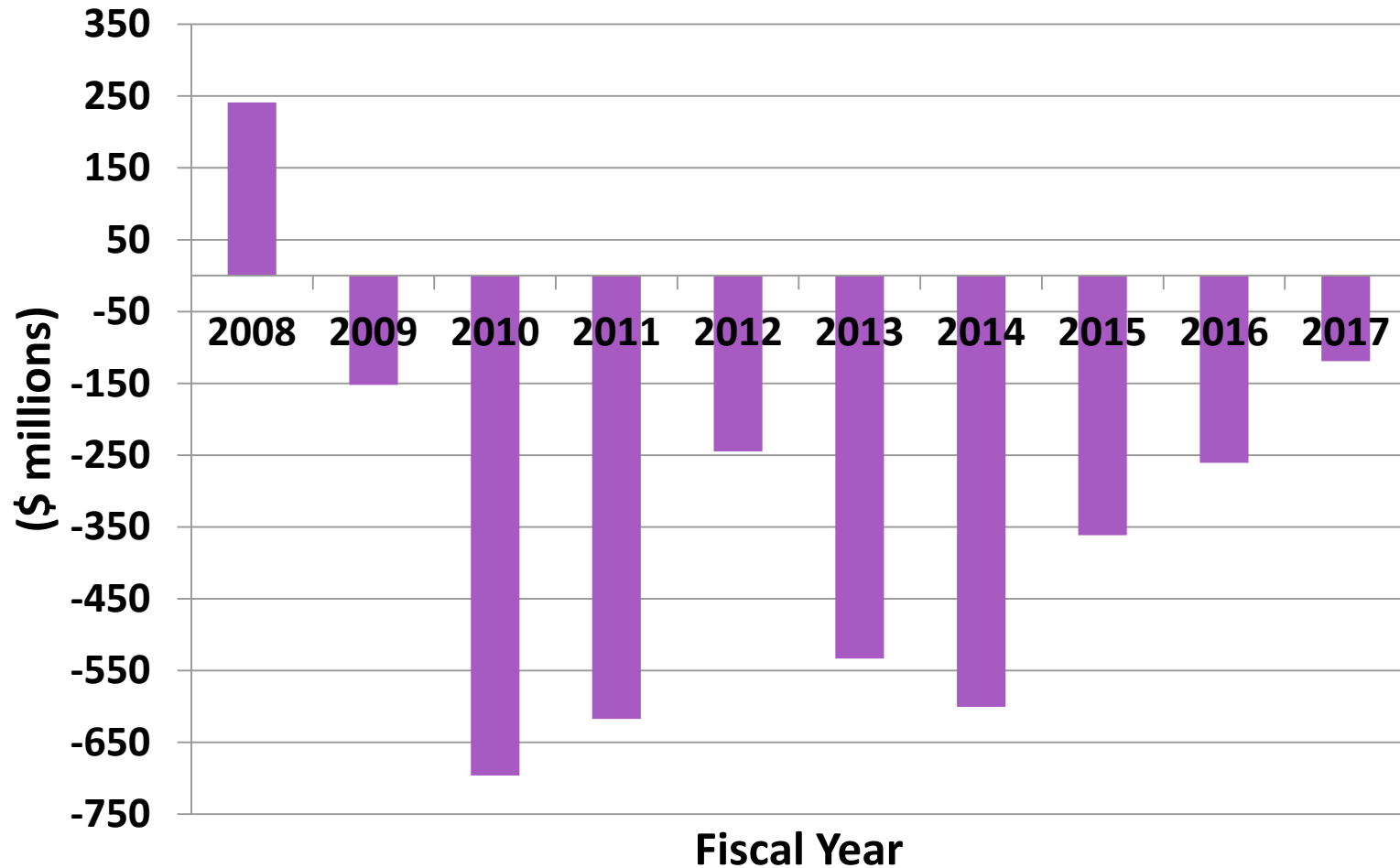
Province Rating Trend Downgraded From Stable to Negative

Negative outlook from bond rating agencies:

