



2018 Report of the Auditor General of New Brunswick

Volumes II & III

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

Presentation Chapters

- Improving Student Performance: A New Brunswick Challenge
- WorkSafeNB – Phase II – Management of Injured Workers' Claims
- Comments on the Province's Financial Position
- Follow-up on Recommendations from Prior Years' Performance Audit Chapters



Improving Student Performance: A New Brunswick Challenge

Department of Education and Early Childhood Development

Volume II Chapter 2

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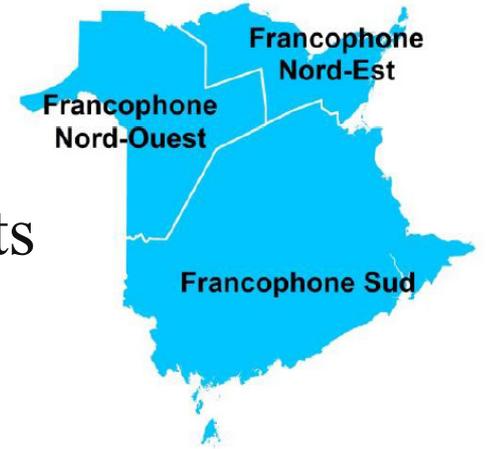


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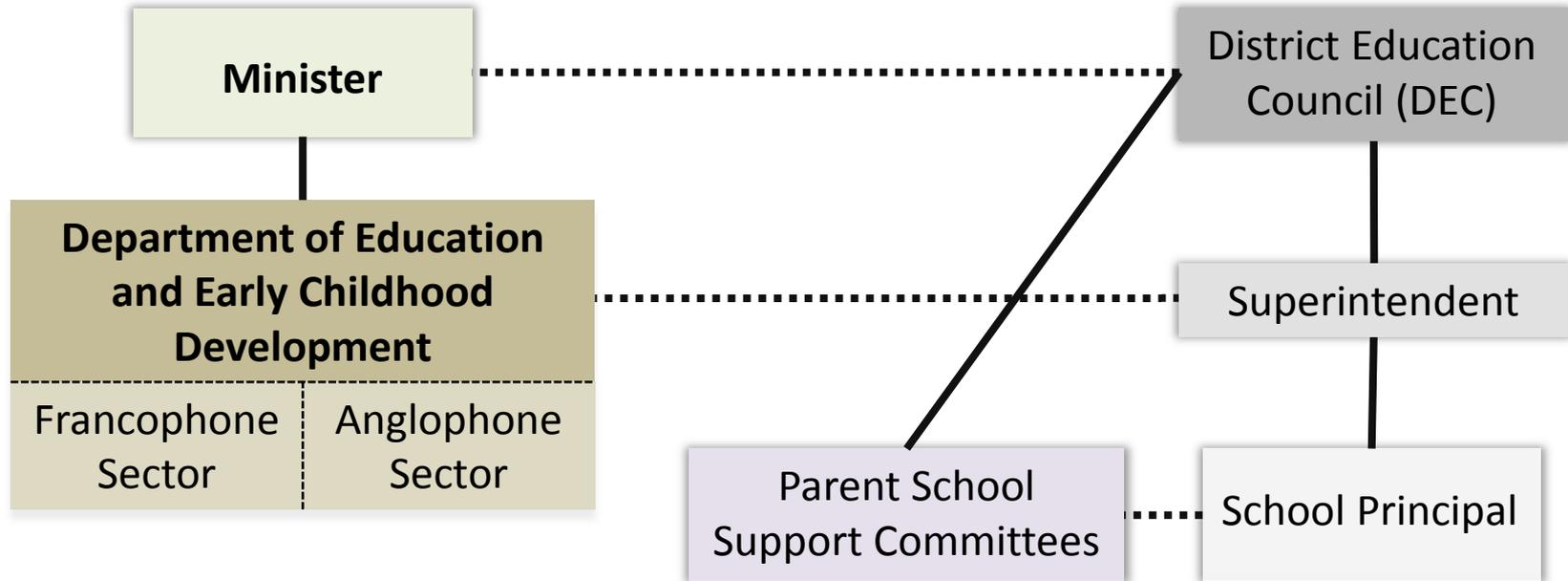
Background

New Brunswick Education System

- About 98,000 students in 300 schools
- Cost over \$1 billion to operate school districts
- 7 school districts:
 - 4 Anglophone (70% of students)
 - 3 Francophone (30% of students)
- Education system based on linguistic duality since the 1970's
- *Canadian Charter of Rights and Freedom* safeguards minority language educational rights



Key Roles and Responsibilities in NB's Education System



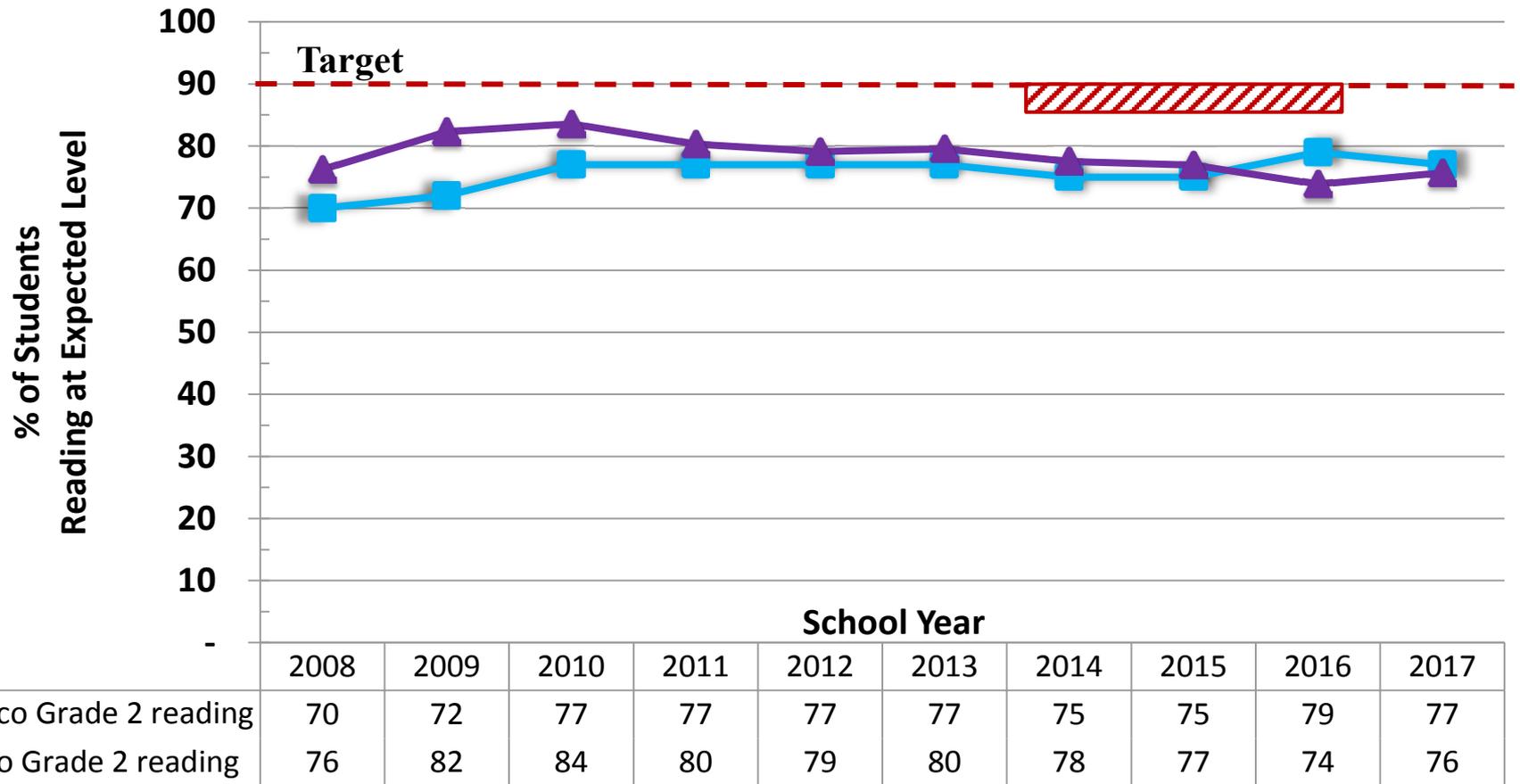
Why We Did This Audit



- Education is a priority for New Brunswickers
- Student performance on provincial assessments has never met targets in the last 15 years.

