

---

# Table of Contents

## **Chapter 1 – Introductory Comments by the Auditor General**

Introduction.....	3
Acknowledgements.....	8

## **Chapter 2 – Department of Finance – Public Debt**

Introduction.....	11
Audit Objectives and Conclusions.....	13
Results in Brief.....	15
Recommendations.....	17
Public Debt Situation in New Brunswick.....	20
Conclusion.....	30
Does the Provincial Debt Management Practice Mitigate Important Risks?.....	31
Conclusion.....	42
Appendix I - Detroit Filed for Bankruptcy Protection in 2013.....	43
Appendix II - Greek Debt Crisis: How did the Greek Economy Get Into Such a Mess?.....	45
Appendix III - Glossary.....	46

## **Chapter 3 – Department of Transportation and Infrastructure – Centennial Building**

Introduction.....	49
Background.....	49
Objective .....	50
Results in Brief.....	50
Scope and Approach.....	52
Recommendations.....	52
Conclusion.....	61
Appendix I – Images of Centennial Building and Chancery Place.....	62
Appendix II – Examples of Centennial Building Original Mechanical Equipment.....	63
Appendix III – Breakdown of Occupied and Vacant Space in Centennial Building in 2015.....	64

---

**Chapter 4 – Follow-up on Recommendations from Prior Years’ Performance Audit Chapters**

Background.....	67
Summary.....	67
Scope and Objectives.....	69
Detailed Findings.....	70
General Comments on the Implementation of our Recommendations .....	86
<b>Appendix A</b> - Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years.....	89
<b>Appendix B</b> - Detailed Status Report of Recommendations Since 2011.....	97
<b>Glossary</b> .....	143

# Chapter 1

## Introductory Comments by the Auditor General

### **Contents**

Introduction.....	3
Acknowledgements.....	8

# Introductory Comments by the Auditor General

## Introduction

**1.1** My Office's mission, as included in our 2014 to 2020 strategic plan is:

*To provide objective, reliable, and timely information to the Legislative Assembly on government's performance in its delivery of programs and services to the people of New Brunswick.*

**1.2** In this volume of our 2015 Report, we include the following performance reports:

- **Public Debt Management:** Our audit objective was to compare the New Brunswick public debt situation with other Canadian provinces and to determine if the Department of Finance follows a prudent debt management practice to mitigate risks associated with public debt; and
- **Centennial Building:** Our objective was to report on government infrastructure planning for the Centennial Building in Fredericton, associated financial impact on provincial taxpayers, and the current status of the facility.

**1.3** We also include our annual follow up chapter on the implementation status of recommendations in prior years' performance audit chapters. This year's chapter includes the results of our review level follow up on recommendations included in the following 2011 performance reports:

- Wastewater Commissions;
- Public-Private Partnerships: Eleanor W. Graham Middle School and Moncton North School;
- Constituency Office Costs for Members of the Legislative

Assembly and Executive Council; and

- CMHC Social Housing Agreement.

**1.4** It also includes summaries of the implementation status of recommendations included in our 2012 and 2013 chapters, along with:

- Appendix A, which contains a “Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years”,
- Appendix B, a “Detailed Status Report of Recommendations Since 2011”; and
- Appendix C, a Glossary referencing Report sections relevant to each department or Crown agency.

**1.5** There are four areas of particular concern I would like to highlight in connection with this volume.

## **Atcon Update**

**1.6** As reported in our follow up chapter, we met with Opportunities New Brunswick to get an update on their progress in implementing the recommendations from our 2015 audit of Financial Assistance to Atcon Holdings Inc. and Industry. We note both Opportunities New Brunswick and the Executive Council Office report they have acted quickly to respond to a number of the recommendations contained in our audit report. However the implementation of our recommendations has not yet been verified by my Office.

**1.7** Overall, government’s work to date appears positive given it has only been nine months since the report release in March 2015. My hope is that 100% of the recommendations will be implemented in order to reduce the risk of a similar situation in the future. We will perform follow up work in 2016 to verify that recommendations are being implemented.

**1.8** With respect to the unanswered questions on the Atcon file (such as where did \$70 million of taxpayers’ money go, who benefited from the \$70 million in financial assistance provided by government and which vendors were paid in connection with the assistance and loan guarantees granted by government, etc.) I remain concerned. My Office continues to receive numerous phone calls, emails and letters regarding this file.

**1.9** At this point in time, I would like to inform the Legislative Assembly of my intention to pursue further work on the Atcon file. I am in the process of obtaining access to

the books and records of Atcon which are in the custody of Ernst & Young Inc., the court appointed receiver.

**1.10** With respect to resources, I will be informing the legislative committee that approves the budget for my Office of my intention to do this work. The committee can expect I will require staff and funds beyond my current budget. I will assure the committee every effort will be made to be as frugal and efficient as possible yet produce results. Upon completion, it is my intention to table an independent report responding to a number of the unanswered questions, including the most common question my Office receives from concerned citizens on the Atcon file, “where did \$70 million of taxpayers’ money go?”

**1.11** It is also important to note, in a letter received 18 June 2015, we were informed by the Clerk of the Executive Council and Secretary to Cabinet, *“If, from your perspective, further review of the matter is required to determine the final disposition of the financial assistance monies associated with the Atcon file, government has indicated that it will be both supportive and cooperative.”*

**Total MLA  
Constituency  
Office Costs Still  
Not Reported  
Publicly**

**1.12** In our 2015 follow up review of our 2011 audit of Constituency Office Costs for Members of the Legislative Assembly and Executive Council, we were disappointed to note that two important recommendations have still not been implemented by the Executive Council Office and/or the Legislative Assembly. Implementation of these recommendations is critical in ensuring that Members of the Legislative Assembly can be held accountable for their constituency office costs. I encourage the Legislative Assembly and Executive Council Office to implement these recommendations as soon as possible.

**There Has Been  
Progress Toward a  
Comprehensive  
Long-Term  
Infrastructure  
Plan, but More  
Work Remains**

**1.13** In this volume, we have again reported areas where we believe management of provincial infrastructure could be improved. In particular:

- We have concluded, in the Centennial Building chapter, relative to the Centennial Building, government has failed to implement a long term plan and focused on short term decisions. Further, there has been 9 years of government indecision on the future of this Building which continues to cost millions of taxpayer dollars. Also, more generally, government has not followed a long term infrastructure plan in the management of government office space.

- In connection with our follow up work on the 2011 public-private partnerships chapter, we continue to believe the Department of Transportation and Infrastructure, in cooperation with the Departments of Finance and Education, should develop an asset management system for provincial schools, in conjunction with budgeting measures to protect long-term funding required to appropriately maintain provincial schools over their useful lives.

**1.14** In Chapter 1 of Volume II of the 2012 Auditor General Report, I made a recommendation to the Department of Transportation and Infrastructure regarding the Province's need for a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province. The detailed recommendations with the Department's 2015 responses can be found in Exhibit 1.1.

**1.15** I would encourage members of the Public Accounts committee (PAC) to pursue this important issue with DTI officials when they appear before the committee.