- Dominion Bond Rating Service (DBRS) stated:
 - *“New Brunswick’s 2018 budget once again delays the return to balance in favour of new spending ahead of the September 2018 provincial election.”*
- Moody’s Investor Service also stated :
 - *“...one of the longest period of continued deficits among Canadian provinces following the 2008/09 financial crisis.”*

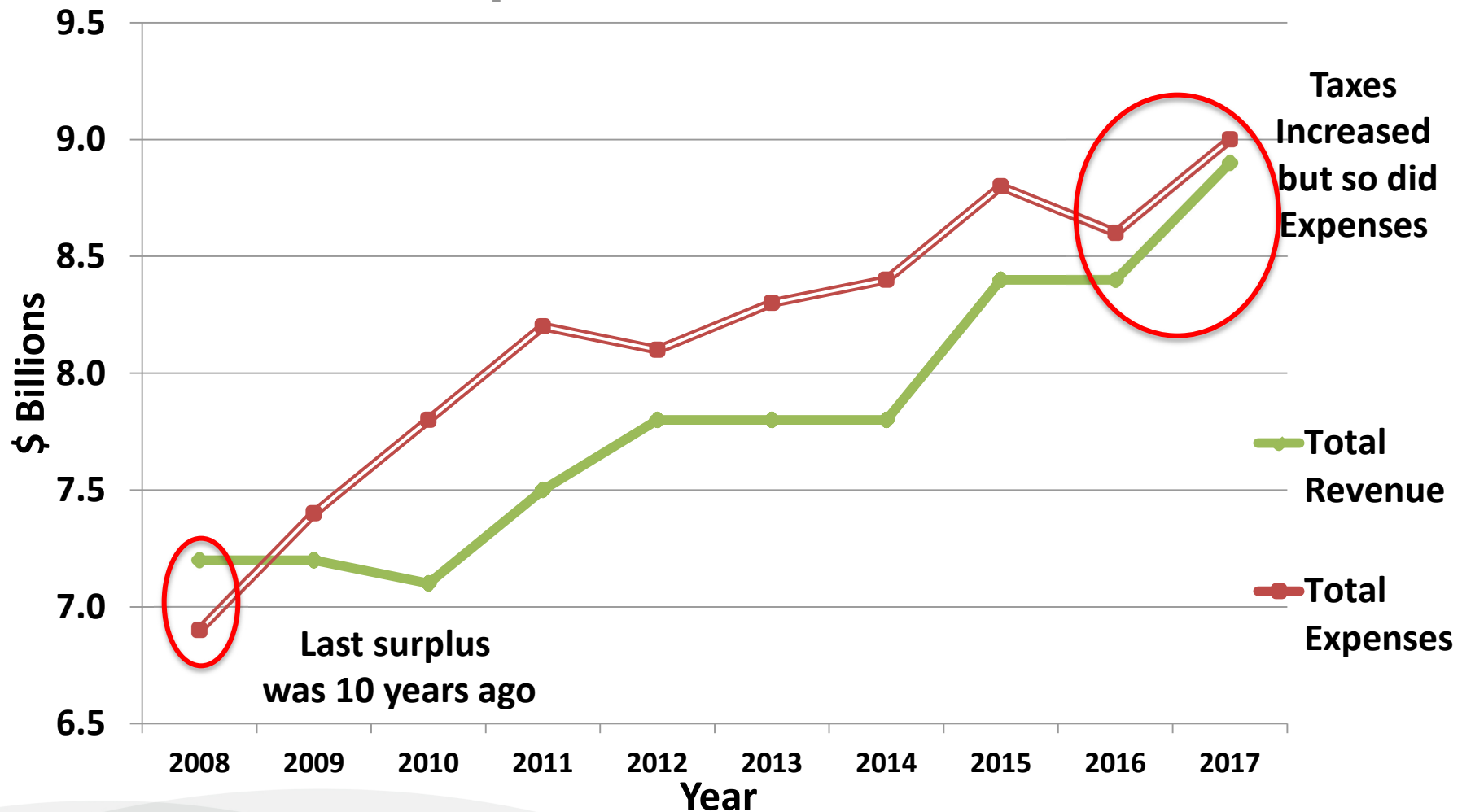
Consecutive Deficits in New Brunswick

New Brunswick Annual Surplus (Deficits)