NB Grade 2 Reading Assessment Results

Ten Year History



NB Math & Science Assessment Results

Examples from 2016-17

- **Performance gap** = Target - Result

Students who Passed Provincial Assessment

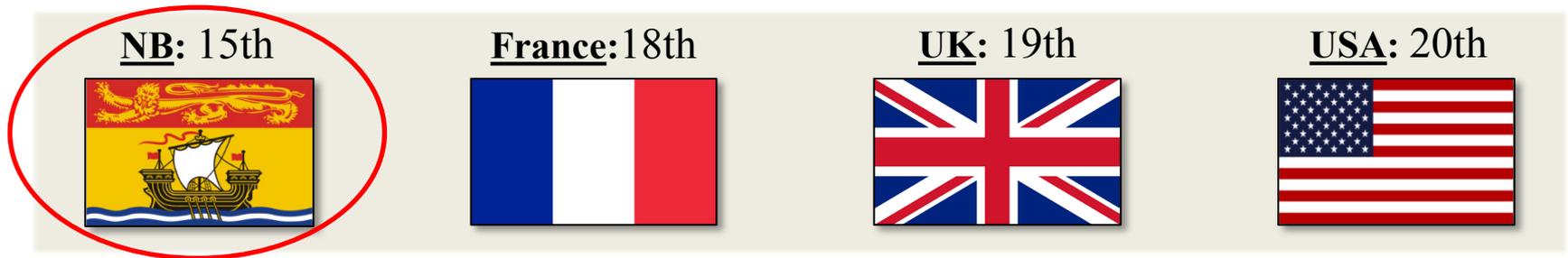
<u>Assessment</u>	Department's Target	Actual Results	Performance Gap
Anglo Grade 6 Math	90%	38%	52%
Anglo Grade 6 Science	90%	32%	58%
Franco Grade 6 Math	85%	63%	22%
Franco Grade 8 Science	85%	77%	8%

National & International Assessments

2016 Canadian Assessment (PCAP)

- NB's mean score was the second lowest in Canada
 - However, most NB students (82%) performed at expected level or above in reading
-

2015 International Assessment (PISA)



- As a country, NB would rank 15th in the world in reading

Objective of our Audit

To determine if the Department of Education and Early Childhood Development (the Department):

- Sets goals for student performance in reading, math and science,
- Monitors student performance,
- Acts to improve student performance, and
- Publicly reports on student performance compared to goals.

Conclusions

- Overall, **multiple complex factors** affect student performance
- Frequent changes in education strategy **create instability** and **shift focus away** from educating students
- Management cycle to improve student performance is **not operating as intended**

Overall Highlights & Topics - *Improving Student Performance: A New Brunswick Challenge*

- Education system lacks stability
- Accountability process required by *Education Act* is not followed
- Other complex issues affect NB students & more collaboration is needed

Education System Lacks Stability

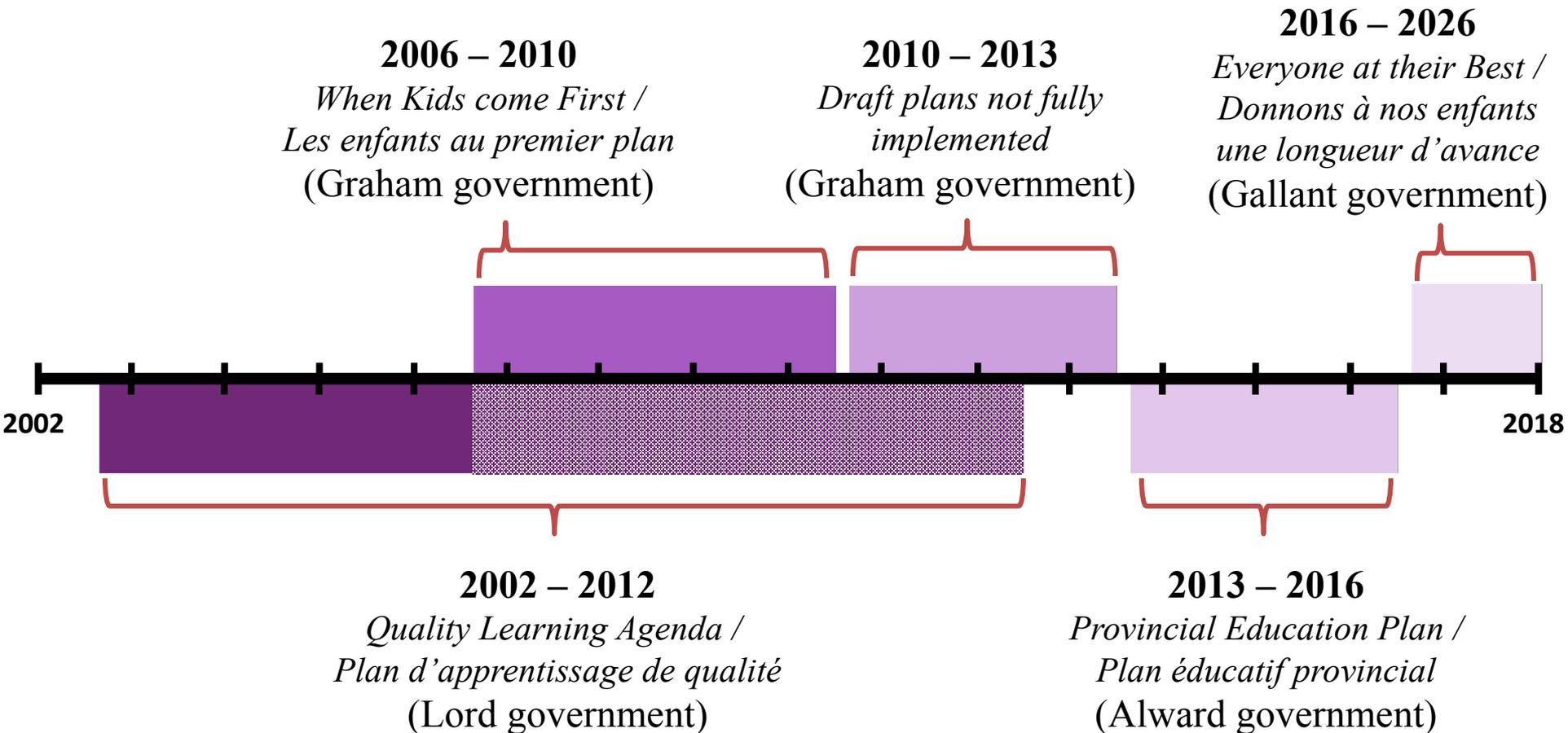
New Brunswick's Education System Suffers From Lack of Stability

- It is difficult for schools and districts to operate effectively in a constantly changing environment.

Events reported to us for disrupting the education system, taking focus away from educating students:

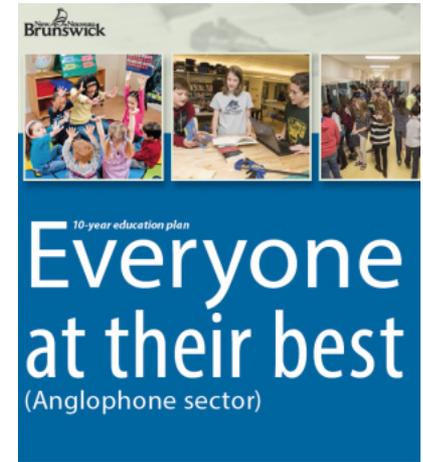
- Changing provincial education plans
- Changes to the French immersion program
- Amalgamation of 14 districts into 7 in 2012

5 Different Education Plans in 15 Years



New 2016-2026 Education Plans

- Stakeholders consulted at every level
- Plans intended to provide autonomy to school districts
- Plans have objectives with performance indicators and targets
- Education professionals believe targets are reasonable

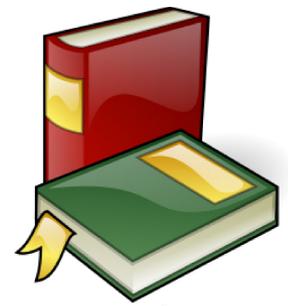


AGNB Recommendation

We recommend the Department of Education and Early Childhood Development

- Maintain the current 10-year provincial education plans until they expire in 2026,
- to allow the education system to stabilize and allow for evaluation of progress.
- Any adjustments to the plans should be collaborative.

Rushed Implementation of Changes French Immersion Program



- **Program adds to the complexity** of operations and **changes create instability** in the Anglophone sector

3 major changes to program in 10 years, e.g.:

- The 2017 program entry point **change was rushed**, not part of the new education plan and resulted in hiring teachers lacking required language skills
- With only one year to implement, labour market could not meet demand