## **Public Debt Management**

**1.16** Our chapter on Public Debt includes a number of recommendations to the Department of Finance. In particular I would like to highlight my recommendation that the Department of Finance develop a comprehensive debt management strategy and have it approved by Cabinet. This will help ensure long term consistent debt management practices are followed in New Brunswick.

## **Acknowledgements**

**1.17** Staff in my Office worked very hard in carrying out the work reported upon in this volume of our Report. The individual chapters of this report are a reflection of their level of commitment, professionalism and diligence. I would like to express my appreciation to each for their contribution and continuing dedication to fulfilling the mandate of the Auditor General of New Brunswick.



Kim MacPherson, CPA, CA  
Auditor General

## Exhibit 1.1 - Summary of Recommendations

Recommendations	Department's Response
<p>We recommend the Department of Transportation and Infrastructure develop and implement a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges, and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province.</p> <p>Key elements of the plan should include:</p>	<p><i>DTI has committed to developing a long-term (10 year) capital infrastructure plan for fiscal 2015-2016. This long term strategic planning framework (process and strategy) will identify major transportation and buildings infrastructure projects that DTI plans to pursue over the next ten years along with other capital expenditure categories. It will explain how these major projects are prioritized, funding requirements and timelines. This long term strategic planning framework will provide for three planning time frames: Annual/Operational (1 year) – projects that were approved through capital estimates and are underway in the current construction season; 2) Tactical (2-3 years) – projects that are planned to be carried out in the next two to three years (projects in progress) and include an engineering estimate; 3) Strategic – Long Term (4-10 years) – projects under consideration over the long term 4-10 year period and are known as projects under study.</i></p> <p><i>This long term strategic planning framework features a governance model that includes senior level participation from all divisions in the Department. The Committee is responsible for ensuring that the plan is populated with potential projects as a result of adequate consultation with key stakeholders, including district engineers, elected officials, municipalities, and industry. These projects are validated and prioritized utilizing evidence based decision making tools and assessments and incorporating asset management based principles. This framework will reflect expected financial benefits leveraged from the federal government through the New Building Canada Plan as well as funds leveraged from municipalities through the Province's Municipal Designated Highway Funding Program.</i></p>
<p>1. the rationalization of assets (i.e. if not considered essential, remove from service and dispose in an appropriate manner);</p>	<p><i>DTI has developed a decision framework that will be used to inform decisions regarding the divestiture of redundant assets. The methodology has already been tested with regards to potential divestiture projects. Government approved a decision June 2015 to permanently close the old Jemseg bridge following a recommendation supported by DTI's decision framework.</i></p>
<p>2. a long term approach to budgeting which includes life cycle maintenance of capital assets;</p>	<p><i>Annual financial requirements for asset management are included in the Capital Plan.</i></p>
<p>3. a protected stream of a base level of funding determined necessary to adequately maintain assets in service;</p>	<p><i>The Capital Plan, which includes long term asset management funding, will be presented to government for approval. DTI is also researching various options, including legislation, for protecting a base level of funding for asset management of existing assets.</i></p>

Exhibit 1.1 - Summary of Recommendations (continued)

Recommendations	Department's Response
4. a 20 year planning horizon;	<i>Through its own research of plans in other jurisdictions and considering the changing trends in infrastructure requirements, DTI decided to reduce the time horizon to 10 years which would provide adequate planning time.</i>
5. a process whereby new assets are constructed only when there is a business case to support the need. This should include redirecting savings from rationalized assets to the new asset life cycle maintenance costs;	<i>The Capital Plan will focus first on rehabilitation requirements of existing assets. New build projects must be screened through DTI's Asset Management Decision Framework before being included on the Plan.</i>
6. apply the current DTI strategy and asset management system to all essential assets. This would result in a corporate approach which applies the least cost lifecycle prioritization to all essential assets;	<i>DTI is working toward implementing asset management models for all of its asset classes and is at various stages of maturity. The model for roads (surface treatments) is complete and being used annually. The model for bridges, culverts and roofs (buildings) will be complete and utilized in 2015.</i>
7. provide annual public performance reporting, which includes the actual physical condition of our essential assets versus pre-established targets, explaining the reason for any significant variances; and	<i>The Department has established performance measures and annual targets as part of its balanced scorecard and continues to review these measures on a regular basis. These indicators include the percentage of roads in "poor" condition and the percentages of bridges with a "poor" BCI. Performance measures are reported in DTI's Annual Report.</i>
8. a process or mechanism that ensures fiscal discipline is adhered to over the long-term (such as legislative change, statutory funding, contractual arrangements).	<i>Through approval of the 10-year Capital Plan, Government commits to this process and long term funding. DTI is researching models, including legislation, which will strengthen this commitment.</i>

# Chapter 2

## Department of Finance

### Public Debt

#### Contents

Introduction.....	11
Audit Objective and Conclusions.....	13
Results in Brief.....	15
Recommendations.....	17
Public Debt Situation in New Brunswick.....	20
Conclusion.....	30
Does the Provincial Debt Management Practice Mitigate Important Risks? .....	31
Conclusion.....	42
Appendix I - Detroit Filed for Bankruptcy Protection in 2013.....	43
Appendix II - Greek Debt Crisis: How Did the Greek Economy Get Into Such a Mess?.	45
Appendix III - Glossary.....	46