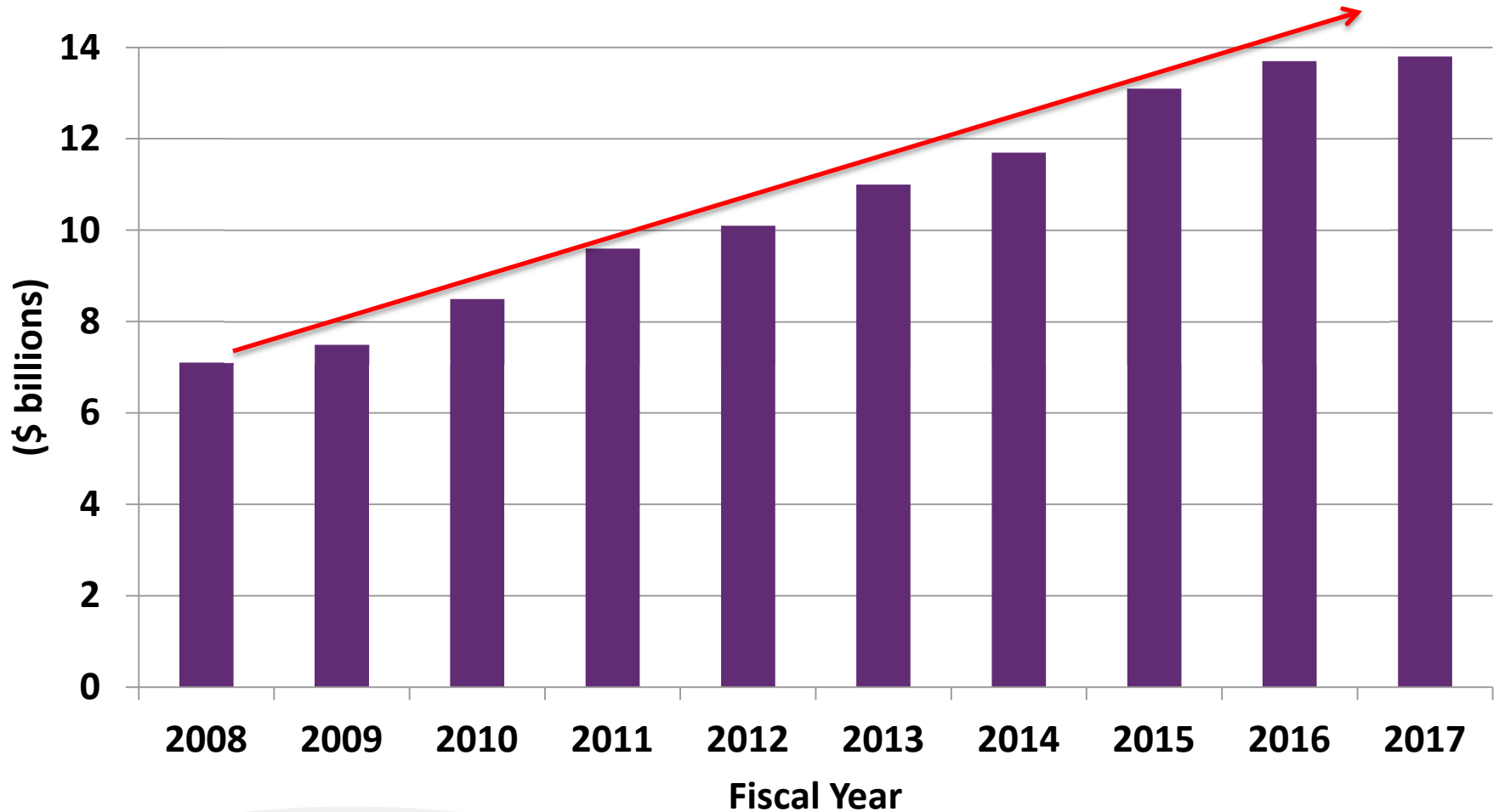
Consecutive Deficits in New Brunswick

Revenue and Expenses



Net Debt Increased \$7 Billion in 10 Years