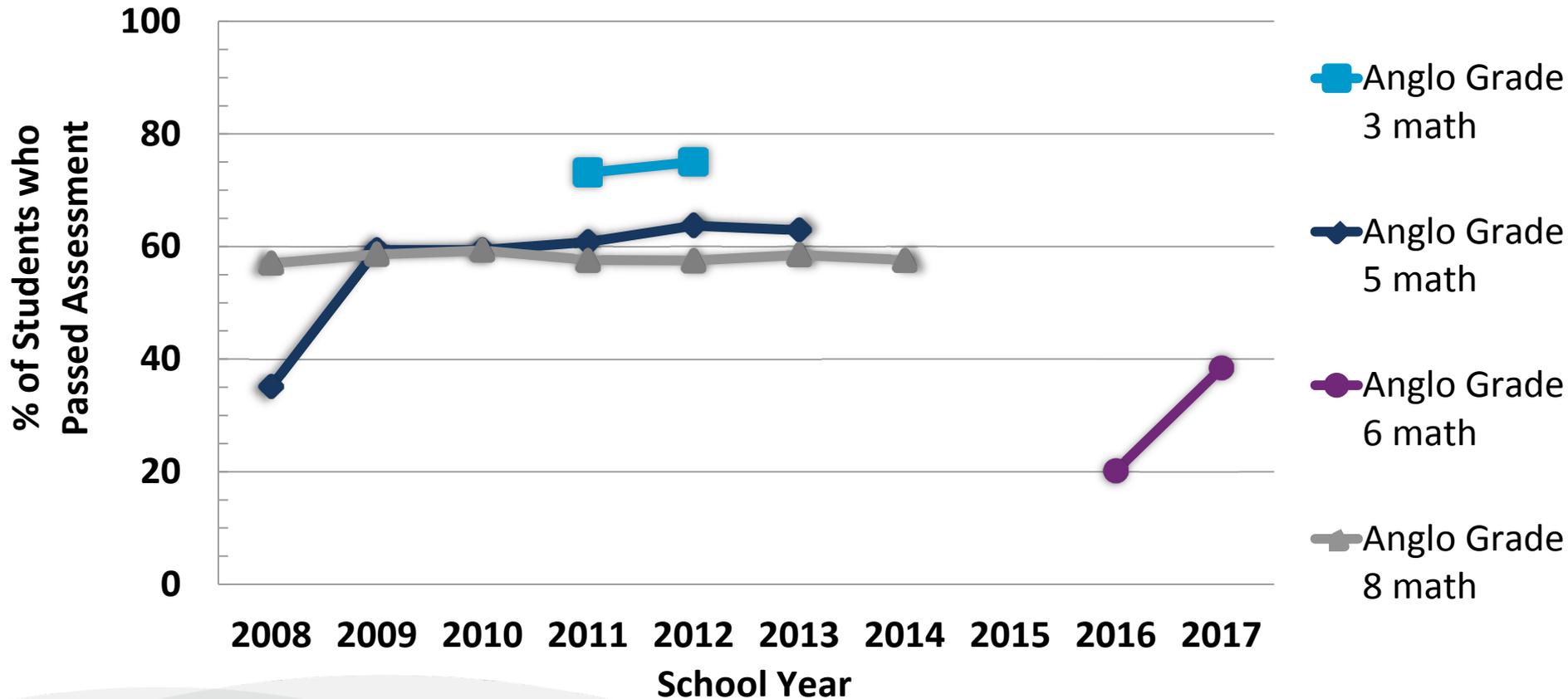
AGNB Recommendation

We recommend the Department, prior to implementing major changes that impact student performance, prepare a detailed implementation plan with:

- Realistic time schedule
- Consideration of all needed supports
- Adequate funding
- Comprehensive risk assessment of impact on operations

Provincial Assessment Programs Lack Stability

- Constantly changing assessments programs impair usefulness of results. E.g.: Anglophone results in math



AGNB Recommendation

We recommend the Department

- Stabilize the provincial assessment programs to allow for trend analysis of student performance results for decision making

**Accountability process required
by *Education Act* is not followed**

Monitoring & Reporting on Student Performance



Department monitors student performance:

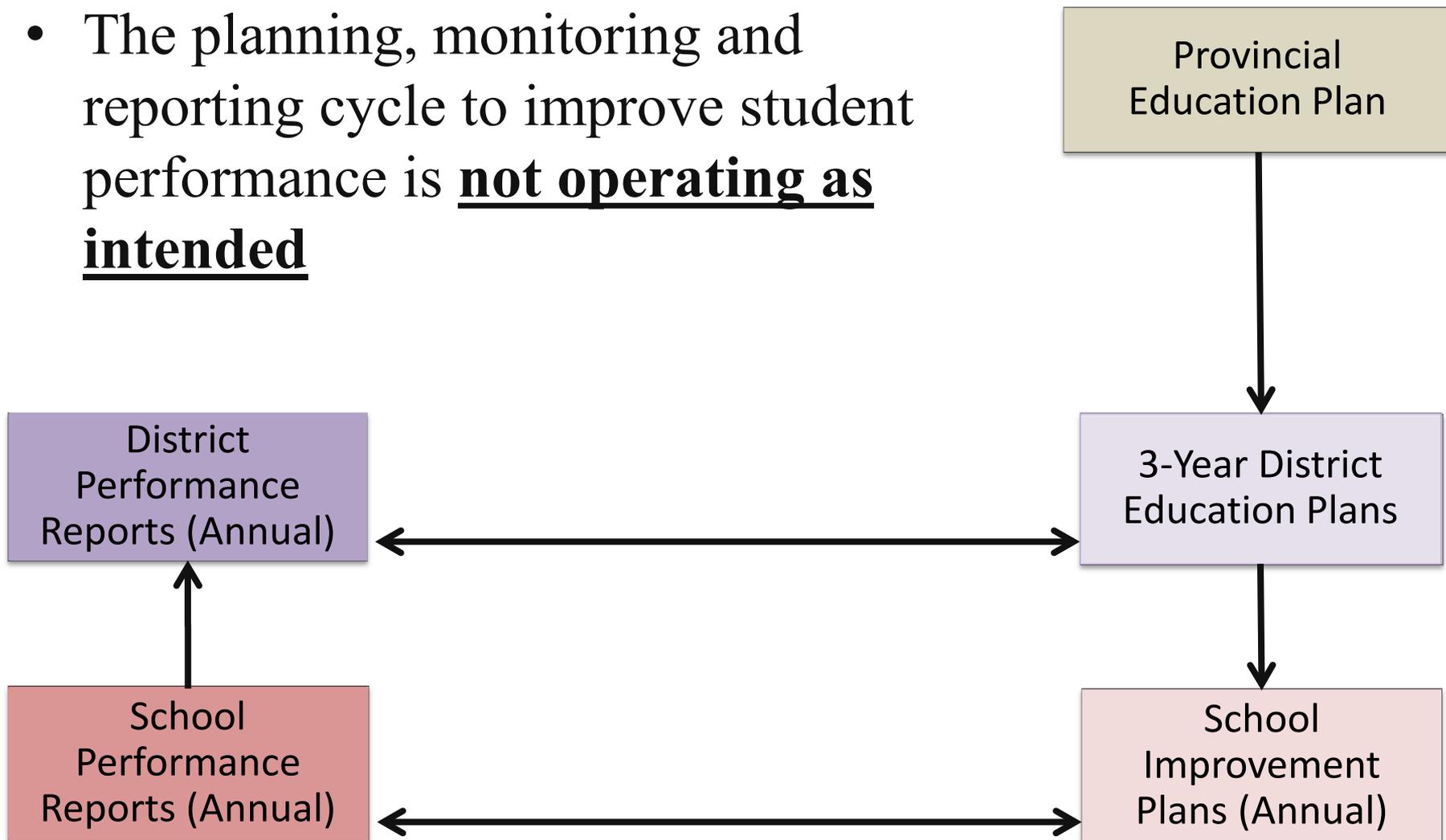
- School districts submit quarterly performance reports
- Provincial assessments in reading, math and science
- Students participate in national and international testing

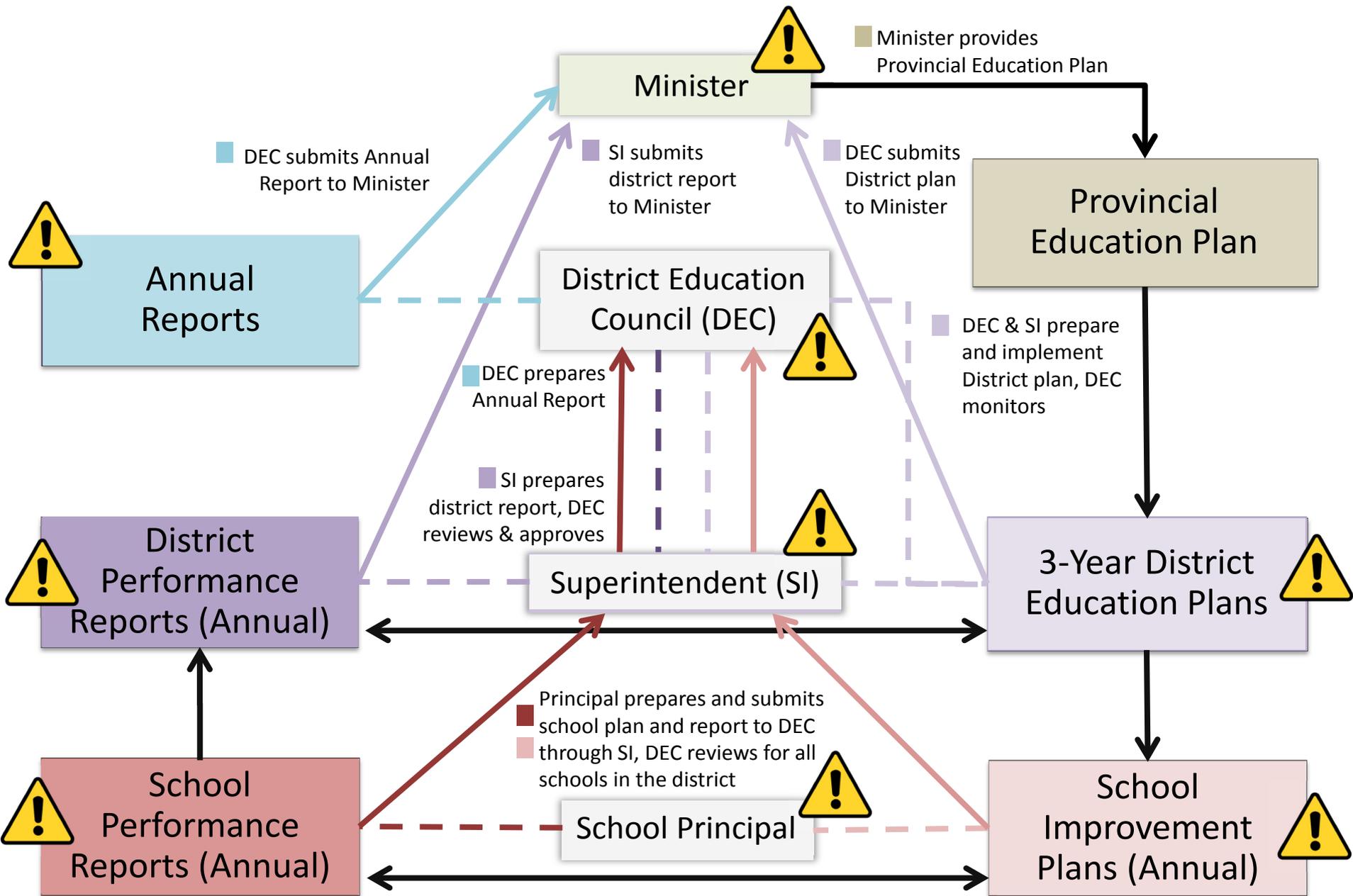
Department also publicly reports on student performance:

- Provincial assessment results
- The Department's annual report
- *Grade 12 Exit Survey* reports

Cycle to Improve Student Performance

- The planning, monitoring and reporting cycle to improve student performance is **not operating as intended**





Accountability

- We found the Department **does not** have processes to track, receive, review and take action in regards to district reports
- We found the Minister **does not**:
 - hold the school districts accountable
 - enforce the *Act* by ensuring he/she receives plans and reports
- However, interviewees reported the *Act* may be outdated and may not reflect current practices

AGNB Recommendations

We recommend the Department:

- Review the *Education Act* in consultation with school districts
- Ensure school improvement plans are prepared and reviewed annually
- Hold all parties accountable as required by the *Education Act*

Lack of Teacher Performance Reviews



- School districts do not monitor to ensure all teachers have regular performance reviews
 - The lack of teacher performance reviews can go undetected by school districts for 20 years

We recommend the Department develop standards and provide tools to support school districts in evaluating and improving teacher performance

**Other complex issues affect
NB students &
more collaboration is needed**

Chronic Student Absenteeism

- When students miss school, they miss the learning opportunity
- Department **does not monitor student absences** because data from schools is inconsistent
- However, we found **chronic student absenteeism** is present in at least one district

<u>One</u> school district's student absences	
School Type	Absence Rate
K-2	13%
K-5	13%
6-8	15%
9-12	27%

Unaddressed Needs in Education System

Inclusive education system has unaddressed needs:

- Complexity and diversity of student needs and behaviours exceed teachers' professional training
- At least 4 school districts funded part of their educational assistant positions from other areas of their budgets

Further Complexities in Anglophone Sector

Comparing English program to French immersion program:

- Significant gaps in students' performance
- Significantly more students with personalized learning plans
- Four times more combined classes
- Overall, **nine times more combined classes** than Francophone sector

Complex Socioeconomic Issues

- Poverty, adult illiteracy and other socioeconomic issues exist in NB
 - Adds to the complexity of education process and ultimately affects student performance
- Before educators can focus on teaching, they often need to deal with students who arrive at school:
 - Hungry
 - Without proper clothing
 - Late

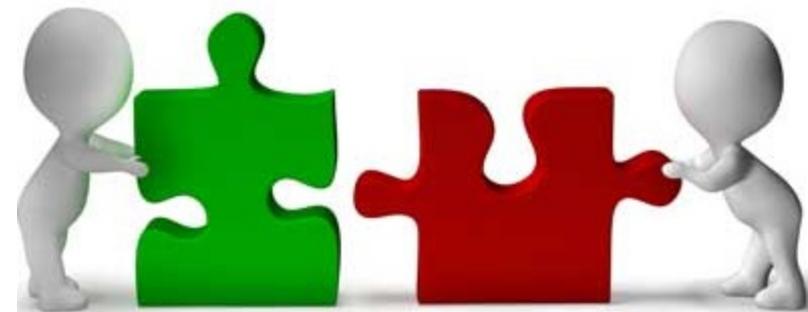
Collaboration to Address Basic Needs

- More collaboration with other departments and local communities is required to address basic needs to ensure teachers' efforts are devoted to student learning.



More Collaboration Needed Between Sectors

- Anglophone and Francophone sectors rarely communicate with one another
- Currently, there are no forums or tools to facilitate collaboration and sharing between the two sectors
- We found school districts have initiatives to improve their operations that could be adapted by other districts



AGNB Recommendations

14 recommendations to the Department of Education and Early Childhood Development:

- Stabilize the education system
- Hold the school districts accountable
- Comply with (or review) the *Education Act*
- Improve public reporting



WorkSafeNB

Phase II – Management of Injured Workers’ Claims

Volume II Chapter 3

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Objective of the Audit

Reminder: Phase I (June 2018):

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

Phase II (January 2019):

- To determine if WorkSafeNB has an effective claims management framework

Why This Audit is Important

- Claims costs have risen by over \$300 million in five years
- Impact on vulnerable workers is significant
- An effective and efficient claims management framework is necessary to balance the needs of the injured workers and employers

Why This is Important

Impact on Vulnerable Workers is Significant

- Injured workers and their families can suffer hardship if adequate compensation benefits are not provided
- Benefits can range from income replacement to health care services

28 days

average work days before
first payment issued

65 days

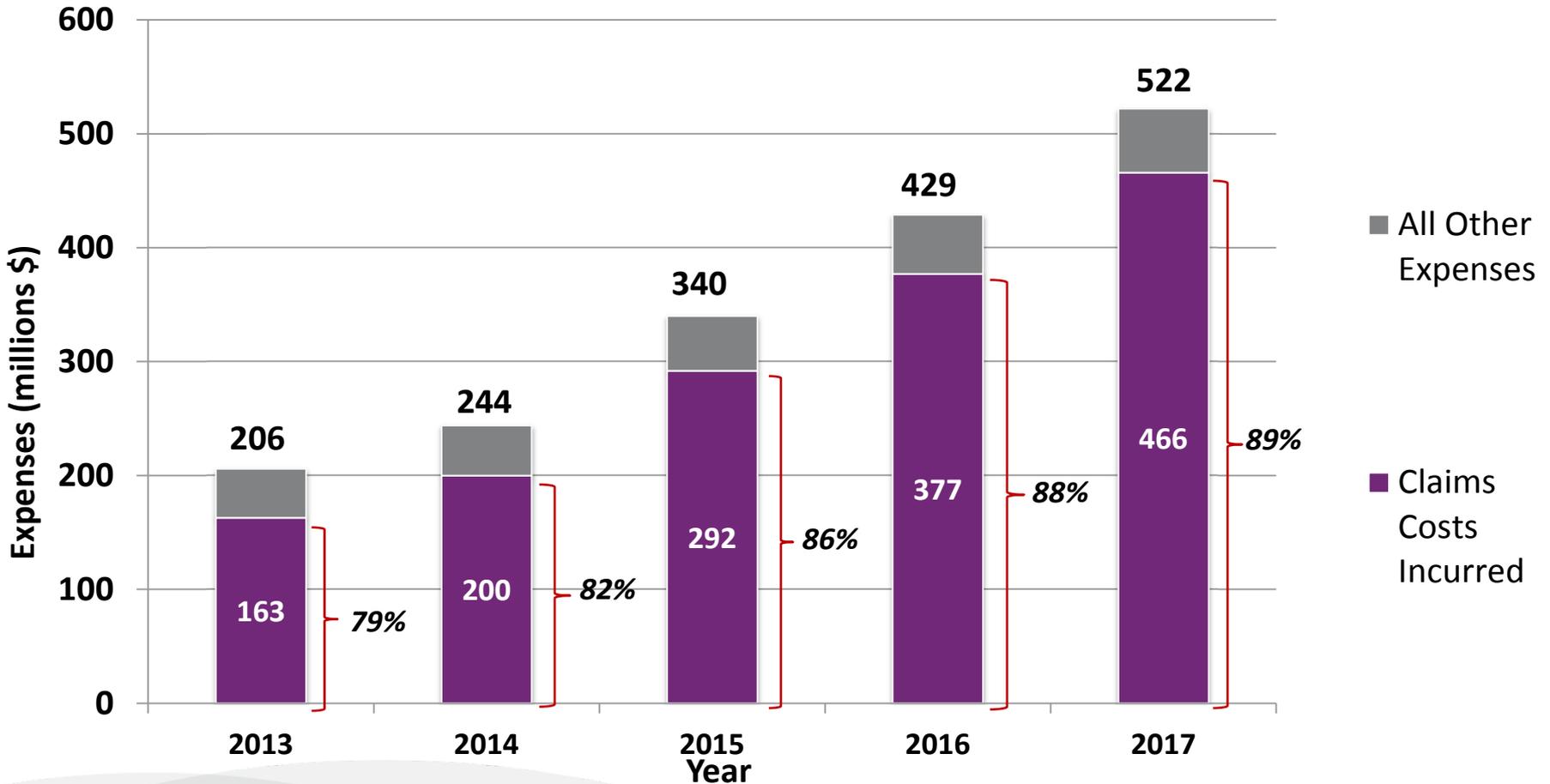
average lost work days
per lost-time claim