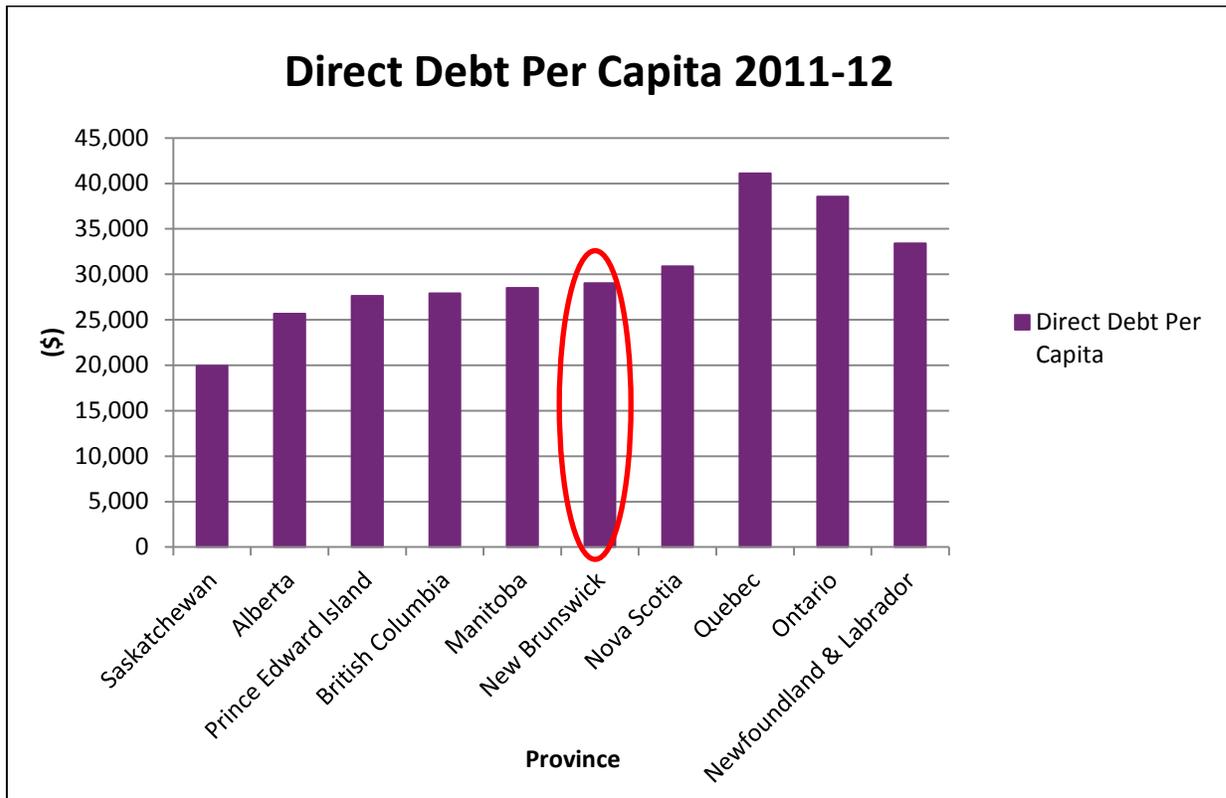
# Department of Finance

## Public Debt

### Introduction

- 2.1** Effective public **debt management** is the cornerstone of financial stability and sustainable fiscal policy. Without prudent **debt management** practices, the public debt portfolio of the Province of New Brunswick can generate substantial risk to the Province's financial stability.
- 2.2** Recent debt market crises, such as the ones that occurred in Detroit and Greece, have highlighted the importance of sound **debt management** practices. The background information regarding the crises can be found in Appendix I and II.
- 2.3** In past Auditor General's reports, we commented on the Province's financial position, particularly the public debt situation. We highlighted our concern with consecutive annual deficits, the increasing debt burden, and highlighted the need for increased fiscal diligence.
- 2.4** In this chapter, we describe the public debt situation in New Brunswick in comparison with other Canadian provinces. Exhibit 2.1 presents, as background information, the direct debt per capita for all Canadian provinces. We also focus in this chapter on the public **debt management** practices at the Department of Finance.

Exhibit 2.1 – Direct Debt per Capita 2011-12



Source: Fraser Institute: *Canadian Government Debt 2014 A Guide to the Indebtedness of Canada and the Provinces (unaudited)*

**2.5** The Province of New Brunswick issues securities (direct debt), for example treasury bills and domestic or foreign bonds, to fund its financial requirements. As well, the Province has other financial liabilities such as capital leases and guarantees. These direct and indirect debts (from this point referred to as public debt) are presented in Exhibit 2.2.

**2.6** According to its Annual Reports, the Department is responsible for financing the Province and Crown corporations, managing the Consolidated Fund, investing and administering various dedicated funds and providing financial policy analysis and advice.

Exhibit 2.2 - Direct and indirect debt of the Province of New Brunswick

Debt Statement (\$ millions, as at March 31)	2011	2012	2013	2014*	2015*
Direct Debentures	15,814	16,606	17,189	18,503	19,246
Treasury Bills, Other Short-term	827	675	1,372	1,372	1,218
Canada Pension Plan	834	834	834	834	834
<b>Total Direct Debt</b>	<b>17,475</b>	<b>18,115</b>	<b>19,395</b>	<b>20,709</b>	<b>21,298</b>
N.B. Municipal Fin. Corp.	730	804	838	864	879
N.B. Highway Corp	715	691	666	638	609
Other Capital Leases	127	131	129	78	159
Other Guaranteed	141	107	90	90	98
<b>Total Direct &amp; Indirect Debt</b>	<b>19,188</b>	<b>19,848</b>	<b>21,118</b>	<b>22,379</b>	<b>23,043</b>
Less:					
NB Power*	4,450	4,533	5,379	5,425	5,389
Direct Debt Sinking Funds	4,341	4,237	3,956	3,884	4,050
N.B. Municipal Fin. Corp.	730	804	838	864	879
<b>Net Direct and Indirect Debt (Public Debt)</b>	<b>9,667</b>	<b>10,274</b>	<b>10,945</b>	<b>12,206</b>	<b>12,725</b>

Source: Moody's credit analysis and financial statements of various organizations (unaudited)

\*Note: Moody's numbers updated to "Actuals" for 2014 and 2015

NB Power's numbers updated to reflect its financial statement

## Audit Objective and Conclusions

### *No immediate risk of default on New Brunswick's debt*

**2.7** First, we describe in this chapter the public debt situation in New Brunswick, including comparisons to the other provinces.

**2.8** Based on the information gathered and analysis conducted, we found there is no immediate risk of default on New Brunswick public debt. Two important indicators associated with the provincial level of debt (interest costs to revenue in Exhibit 2.5 and Debt-to-GDP in Exhibit 2.8) are reasonably in line with other provinces in Canada. The costs of servicing public debt have been relatively stable, due to the low interest rate environment and the Department's low risk debt management policies.

**2.9** However, the Province could potentially face higher debt levels in the future, given the sluggish economic growth in New Brunswick, the potential for stagnant or declining revenue, and an aging population.

**2.10** The above mentioned circumstances may not allow the Province to handle a debt burden as high as other provinces

with higher potential long-term growth prospects.

**2.11** It is possible New Brunswick's key debt indicators could fall out of a reasonable range compared to other provinces. If that happens, investors might demand higher returns on New Brunswick bonds, or in the worst case scenario, lose confidence in the New Brunswick government's ability to repay its debt.

***Province must control rate of growth of public debt***

**2.12** As a result, the Province must be diligent in monitoring the level of the public debt and take appropriate action to control its rate of growth. In similar circumstances, some governments have made difficult choices. For example, Saskatchewan and Canada's debt to GDP ratios reached concerning levels in the mid-1990s. However, their respective governments took actions such as reducing spending, disposing of assets and restructuring fiscal policies. These steps led to long-term improvements in their fiscal situations. On the other hand, Greece and the city of Detroit did not take appropriate action, and their experiences clearly show us the ultimate consequences of a failure to act.

**2.13** The objective of our audit was:

*To determine if the Department of Finance follows a prudent **debt management** practice to mitigate risks associated with public debt.*

***Need for comprehensive debt management strategy***

**2.14** The Department has been following a relatively low-risk and non-complex debt management practice. However, it does not have an approved and well documented comprehensive debt management strategy.

**2.15** Further, the Department can make improvement in some areas such as risk management, operations, and public reporting to mitigate potential risks associated with public debt.

## Results in Brief

### Current Provincial Debt Status

- 2.16** In reviewing the current debt status of the Province, we noted the following:
- ✓ New Brunswick's debt burden is rising but debt servicing costs are stable;
  - ✓ There is no immediate default risk for New Brunswick. However, the Province will become more vulnerable in the long term, if debt continues to accumulate;
  - ✓ Recent credit ratings for New Brunswick have been stable since 2012;
  - × New Brunswick's debt-to-GDP ratio grew for the eighth consecutive year to reach 40.5% in fiscal year 2015. It has been consistently higher than the all provinces average since fiscal year 2012;
  - × The real GDP growth rate in New Brunswick has been constantly below the national average;
  - × The New Brunswick economy is not expected to show much growth in the near future;
  - × The labour market in New Brunswick has remained weak in recent years; and
  - × New Brunswick's aging population poses fiscal challenges.