No Targets for Reducing Net Debt

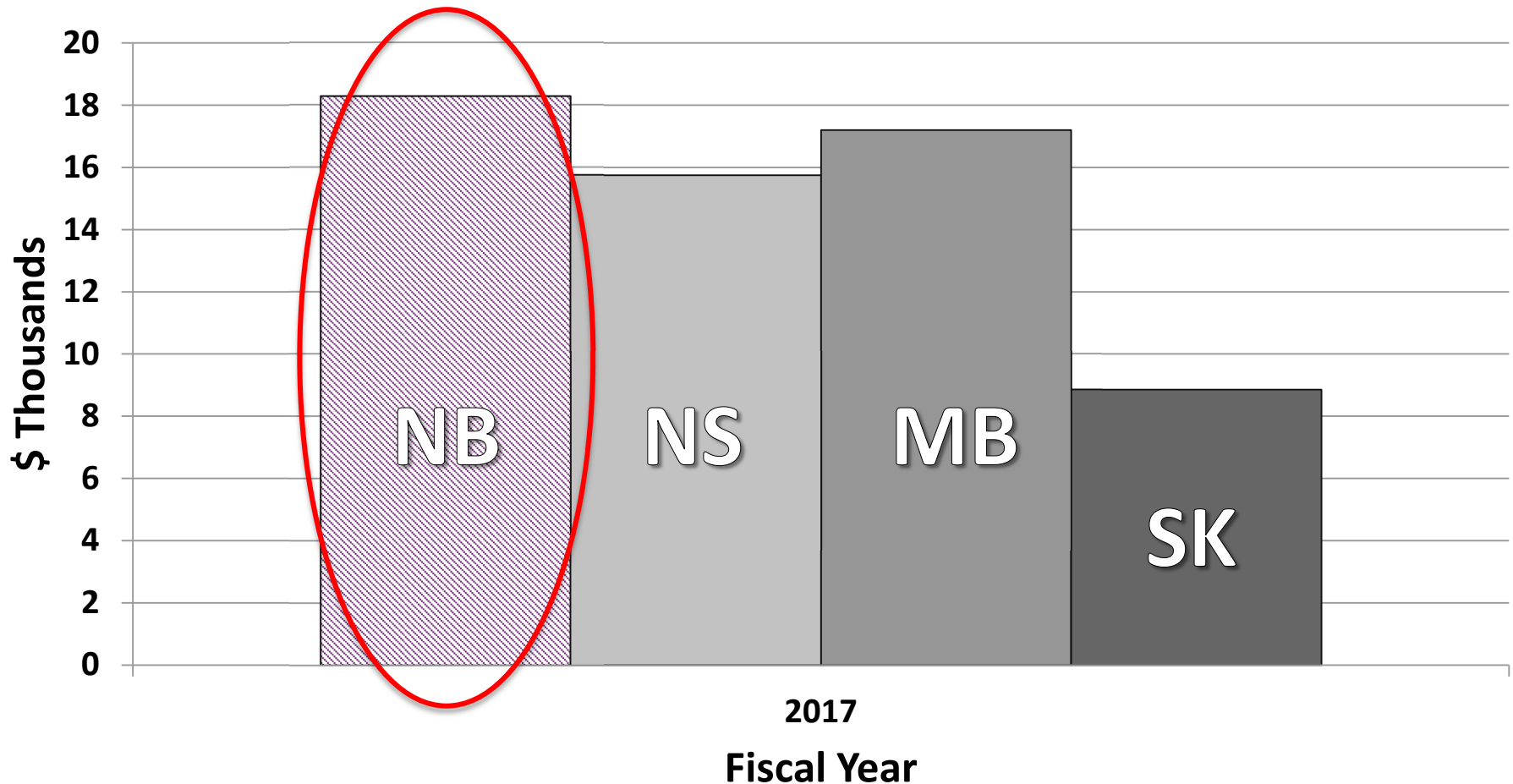


What is the impact on New Brunswickers?