Why This is Important

Claim Costs Have Been Rising Rapidly

WorkSafeNB Claims Costs to Total Expenses



Background - WorkSafeNB

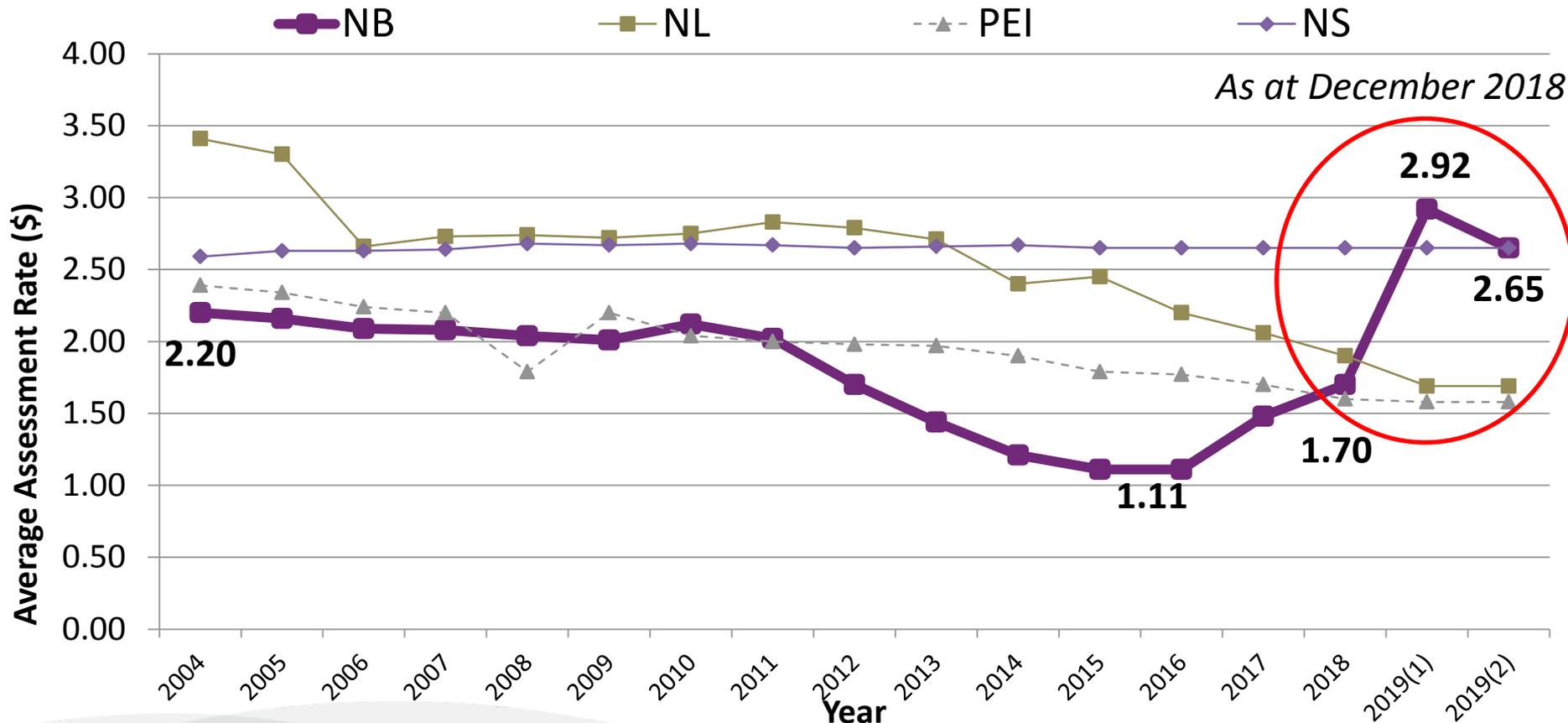
- Crown corporation with over 450 employees
- Submits reports to the Minister of Post-Secondary Education, Training and Labour
- Governed by a board of directors
- Oversees provincial Acts which govern:
 - Workers' compensation
 - Occupational health and safety



WorkSafeNB is Funded by Employers

Rate Now Highest in Atlantic Canada

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



Conclusion

- In general, the claims management framework adopted by WorkSafeNB is reasonable and many of its policies are consistent with industry best practice
- However, numerous process deficiencies hinder WorkSafeNB's ability to actively manage cases to achieve timely return to work

Overall Highlights & Topics - WorkSafeNB

Phase II – Management of Injured Workers' Claims

- “Return to work” goal not embedded in WorkSafeNB processes
- Time sensitive treatments can be delayed
- Workers Compensation Appeals Tribunal “WCAT” is different than most of Canada
- Ineffective claims system lacks automation

“Return To Work” Goal Not Embedded in WorkSafeNB Processes

Concept of Return to Work

- Establishing an expectation for when injured workers would be ready to return to work is a **critical part** of overall recovery process
- We believe worker motivation is one of the most important aspects in prompt return to work
- Concept of return to work and a realistic plan to employers and injured workers should be communicated as **early as possible**

Plan for Returning to Work –

WorkSafeNB is missing an early opportunity

- Return to work is one of the primary goals of WorkSafeNB but not embedded into the claims management process
- We found WorkSafeNB is missing the early opportunity to communicate return to work options to injured workers during initial process
- WorkSafeNB did not create a comprehensive case plan after a claim is accepted
- Without such a plan, it would be difficult for WorkSafeNB to motivate injured workers to return to work

AGNB Recommendations

We recommend WorkSafeNB:

- Focus on return to work during adjudication by:
 - identifying risks to return to work;
 - prioritizing complex claims; and
 - initiating a plan to address barriers.
- Communicate a detailed case plan (*to injured workers*) with:
 - return to work goals;
 - proposed treatments; and
 - forecast date for recovery.

Time Sensitive Treatments Can Be Delayed

Lack of Communication Between WorkSafeNB & Injured Workers



- **No personal contact** with injured worker to assess nature of injury, determine immediate steps needed or to discuss treatment plans
 - Only a “*please submit the specific document*” letter
- WorkSafeNB **provides little explanation** of benefits and entitlements to the injured worker
 - An information kit is only sometimes sent out
 - Only verbally explains decision and awarded benefits

Not Monitoring According to Guidelines

- We found WorkSafeNB claims are **not monitored** in accordance with Disability Duration Guidelines (DDGs)
- Comparing diagnoses to **DDGs can help forecast** disability duration and dates for recovery
- We found WorkSafeNB's claims management **lacks timelines** associated with follow-ups and recovery monitoring



Time Sensitive Treatments Can Be Delayed

We found issues which could cause delays in getting appropriate treatments at the right time:

- Referrals for specialized treatment often only used as last resort
- System does not track medical progress of injured workers
- Staff appointments to Adjudicator position are not competency based



Case Example: Paragraph 3.83 on page 121

Inconsistency Between Regions

- Decentralized processing of medical claims creates inconsistency between regions
 - Medications authorized in one region could be rejected in others
- We observed inconsistency in the awarding of benefits among the regions
 - Care needs assessments were not always performed
 - Post-surgery care allowance (for informal caregiver) denied in some regions but not in others

Case Managers Lack Training

- WorkSafeNB case managers felt **training was not adequate** to learn all requirements of the role
- Case managers are **not specialized** based on types of injuries, and some lacked confidence to make decisions
- Case managers over-rely on opinions of WorkSafeNB internal medical advisors (for interpretation of benefit entitlement policies)

Workers Compensation Appeals Tribunal “WCAT” is Different Than Most of Canada

WCAT Authority Different Than Most of Canada*

- Tribunal's authority to change operational policy happens only in New Brunswick and Quebec
- Paying benefits for non-compensable injuries in New Brunswick is **inconsistent** with other Workers' Compensation Boards in Canada

Policy changes, as a result of WCAT decisions:

- Created uncertainty with case managers
- Added \$102 million liability to accident fund

**Subsequent Event: On December 12, 2018, WorkSafeNB announced that a new legislation impacting NB's workers compensation system has been proclaimed. The new legislation restricts ability of the WCAT to override existing WorkSafeNB policies.*

AGNB Recommendation

- In other jurisdictions, before a file goes to the Appeals Tribunal an internal review is mandatory, but not in New Brunswick.



We recommend WorkSafeNB:

- Propose to amend the legislation so that appeals go to the Issues Resolution Office of WorkSafeNB as a **mandatory first step** before an appellant can file an appeal with the WCAT.

Ineffective Claims System Lacks Automation

Ineffective Claims System Lacks Automation

- System allows incomplete electronic forms to be submitted
- Electronic form submissions are not transferred automatically into the claims management system
 - Electronic forms are printed and manually scanned into the system
- No system trigger to alert staff when a claim has gone past an estimated disability duration

Ineffective Claims System Lacks Automation

- Case managers' time consumed by administrative tasks
 - E.g. Calculating benefits
- No convenient way to pull data for review and analysis
 - No area of the system that a case manager can review as a quick summary of the claim



AGNB Recommendations

29 recommendations to WorkSafeNB aimed to:

- Promote timely return to work
- Reduce claim duration, and
- Ultimately assist in reducing claims costs and maintaining sustainability