*The Department has no comprehensive debt management strategy*

- 2.17** The Department of Finance has been following relatively low-risk and non-complex debt management practices. However, the Department has no comprehensive debt management strategy.

- 2.18** Without a comprehensive provincial debt management strategy, it would be difficult to maintain a debt management practice with a focus on the long term.

*Province's risk tolerance has not been established*

- 2.19** We reviewed the Department's financial risk framework. It identified a number of financial, reputational and accounting risks. However, the framework does not establish the Province's **risk tolerance** in terms of an acceptable dollar variation from the budget of servicing public debt due to financial markets movement such as changes in interest rates.

- 2.20** Without a **quantified risk tolerance**, it is difficult to establish long term and short term debt management objectives. Also, it would be impossible to measure whether the objectives were met.

**2.21** We also noted the financial risk framework was approved by the Risk Management Committee, which consists of a group of Treasury Division employees at the Department. This Division is also the group which executes the framework.

**2.22** We believe it is inappropriate to have the framework approved by a committee which also executes the policy, nor is it the best practice in the public debt management field. For example, management of British Columbia's debt portfolio is overseen by a Risk committee. The Risk committee's primary objective is to set risk policies and parameters that balance costs and risk within acceptable control standards. The Risk Committee is comprised of the Deputy Minister of Finance, the Deputy Minister of the Environment, the Assistant Deputy Minister, Provincial Treasury, and members from the financial and academic community.

***The Department conducts sensitivity analyses but not full stress tests***

**2.23** The Department conducts sensitivity analyses based on the volatility of interest rate. Some improvement could be made in terms of the range of the sensitivity.

**2.24** The Department does not perform full **stress tests**. The current Provincial debt portfolio is relatively low risk and does not contain complex financial products. However, an effective full **stress test** would help the Department to mitigate some significant potential risks associated with the debt portfolio.

***The legislative framework for debt management is sound***

**2.25** The legislative framework for debt management is sound. We found the Department follows the *Provincial Loans Act* and annual *Loan Act* and ensures the proper authorizations are in place prior to undertaking transactions.

**2.26** However, the Department's policies do not specify permissible debt products that may be issued by the Province, such as low to medium risk and non-complex financial instruments. Without clearly stating the permissible products, there is a risk that someone might transact a product which is inconsistent with the Department's low-risk approach. Additionally, transaction limits (in dollars) have not been established for individual staff.

**2.27** The Department annually releases, in Volume I of Public Accounts, indicators of financial health, including net debt-to-GDP and the cost of servicing the public debt as a proportion of total revenue.

***The Department's debt management objectives and targets are not publicly reported***

**2.28** We found the objectives of debt management were defined in the Department's policies. From our work we believe the Department is able to project the government's medium-term financing needs and targets.

**2.29** However, the Department's debt management objectives and targets are not publicly reported. Further, no future oriented information regarding debt portfolio performance is reported.

**2.30** Ontario Financing Authority, which manages the debt of the Province of Ontario, releases its borrowing program for future years, and medium-term borrowing outlook on its website.

**2.31** The government of British Columbia outlined in its 2014 budget the strategy for debt management with its strategic goals.

**2.32** Without transparency and public reporting, it is difficult for legislators and the public to assess the effectiveness of the Department's debt management operations and hold it accountable for that performance.

**Recommendations**

**2.33** Our recommendations to the Department are presented along with its responses to each recommendation in Exhibit 2.3.

Exhibit 2.3 - Summary of Recommendations

Recommendation	Department's response	Target date for implementation
<b>2.80 We recommend the Department develop a comprehensive debt management strategy and have it approved by Cabinet.</b>	<i>The Department is committed to sustainable debt management. The Department currently develops an annual borrowing plan and informs government on debt management as required by the Provincial Loans Act and the annual Loan Act and through other communications. In developing a debt management strategy the Department will research its peers' practices and review existing legislation. The resulting strategy will be provided to government.</i>	<i>It is estimated that the research and recommendations to government can be completed within one year.</i>
<b>2.94 We recommend the Department establish the Province's risk tolerance in terms of an acceptable dollar variation from the budget of servicing public debt due to financial markets movement.</b>	<i>The Service of the Public Debt is forecasted annually by the Department as part of the budget process using forward interest and currency rates and anticipated borrowing requirements. The debt management program is intended to minimize deviations from budget while maintaining adequate levels of liquidity and mitigating market related risks. The Service of the Public Debt is subject to budget scrutiny, including sensitivity analysis. As part of developing a comprehensive debt management strategy the Department will confirm government's tolerance for risk.</i>	<i>It is estimated that the research and recommendations to government can be completed within one year.</i>
<b>2.95 We recommend the Department form a risk committee independent of the Treasury Division to review and approve all risk management related policies.</b>	<i>The Department is committed to prudent risk management practises. The Department currently has an internal risk management committee that establishes financial risk parameters through policies, procedures and compliance of its debt management program. The Department will research its peers' practises and will make recommendations to government to enhance the debt management practises.</i>	<i>It is estimated that the research and recommendations to government can be completed within one year.</i>
<b>2.109 We recommend the Department regularly conduct a full stress test of its debt portfolio on the basis of the economic and financial shocks to which the Province is potentially exposed.</b>	<i>The Service of the Public Debt is projected annually by the Department as part of the budget process using forward interest and currency rates and anticipated borrowing amounts. The Service of the Public Debt is subject to budget scrutiny, including providing sensitivity analysis. Additional stress testing metrics, including economic and financial shocks will be explored to ensure the impact of potential changes to the debt management strategy are well understood and remain within acceptable budgetary limits.</i>	<i>It is estimated that the research and recommendations to government can be completed within one year.</i>

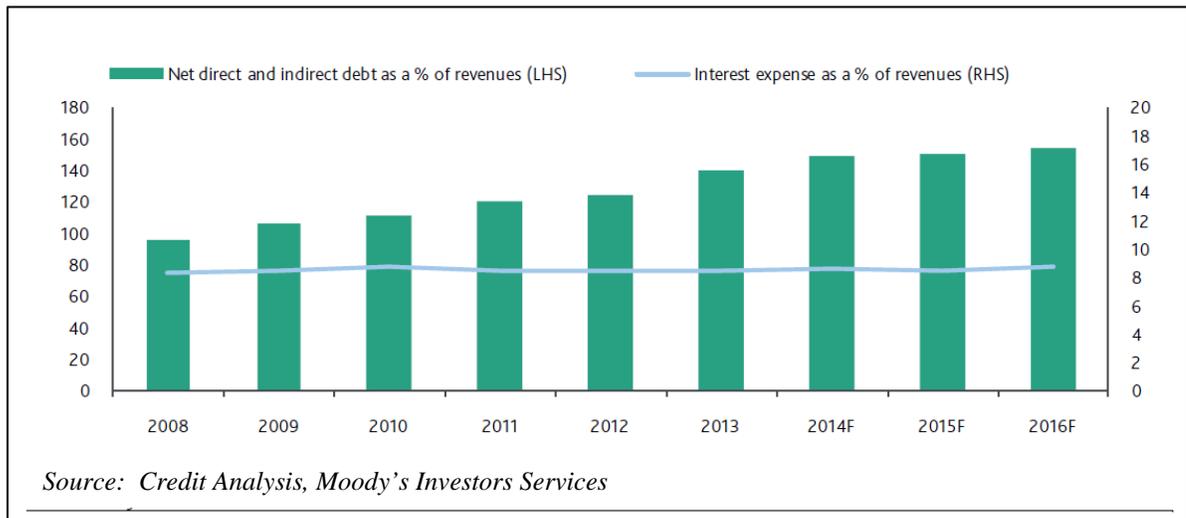
Exhibit 2.3 - Summary of Recommendations (continued)