- New Brunswick's **ability to reduce Net Debt is limited**
 - Due to aging and declining population, high unemployment rates and slow economic growth
- **Higher demand will exist on future generations** to pay for past expenses
- **No immediate plan** to address fiscal decline, nor Net Debt reduction target



Net Debt Per Capita Comparison to Other Provinces of Similar Size



Province paid \$700 million in interest in 2017

- If this interest cost was a department, its budget would be larger than the Department of Transportation and Infrastructure.
- If interest rate goes up by 1% now, by the third year interest expense would be \$60 million more
- Such an increase would further restrict government program spending.

Government is not effectively managing all its long-term P3 contracts

AG Review of Long-Term P3 Contracts

- Lower interest rates obtained on three contracts **saved over \$17 million:**
 - Eleanor W. Graham Middle School in Rexton
 - Moncton North School
 - Moncton Court House

Government Not Effectively Managing All Its Long-term P3 Contracts

- Cabinet presented with **five options** for Leo Hayes High School in Fredericton, including: **Buy-out option, extending contract, building new school**
- Options ranged in the **tens of millions of dollars**, and lowest cost option was to purchase the school

Cabinet opted not to make a decision

- Was **not in multi-year capital infrastructure plan**
- Options only presented to Cabinet a month before expiry date
- We were informed this was **not enough time** for Cabinet to evaluate options
- Option to purchase has since expired

Governments Spending Before Obtaining Legislative Approval

Governments are Over Spending Before Obtaining Legislative Approval

- In 5 of the last 10 years, governments have over spent their budgets before obtaining approval
 - E.g.: in 2015, this was for \$357 million and approval was only received 15 months after year end
- In my view, the intent and spirit of the *Financial Administration Act* (FAA) is to:
 - **Obtain approval** from the Legislative Assembly
 - **Before** the financial **transaction occurs**

Releasing the Province's Audited Financial Statements Before Next Election

Release Audited Financial Statements Before Next Election

	Public Release by Minister of Finance	Provincial Election
2018	?	September 24
2014	July 23	September 22
2010	August 13	September 27



Auditor General's Office:

AG Independence Eroded Due to Lack of Resources

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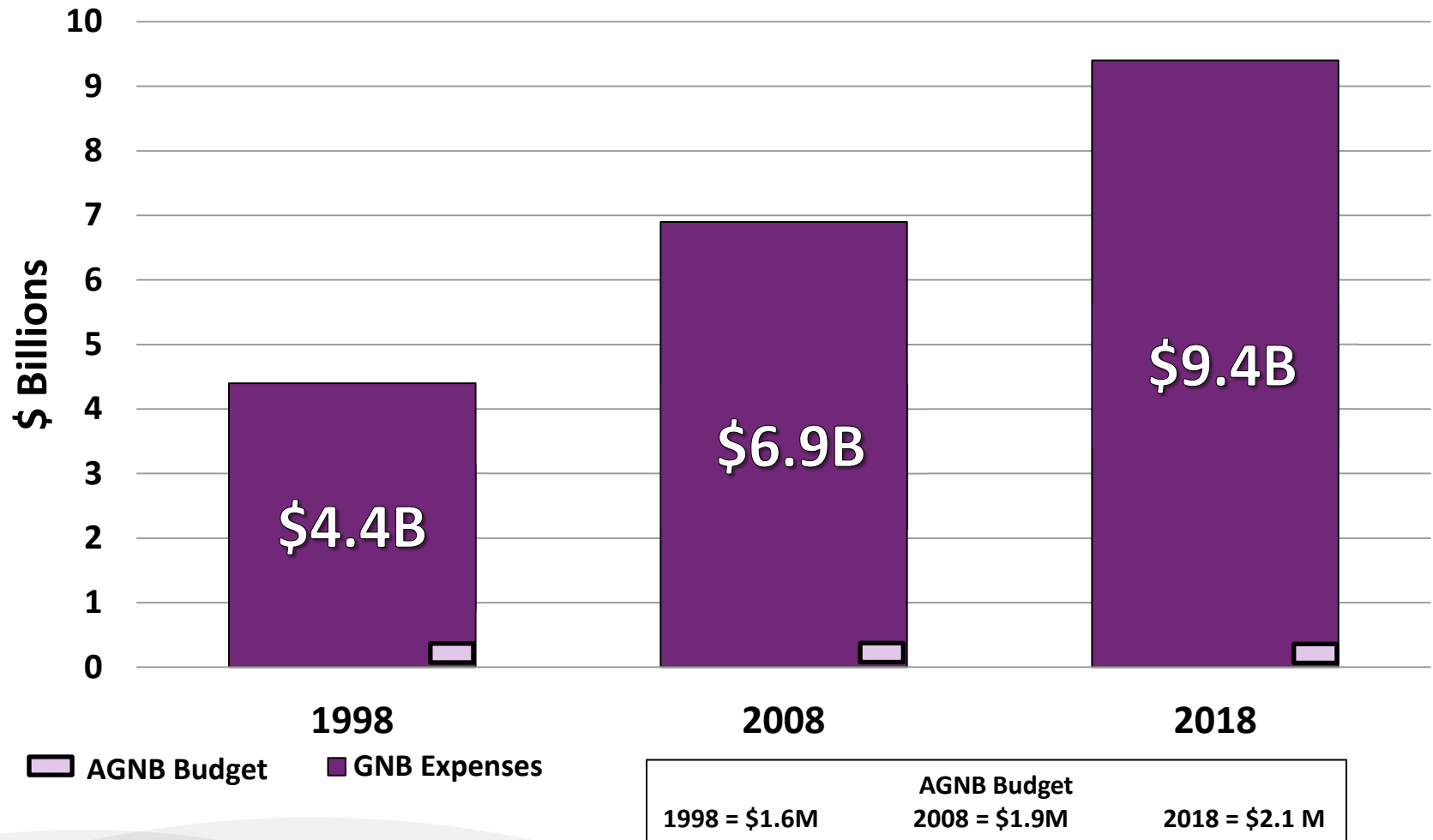
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Why is this important?



- Chronic underfunding of AG Office at a critical point given government expansions
- Past and current AGs have requested budget increases
- Government has effective control over AG's budget, therefore limits how much work the AG can do
- Lack of budget curtails AG ability to fulfil mandate and erodes AG independence

GNB Expenses to be Audited Compared to AGNB Budget



Why should New Brunswickers care?

- AG office is the only office with authority and access to examine government *(outside of the justice system)*
- Process supposed to protect the interests of taxpayers and hold government to account **is failing.**