Comments on the Province's Financial Position

Volume III Chapters 2, 3 & 5

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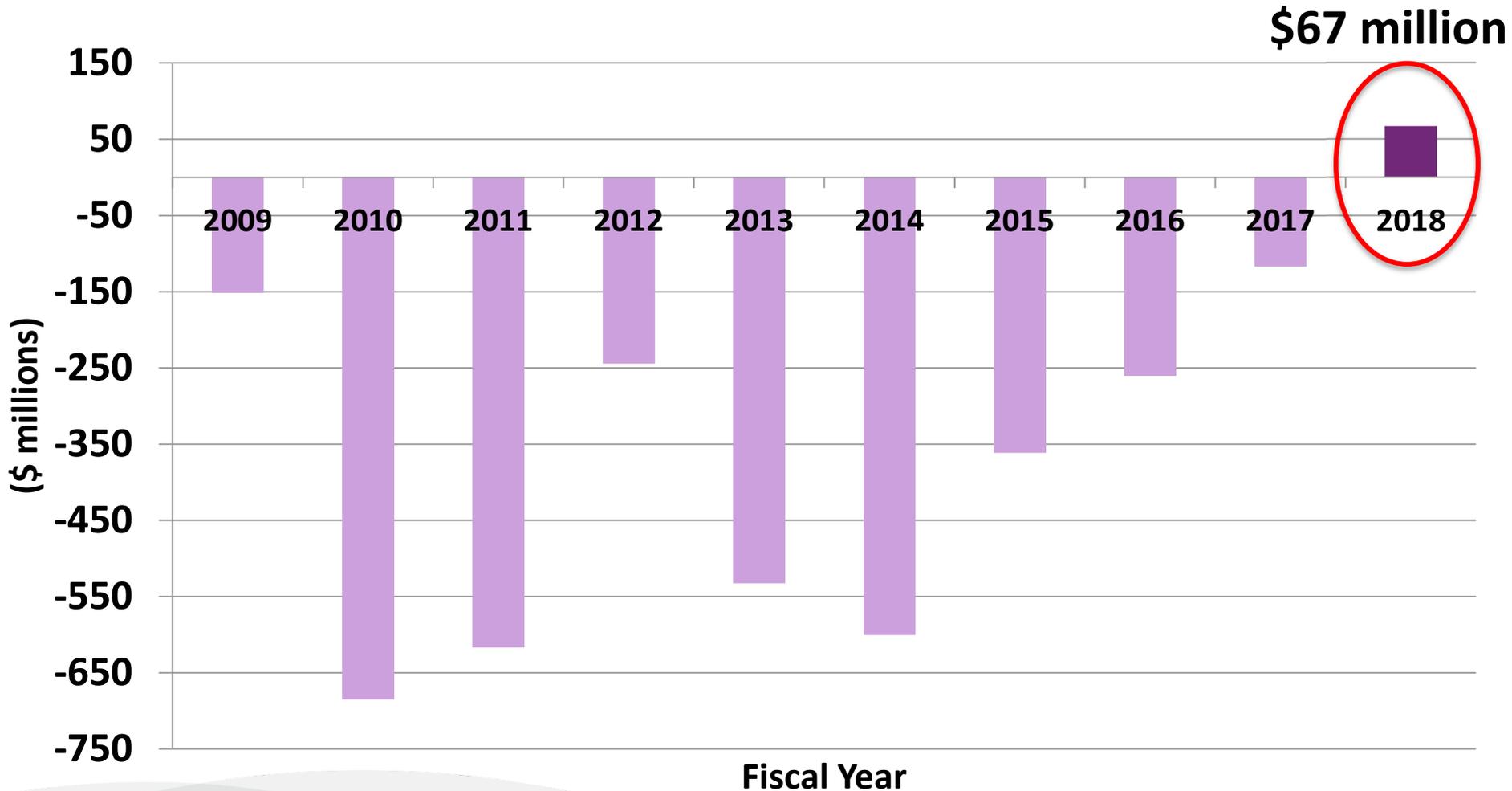
Province's 2018 Financial Results

- Annual surplus of \$67 million
- Net debt increase smaller than past years
- Encouraging signs of fiscal progress in the short-term