Recommendation	Department's response	Target date for implementation
<b>2.123</b> We recommend the Department clearly state in its borrowing policies which debt products may be issued by the Province and which may not.	<i>The Provincial Loans Act currently provides the framework under which debt may be issued and managed. The Department will research best practices in terms of eligible debt products and make recommendations to the risk management committee.</i>	<i>It is estimated that the research and recommendations to the risk management committee and government can be completed within one year.</i>
<b>2.129</b> We recommend the Department document in its policy the limits and authorities for all levels of staff who can undertake borrowing and investing related transactions.	<i>The Department's current approval policies and procedures require a minimum of two individuals to execute a borrowing or investing transaction. The policies and procedures will be reviewed and recommendations made to the risk management committee.</i>	<i>It is estimated that the research and recommendations to the risk management committee can be completed within one year.</i>
<b>2.139</b> We recommend the Department publicly report the government's debt management objectives, guidelines, and strategies, as well as medium-term financing needs and targets, in terms of debt composition, average maturity, and other indicators.	<i>The Department supports disclosure of relevant information on the public debt and currently provides debt information on its investor relations site: <a href="http://www2.gnb.ca/content/gnb/en/departments/finance/investor_relations.html">http://www2.gnb.ca/content/gnb/en/departments/finance/investor_relations.html</a> Longer term forecasts are dependent on multi-year fiscal frameworks. The Department will conduct research on disclosing additional debt related information to the public.</i>	<i>It is estimated that the research and implementation within one year provided the availability of multi-year fiscal frameworks.</i>
<b>2.145</b> We recommend the Department provide the public with information on the projected future performance of the Province's debt portfolio, including its cost of debt.	<i>The Department currently provides some of this information in various publications. Longer term forecasts are dependent on multi-year fiscal frameworks. The Department will research ways to improve the disclosure of relevant debt information.</i>	<i>It is estimated that the research and implementation within one year provided the availability of multi-year fiscal frameworks.</i>

## **Public Debt Situation in New Brunswick**

- 2.34** Our audit was performed in accordance with standards for assurance engagements, encompassing value-for-money and compliance, established by the Chartered Professional Accountants of Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.
- 2.35** Certain financial and statistical information presented in this chapter was compiled from various sources. It has not been audited or otherwise verified. Readers are cautioned that this financial and statistical information may not be appropriate for their purposes.
- 2.36** First, we describe in this chapter the public debt situation in New Brunswick, including comparisons to the other provinces.
- 2.37** In past Auditor General Reports, we have commented on the Province's financial health, and significant trends observed in the Province's consolidated financial statements. This section of the chapter is intended to expand on those prior comments in relation to the public debt.
- 2.38** As shown in Exhibit 2.2, the net direct and indirect debt of the Province reached \$12.7 billion in 2015. We believe, in order to properly analyze the public debt situation, all the direct and indirect debt (such as public-private partnerships, capital leases, pension liabilities, other guarantees and commitments) should be taken into account. This would give the public a full picture of the total level of debt burden. We understand major rating agencies use a similar approach in analyzing Canadian provinces' debt situations.

Exhibit 2.4 - Rising debt burden but debt servicing stable



(unaudited)

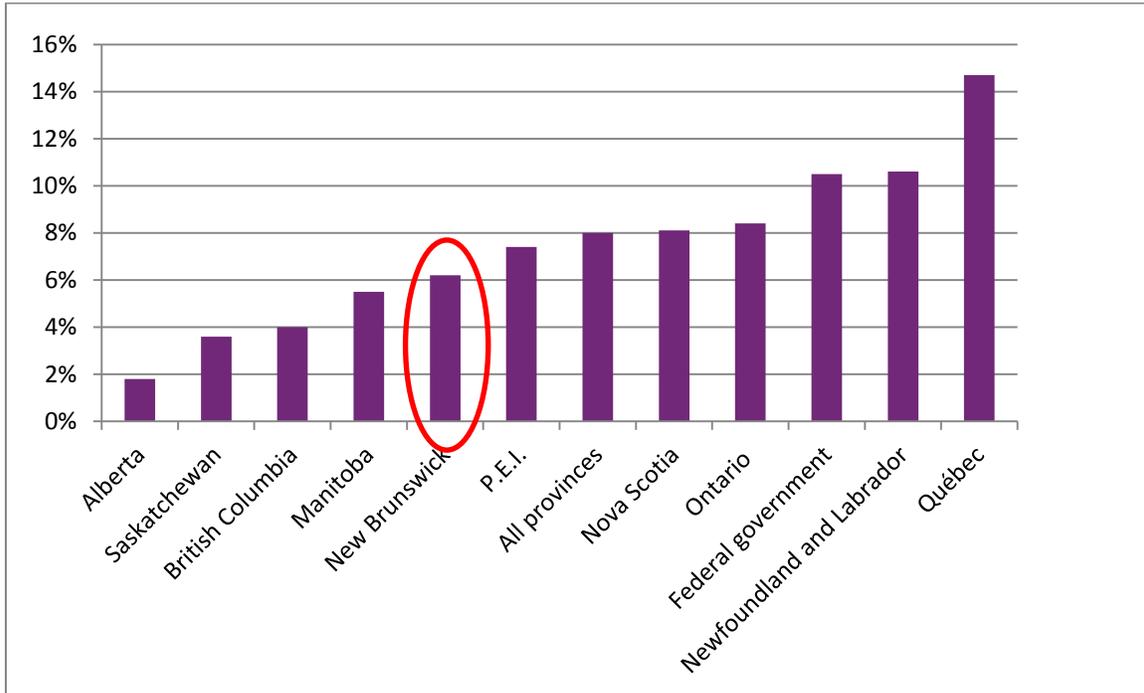
**Current interest costs relatively stable**

**2.39** Although debt levels have risen, interest costs relative to revenues have remained fairly stable over the past several years as shown in Exhibit 2.4. This is due primarily to the current favourable interest rate environment which has facilitated the refinancing of higher coupon debentures at lower interest rates. In addition, use of the provincial Sinking Fund to pay off debt has also helped stabilize the interest costs. The proportion of revenue consumed by interest costs is expected to increase slightly over the medium term, reflecting an increase in the province's debt burden and the expected rise in interest rates.<sup>1</sup>

**2.40** New Brunswick's budgeted net interest costs to total revenue ratio is relatively reasonable, compared to other provinces. Exhibit 2.5 shows New Brunswick is the fifth lowest according to DBRS's analysis.