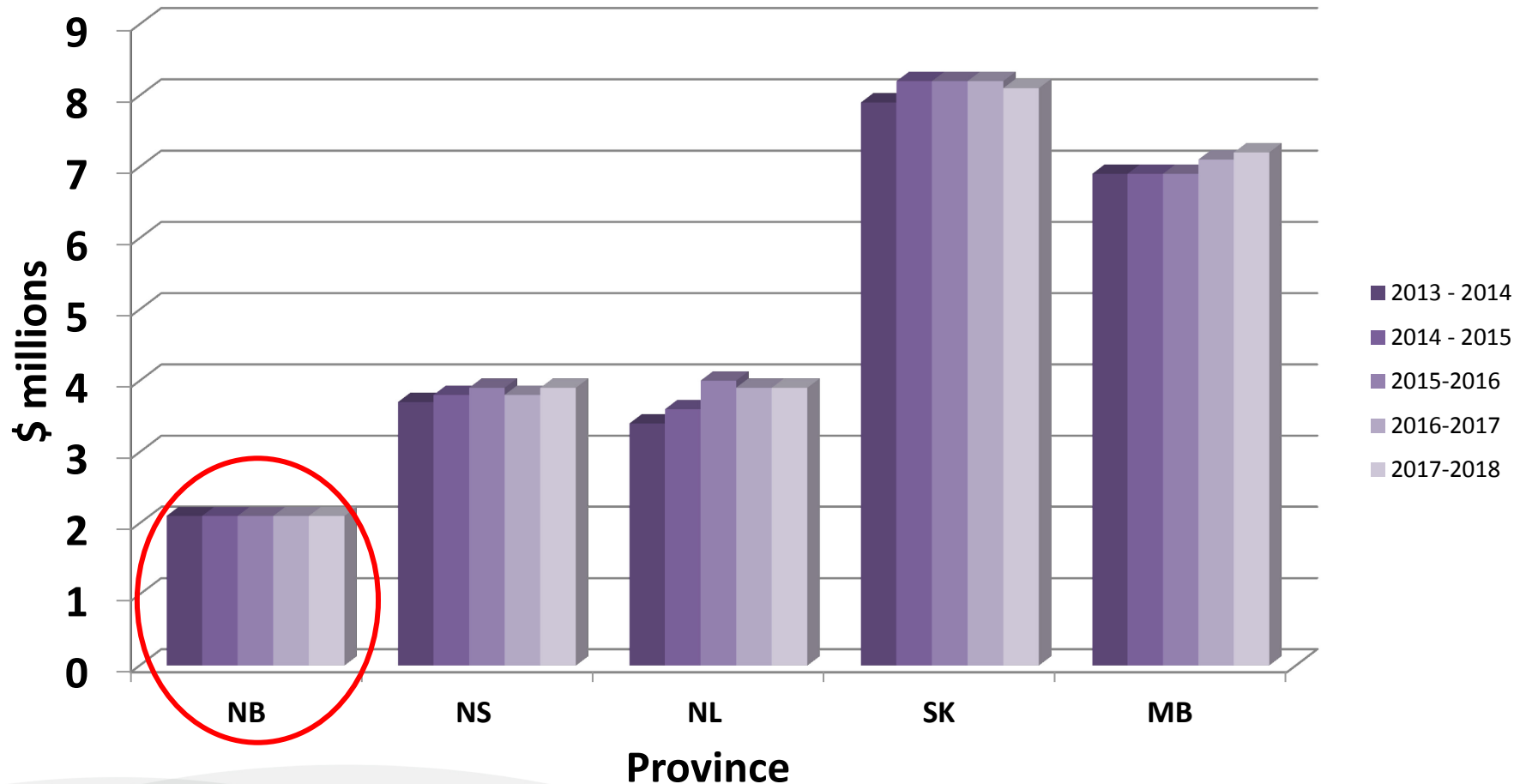
Why is a budget increase necessary?

- AG is effectively impeded from fulfilling the mandate
- The necessary work cannot be done such as:
 - No performance audits in many departments or Crown corporations in last 5 years
 - For larger departments like Education and Health our audit coverage is minimal.