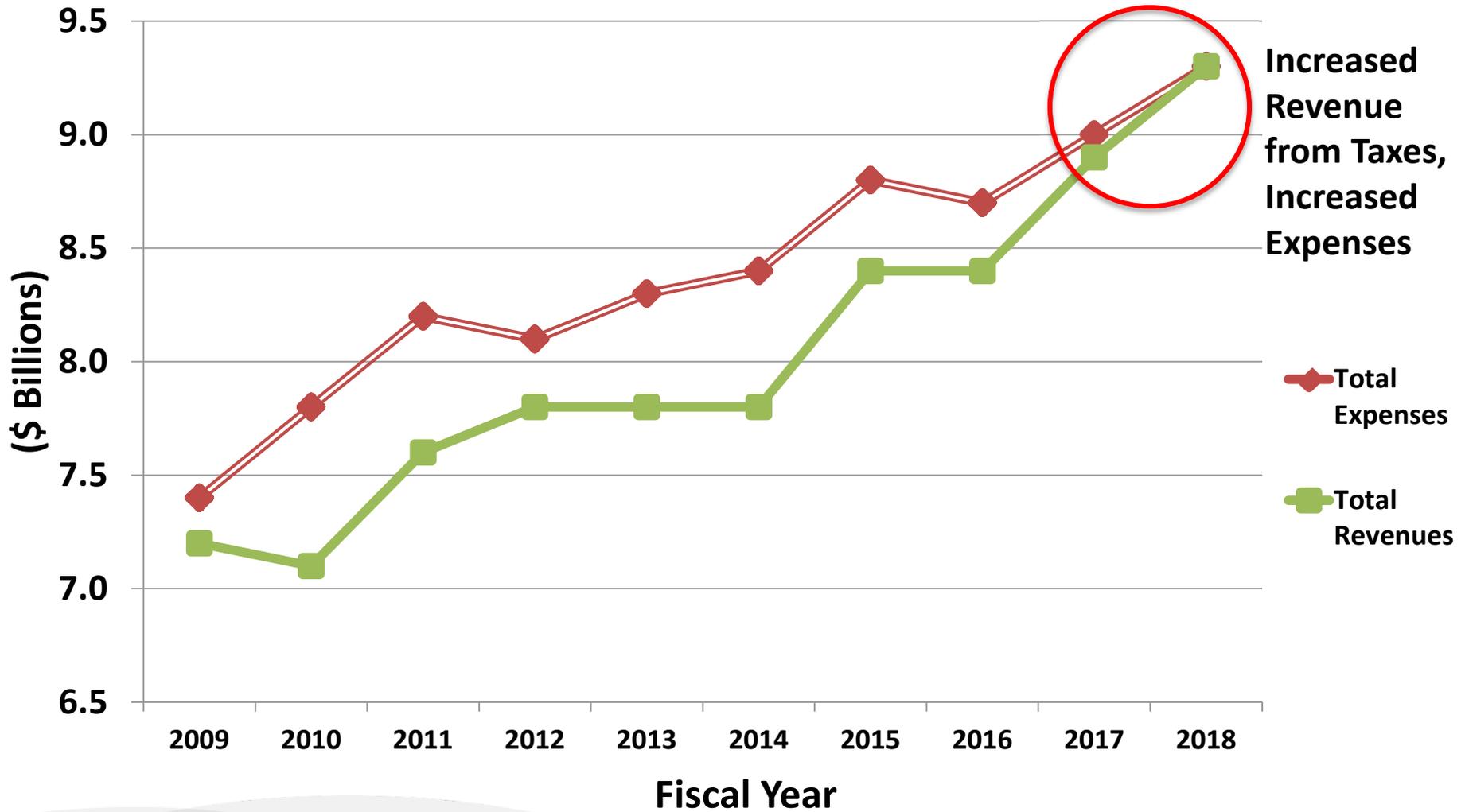


Province's Annual Surplus & Deficit

First Surplus in a Decade



Revenue and Expenses Continued to Climb

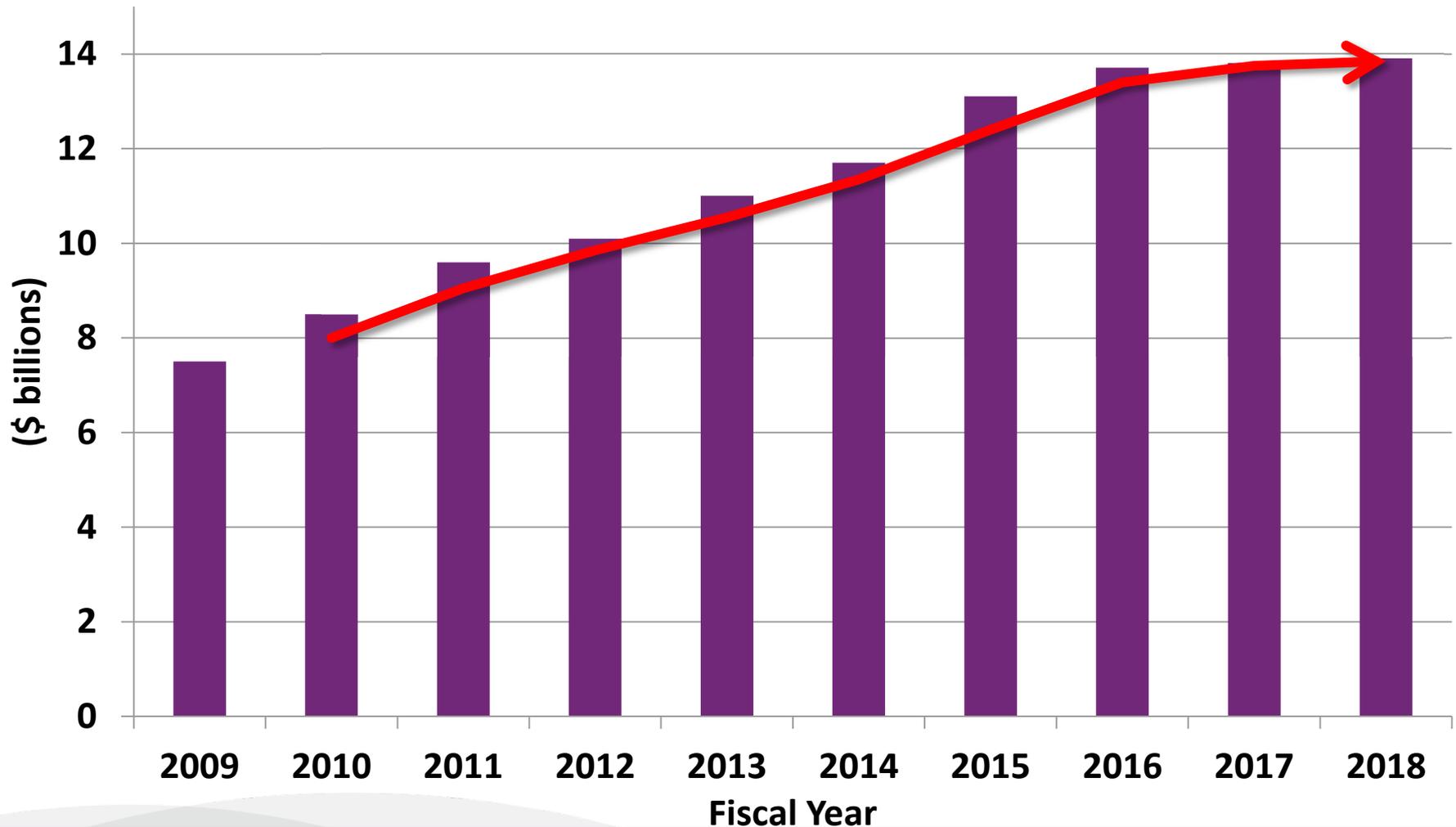


Sustainability Indicators of Financial Condition

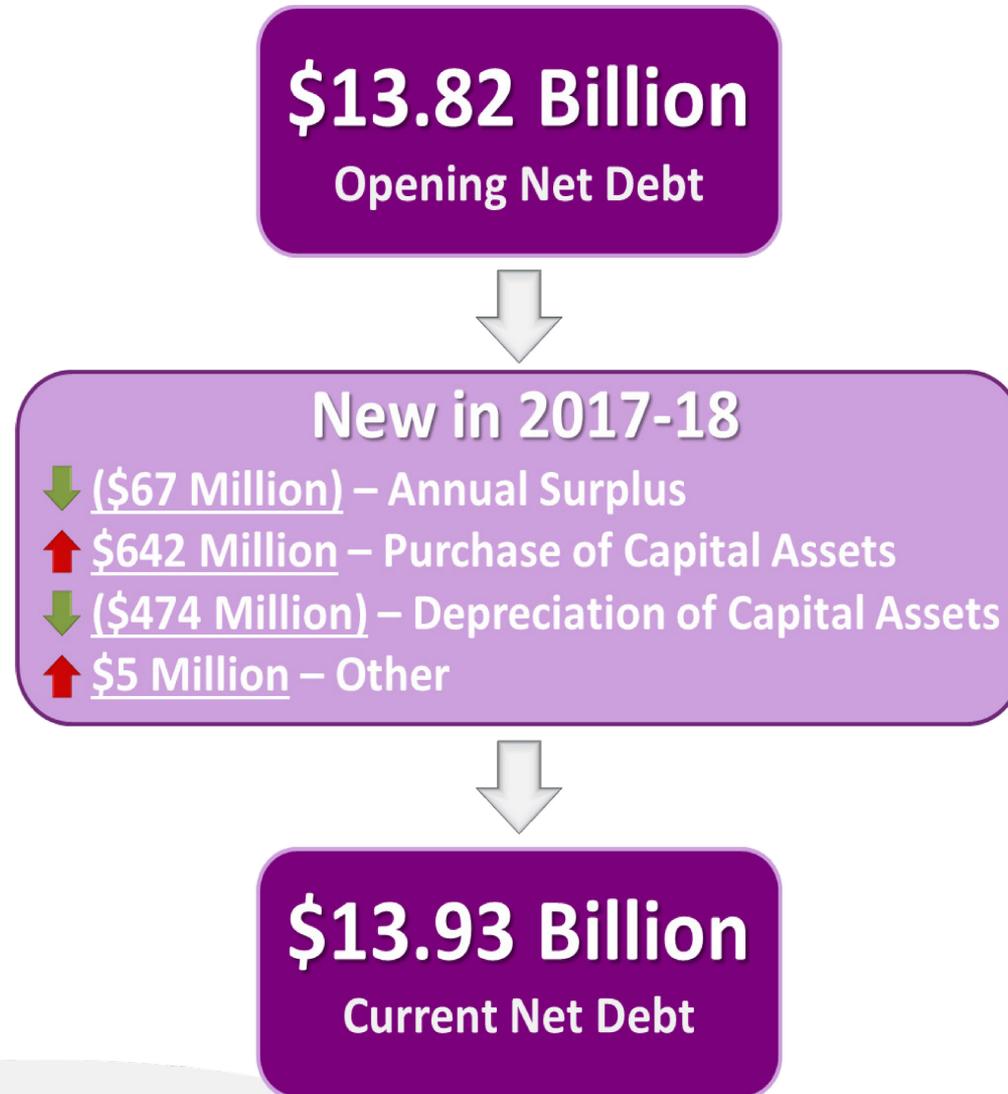
Indicator	Short-term Trend	Long-term Trend
Assets-to-liabilities	Favourable	Unfavourable
Financial asset-to-liabilities	Favourable	Unfavourable
Net Debt-to-total annual revenue	Favourable	Unfavourable
Net Debt-to-GDP	Favourable	Unfavourable
Accumulated deficit-to-GDP	Favourable	Unfavourable
Total expenses-to-GDP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

Net Debt \$13.9 Billion as of March 31, 2018

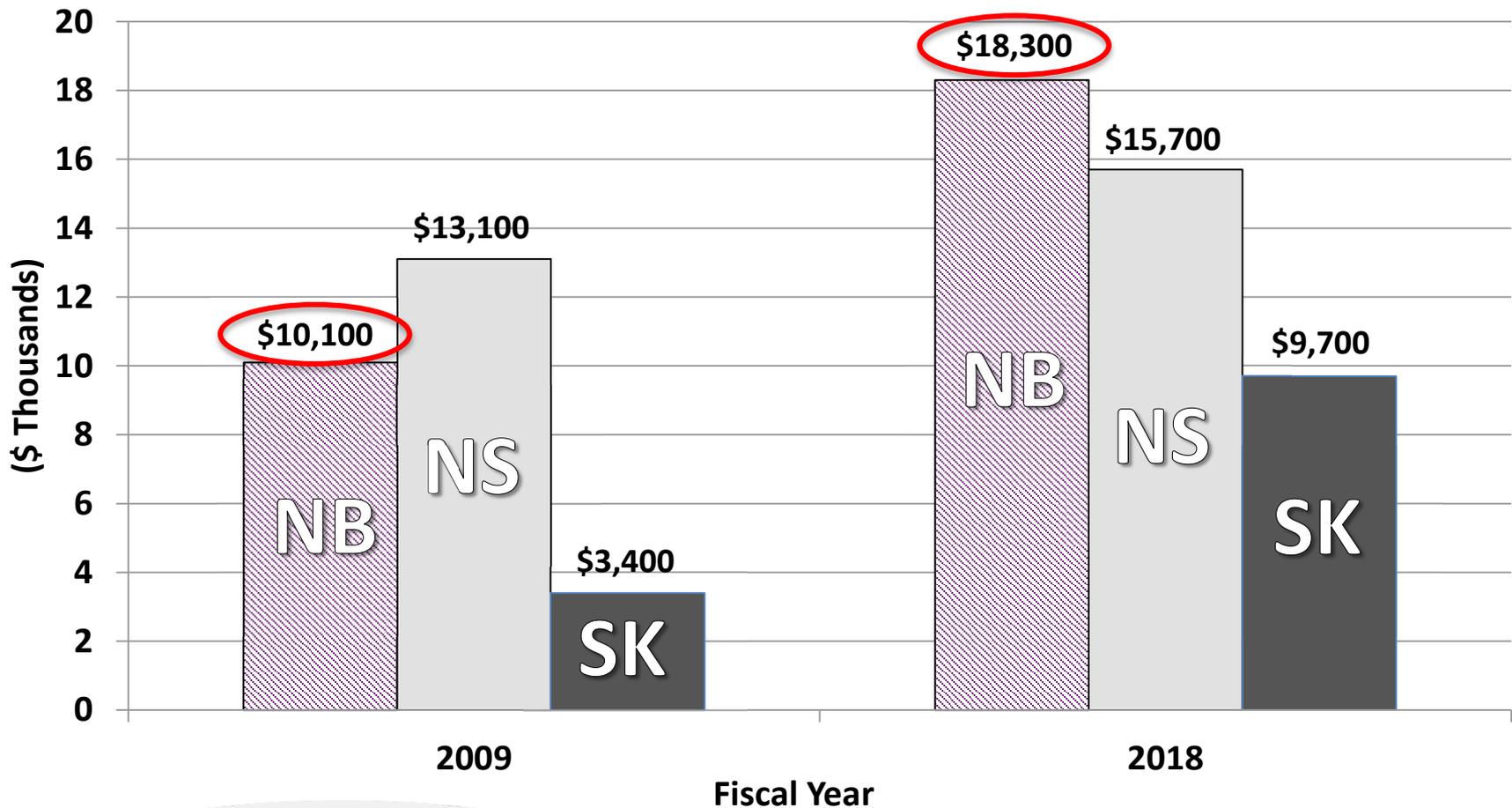
Almost Doubled in 10 Years



Why Did Net Debt Increase When There Was a Surplus?