<sup>1</sup> Credit Analysis, Moody's Investors Service, 5 June 2014

Exhibit 2.5 - Budgeted net interest costs to total revenue (2014-15)



Source: DBRS; 2014 Canadian Federal and Provincial Governments Overview (unaudited)

***A 1% increase in budgeted long term interest rates would add \$49 million to debt servicing costs in three years time***

**2.41** According to the Department's **sensitivity analysis**, an increase of 1% in budgeted long-term rates would add \$6.9 million to costs in fiscal 2016. While a multi-year fiscal framework has not been published, the Department was able to demonstrate the impact is much greater over time. Increasing interest rates by just 1% over budgeted rates would increase interest costs in 2019 by \$49 million (or 7%) over the amount budgeted for that year.

***There is no immediate default risk for New Brunswick. However, the Province will become more vulnerable in the long term if debt continues to accumulate***

**2.42** Interest costs relative to revenues, also referred as “interest bite”, is a widely used indicator by rating agencies and investors to assess the default risk. In a 2012 study published by the Macdonald-Laurier Institute, an independent national public policy think tank based in Ottawa, it was concluded an interest expense to revenue ratio of 25% is likely to be unsustainable<sup>2</sup>. There is no immediate default risk for New Brunswick, as the interest costs relative to revenues in fiscal year end 2015 were 8.1%.

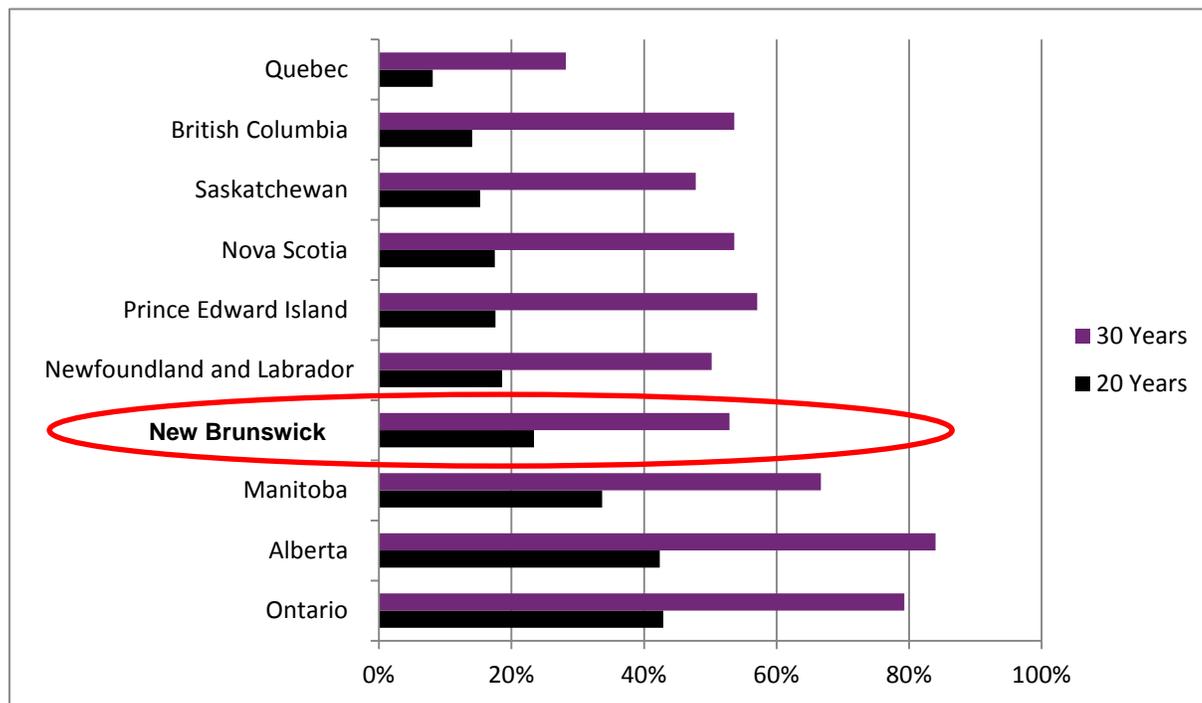
**2.43** However, the Province will become more vulnerable in the longer term, if debt continues to accumulate. Exhibit 2.6 shows the probability of default for each province in the next 20 and 30 years. Due to population aging, lower labor force participation, less economic growth and higher health spending in later years, provinces are at risk of encountering solvency crises over the next 10-30 years if fiscal policies do not change.<sup>3</sup> New Brunswick was among the provinces with higher risks.

---

<sup>2</sup> Provincial Solvency and Federal Obligations, Marc Joffe, October 2012

<sup>3</sup> *ibid*

Exhibit 2.6 - Probability of default in the next 20 and 30 years

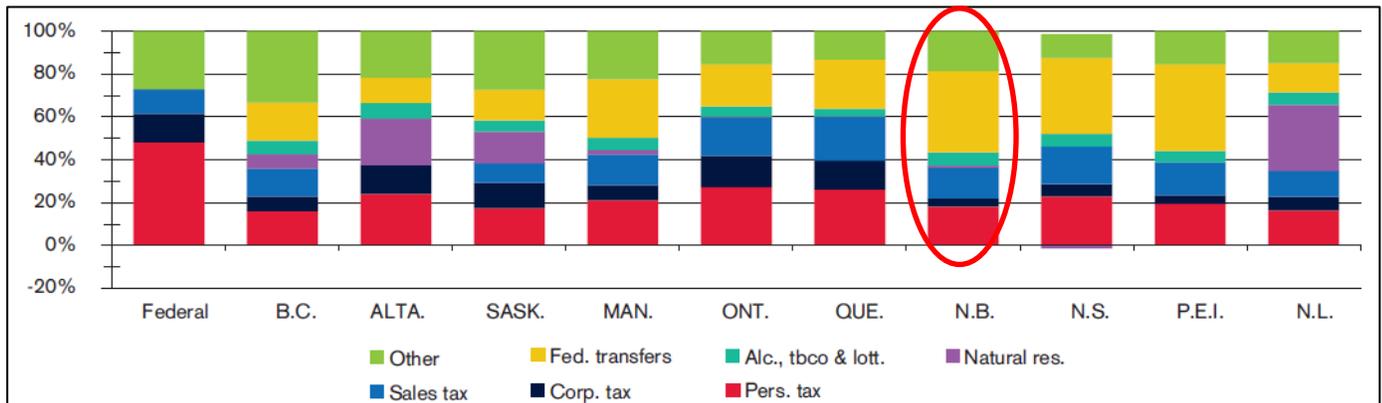


Source: Created by AGNB using data from "Provincial Solvency and Federal Obligations," Marc Joffe, October 2012, published by Macdonald-Laurier Institute (unaudited)

**2.44** This model assigns Ontario the highest default probability at 20 year terms. This is due to Ontario's relatively high level of public debt and high deficits which are assumed to persist. Alberta has the highest default probability at 30 year terms, as the province is running substantial budget deficits today and Alberta is projected to experience more rapid growth in its senior citizen population than any other province.