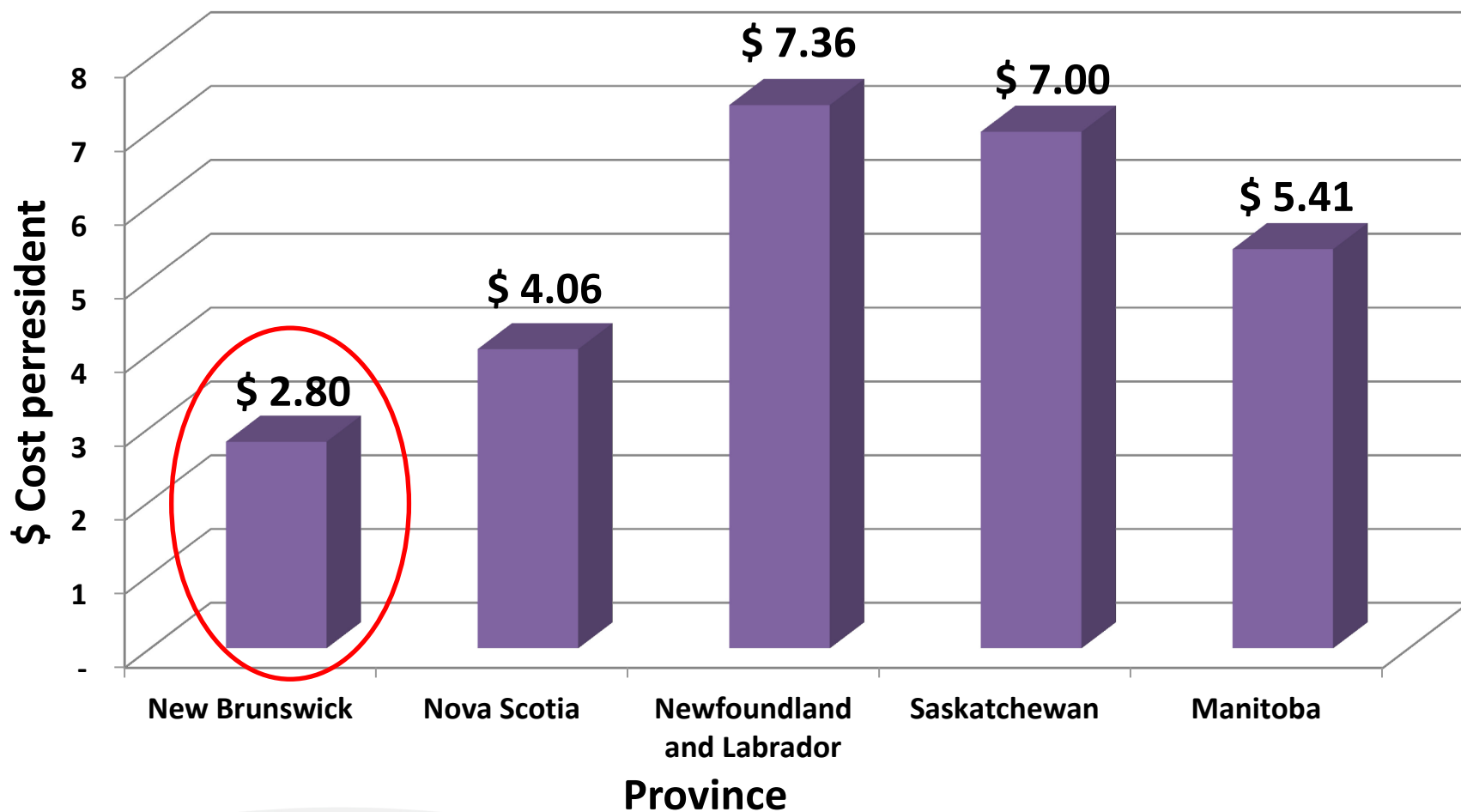
How does NB's Auditor General budget compare?

Auditor General Office Annual Budget



How does New Brunswick compare?

2018 Cost per Resident of Comparable Provincial AG Offices



AG Budget Requests Denied

	2018-2019*	2017-2018**	2016-2017	2015-2016	2014-2015
AG Budget	\$2.3 Million	\$2.1 Million	\$2.1 Million	\$2.1 Million	\$2.1 Million
AG Budget Request	\$ 1 Million over 4 years	\$ 1 Million over 2 years	Atcon Examination	\$ 100,000	\$ 386,000
Actual Budget Increase	\$ 125,000 But Overall Request Denied	<u>Denied</u>	<u>Denied</u>	<u>Denied</u>	<u>Denied</u>

*For 2018-19 AG asked an increase of for \$250,000 in each of the next 4 years = \$ 1,000,000

**For 2017-18 AG asked for an increase of \$500,000 in each of the next 2 years = \$1,000,000

Questions?