Net Debt Per Capita Higher Than Other Provinces With Similar Populations



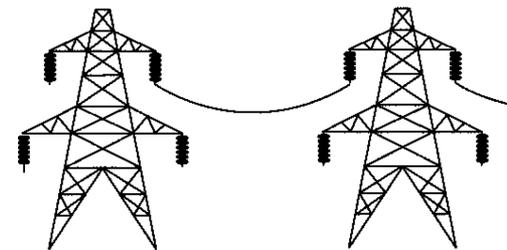
Province paid \$667 million in interest in 2018

- 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.

Understanding Key Financial Audit Issues

Future Interference in NB Power Rates May Have Serious Accounting Consequences

- NB Power is considered an independent business
- Respect for the independent rate setting regulatory process must exist in substance and form
 - Interference examples: rate caps or freezes
- This could significantly impact Province's accounting, such as increased Net Debt



Major IT Systems Out of Date

**Civil Service &
Pension Payroll
System
\$1.3 billion**

**Teachers'
Payroll
\$806 million**

**Provincial
Payments
billions**

How are Spending Announcements Recorded?

CURRENT YEAR SPENDING (EXPENSES IN FINANCIAL STATEMENTS)

\$9.3 BILLION FOR 2018

Examples

- New initiatives
- Economic development grants

COMMITTED FUTURE SPENDING (FINANCIAL STATEMENT NOTES)

\$ 4.7 BILLION FOR 2019 - 2023+

Examples

- | | |
|---|-----------------|
| - Nursing home services | \$678.6 million |
| - Route 1 Gateway highway | 640.5 million |
| - Regional and community development agreements | 296.0 million |

ANNOUNCED SPENDING PROMISES (NOT RECORDED ANYWHERE)

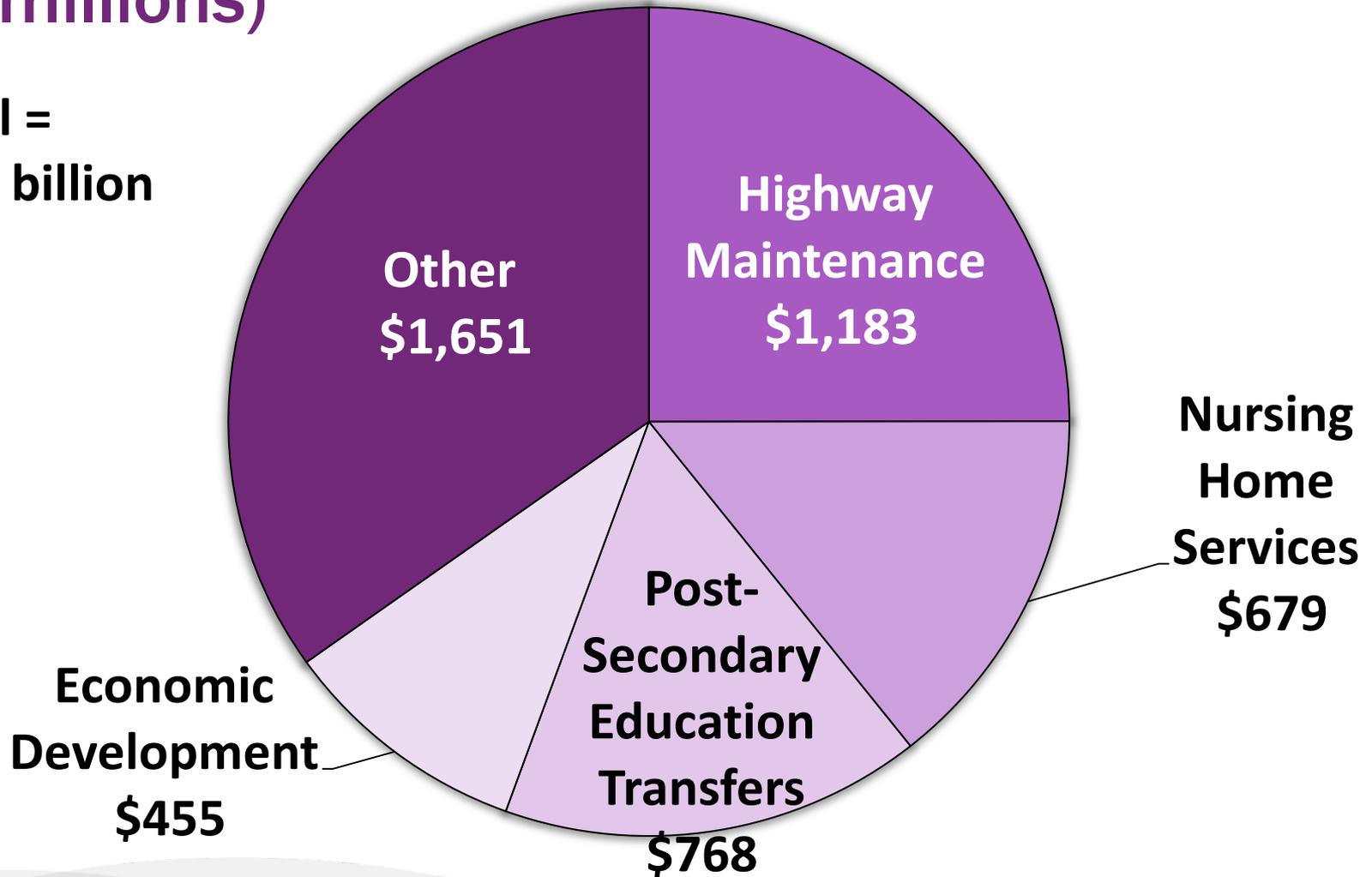
\$MILLIONS FOR 2019 - 2023+

Examples

- Nursing home beds
- Infrastructure
- Multi-year promises

Total Contractual Obligations 2019 and After (\$ millions)

**Total =
\$4.7 billion**



Centralizing Collection - Accounts Receivable

- Province is owed almost **\$3 billion**
- Little progress on centralizing accounts receivable collection
 - Has been ongoing since 2011
- SNB collections branch has not been given a clear direction to centralize collections of all accounts receivable
- No timeline for completion of centralization of accounts receivable



Follow-up on Recommendations from Prior Years' Performance Audit Chapters

Volume II Chapter 4

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Implementation of Recommendations

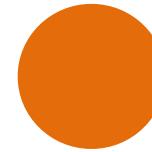
Year	Recommendations			
	Total	Implemented	Agreed/Not Implemented	Percentage Implemented
Self-reported by departments and agencies				
2016	44	30	14	68%
2015	93	60	33	65%
Verified by AGNB				
2014	17	12	5	71%

Heat Map – Online Reporting

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

Department and Project Name	Report Release Date	2018 Status	
		Department Self-Reporting	Auditor General Follow-up
Opportunities NB <i>Financial Assistance to Atcon Holdings Inc. and Industry</i>	2015		
Executive Council Office <i>Financial Assistance to Atcon Holdings Inc. and Industry</i>	2015		
NB Power <i>Point Lepreau Generating Station Refurbishment – Phase II</i>	2014		
Service New Brunswick <i>Data Centre Power Interruption</i>	2014		
Office of the Chief Information Officer <i>Data Centre Power Interruption</i>	2014		
Transportation and Infrastructure <i>Long Term Infrastructure Sustainability Plan</i>	2013		
Legislative Assembly and Executive Council Office <i>Constituency Office Costs for Members of the Legislative Assembly and Executive Council</i>	2011		

Financial Assistance to Atcon Holdings Inc. and Industry (2015)

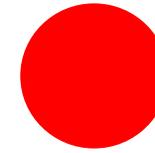


50% – 74% of Recommendations Implemented

ONB made progress to implement recommendations:

- 12 of 18 recommendations implemented by ONB; improvement over last year (4 of 18 implemented)
- 1 recommendation to ECO was not implemented

Long Term Infrastructure Plan (2012)

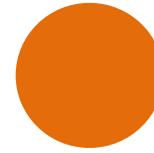


< 50 % of
Recommendations
Implemented

Recommendation has not been fully implemented:

- ✓ DTI has implemented 2 of 8 key components of the recommended plan, but more work remains
- ✗ Systematic rationalization of assets is still an area of weakness
- ✗ No protected stream of funding for maintenance
- ✗ Lack of fiscal discipline to optimize infrastructure maintenance over long term

Point Lepreau Refurbishment – Phase II (2014)

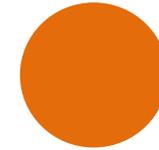


50% – 74% of
Recommendations
Implemented

3 of 10 recommendations not implemented:

- Though NB Power reported 3 remaining recommendations as implemented, our detailed review found they were not.
- These recommendations addressed concerns in:
 - Soliciting competitive bids
 - Using industry standardized format for external contracts
 - Benchmarking market rates for services by contractors

Constituency Office Costs for Members of the Legislative Assembly and Executive Council (2011)



50 - 74 % of Recommendations Implemented

2 key recommendations still not implemented:

- × Constituency costs for Ministers are still not being authorized, paid, recorded, monitored or reported through the Office of the Clerk
- × Total constituency costs claimed by each Member, including Ministers, are not publicly reported

Auditor General Closing Remarks

Questions?