**2.45** As shown in Exhibit 2.7, New Brunswick is relatively more reliant on federal transfers, reflecting its somewhat weaker economic fundamentals. Federal transfers accounted for 38% of total revenue in fiscal 2014 in New Brunswick, compared to an all provinces total of 20%. New Brunswick was the second highest among all provinces, only lower than PEI's 40%.

Exhibit 2.7 - Sources of revenue by jurisdiction (fiscal year 2014)



Source: *The Rebalancing Act: Managing Through Fiscal and Economic Adjustment*, DBRS, December 2014 (unaudited)

**2.46** The inability to generate own-source revenue could negatively impact New Brunswick's interest to revenue ratio, in the event of reduced federal transfers. The Province would face an even higher risk of default.

**Recent credit ratings for New Brunswick have been stable since 2012**

**2.47** The credit ratings from three major rating agencies have been relatively stable since 2012. The last downgrade from AA- to A+ was in 2012 by Standard and Poor's.<sup>4</sup>

**2.48** We found there is no evidence that a downgrade would result in an immediate rise on the Province's borrowing cost. Ultimately, liquidity, supply and demand on the market influence the price of a particular bond. However, the credit rating is one of the significant factors used by investors to make investment decisions. A higher credit rating may:

- attract more institutional investors to participate in New Brunswick's bond issuances. Many institutional investors only consider purchasing a bond with a certain rating or higher; and
- give the Province more flexibility in terms of setting on terms and conditions of a bond.

<sup>4</sup> Supplementary Analysis: Province of New Brunswick, Standard & Poor's Ratings Services, June 2014

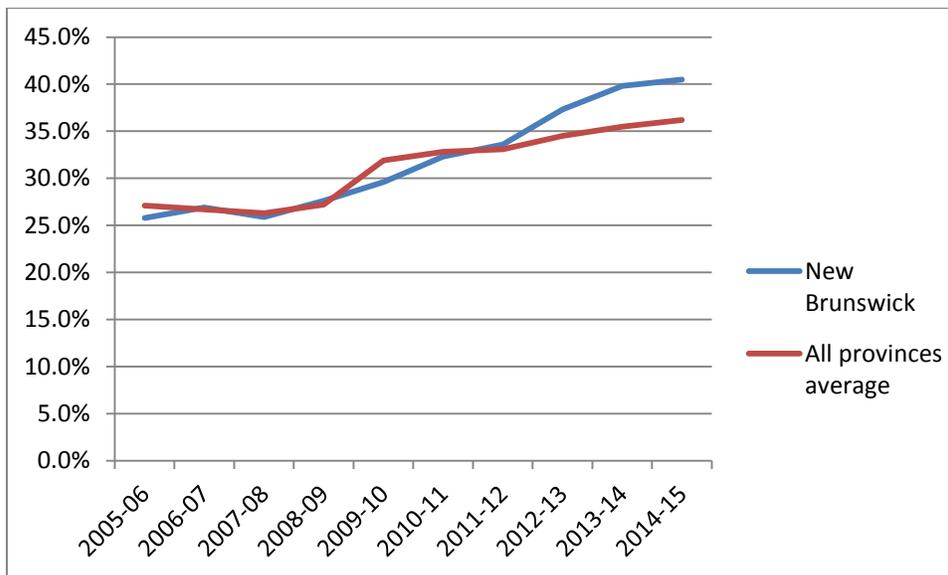
Exhibit 2.8 - Provincial Public Debt-to-GDP ratios

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Projected 2013-14	Budget 2014-15
British Columbia	17.4%	16.1%	15.7%	15.3%	17.7%	17.6%	17.9%	19.2%	20.6%	20.4%
Alberta	-0.7%	-1.0%	-0.3%	2.3%	4.1%	4.4%	4.7%	5.3%	7.0%	8.3%
Saskatchewan	26.6%	26.6%	24.0%	15.0%	17.7%	17.4%	14.6%	14.6%	14.7%	14.7%
Manitoba	32.2%	30.6%	29.2%	28.6%	31.9%	33.0%	35.6%	36.4%	38.2%	38.6%
Ontario	26.0%	25.9%	26.2%	28.9%	35.2%	37.6%	39.3%	41.6%	43.1%	44.1%
Québec	54.3%	55.8%	55.0%	56.8%	58.6%	59.4%	59.6%	60.2%	61.0%	61.6%
New Brunswick	25.8%	26.9%	25.9%	27.6%	29.6%	32.3%	33.6%	37.3%	39.8%	40.5%
Nova Scotia	33.7%	34.6%	31.9%	32.0%	35.4%	33.9%	33.4%	35.1%	35.7%	36.0%
P.E.I.	35.0%	33.5%	31.1%	32.4%	35.9%	37.3%	38.8%	42.4%	47.4%	46.4%
Newfoundland and Labrador	42.7%	35.4%	30.5%	28.8%	36.4%	31.4%	27.1%	28.3%	26.9%	30.0%
All provinces average	27.1%	26.7%	26.3%	27.2%	31.9%	32.8%	33.1%	34.5%	35.5%	36.2%

Provincial debt is defined by DBRS as tax-supported debt plus unfunded pension liabilities, less sinking funds, and internal holdings. As calculated at the time of the annual credit review of each province. Actual figures for Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia and Saskatchewan in 2013-14.

Source: *The Rebalancing Act: Managing Through Fiscal and Economic Adjustment*, DBRS, December 2014 (unaudited)

Exhibit 2.9 - Provincial Public Debt-to-GDP ratios: comparison between New Brunswick and all provinces average



Source: Created by AGNB using data from *The Rebalancing Act: Managing Through Fiscal and Economic Adjustment*, DBRS, December 2014 (unaudited)

***New Brunswick's public debt-to-GDP ratio to reach 40.5% in fiscal year 2015, fourth highest of all provinces***

**2.49** The public debt-to-GDP ratio is one of the key quantitative indicators for measuring debt burden, because it measures indebtedness relative to a province's capacity to carry debt.

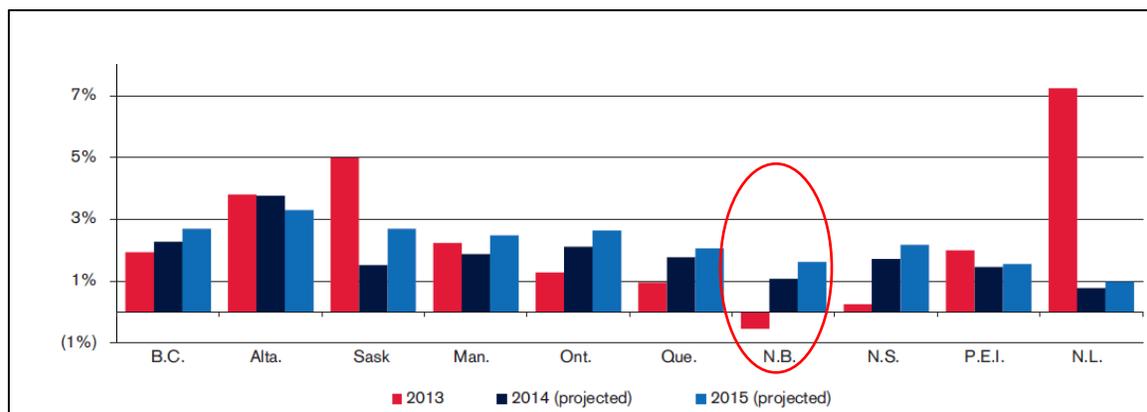
**2.50** New Brunswick's public debt-to-GDP ratio has grown for the eighth consecutive year to reach 40.5% in fiscal year 2015. This positions New Brunswick as the province with the fourth highest debt burden. The ratio has been consistently higher than the all provinces average since fiscal 2012 as shown in Exhibit 2.8 and 2.9.

**2.51** One of the reasons why this ratio grew is the consecutive provincial deficits and rising net debt of the Province. The government has to issue more debt to cover its cash shortfalls for program spending and infrastructure projects.

**2.52** The debt-to-GDP ratio is expected to rise further in the near future until a planned balanced budget is achieved in 2018-2019 under current government forecasts.

**2.53** The other factor which could significantly impact the ratio is the growth of GDP. As the denominator, a growing GDP can significantly lower the debt-to-GDP ratio. In other words, a growing provincial economy could improve the debt sustainability of a province.

*Exhibit 2.10 - Real GDP growth 2013 to 2015*



Source: *The Rebalancing Act: Managing Through Fiscal and Economic Adjustment*, DBRS, December 2014. (unaudited)

***From 2013 to 2015 the real GDP growth rate in New Brunswick has been constantly below the national average***

**2.54** Canada's real GDP expanded by 2.5% in 2014, up slightly from 2% growth reported in 2013.<sup>5</sup> Again, the real GDP growth rates in New Brunswick in recent years have been constantly below the national averages, as shown in Exhibit 2.10.

***The New Brunswick economy is expected to grow slowly in the near future***

**2.55** Unfortunately, the New Brunswick economy is expected to grow slowly in the near future. With the flat economy and rising debt, New Brunswick could see further erosion on the debt-to-GDP ratio. Given some other provinces have more diversified economies and greater potential to grow their GDPs, New Brunswick could be in an even worse position in comparison with other provinces in the future. Without changes in fiscal policies, this may result in even higher provincial borrowing costs and ultimately increasing difficulties in attracting investors for New Brunswick bonds.

**2.56** As per DBRS's forecast, New Brunswick's debt burden is now expected to peak around 41% in 2015-16 and is well-above pre-recession levels of less than 30%. As a result, even if the Province successfully executes its fiscal recovery plan as envisioned, DBRS believes little flexibility will be left within the current rating to weather further erosion. "Additional fiscal slippage pushing the public debt-to-GDP ratio toward 45% would be cause for concern for DBRS and could result in downward pressure on the Province's rating."<sup>6</sup>

***New Brunswick's public debt level should remain in line with other provinces***

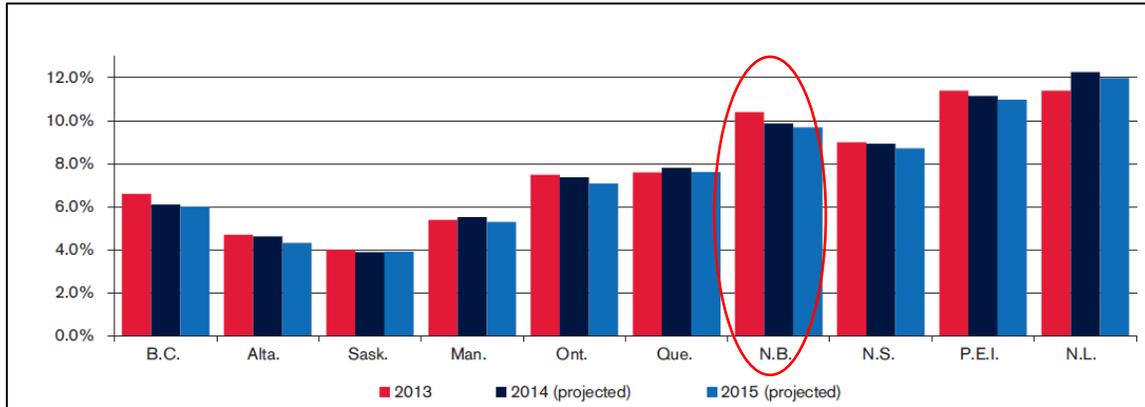
**2.57** Without the potential to significantly improve GDP, we believe more emphasis should be put on controlling the rate of growth of the public debt, so the relative public debt level remains in line with other provinces.

**2.58** The weak trend in GDP growth in New Brunswick, high unemployment rates and the aging population will pose many challenges in increasing tax revenues and controlling health care and social program expenditures.

<sup>5</sup> Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/150303/dq150303a-eng.htm>

<sup>6</sup> The Rebalancing Act: Managing Through Fiscal and Economic Adjustment, DBRS, December 2014

Exhibit 2.11 - Unemployment rates by province



Source: *The Rebalancing Act: Managing Through Fiscal and Economic Adjustment*, DBRS, December 2014 (unaudited)

**The labour market in New Brunswick has remained weak in recent years**

**2.59** The labour market in New Brunswick has remained weak in recent years. The unemployment rate has been among the highest in Canada, as shown in Exhibit 2.11.

**2.60** This trend could constrain the Province’s ability to generate more tax revenues both on the personal and corporate levels.

Exhibit 2.12 - Population components by age by jurisdiction (2014)

	Canada	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.
< 15 years	16.1%	14.6%	18.3%	18.9%	18.7%	16.0%	15.4%	14.6%	14.1%	15.9%	14.4%
> 64 years	15.7%	17.0%	11.4%	14.5%	14.6%	15.6%	17.1%	18.3%	18.3%	17.9%	17.7%
<b>Dependent pers.</b>	<b>31.8%</b>	<b>31.6%</b>	<b>29.6%</b>	<b>33.4%</b>	<b>33.3%</b>	<b>31.6%</b>	<b>32.5%</b>	<b>32.9%</b>	<b>32.4%</b>	<b>33.8%</b>	<b>32.1%</b>
15 to 64 years	68.2%	68.4%	70.4%	66.6%	66.7%	68.4%	67.5%	67.1%	67.6%	66.2%	67.9%
Dependency ratio	46.6%	46.2%	42.1%	50.1%	49.9%	46.3%	48.2%	49.1%	48.0%	51.0%	47.4%
Median age	40.4	41.9	36.0	37.0	37.7	40.4	41.8	44.3	44.1	43.3	44.6

Source: *The Rebalancing Act: Managing Through Fiscal and Economic Adjustment*, DBRS, December 2014 (unaudited)

**New Brunswick’s aging population poses fiscal challenges**

**2.61** The age of a region’s population has a significant effect on the local economy as it plays a role in the composition of the labour force, income distribution and demand for goods and services. It also has a notable impact on how governments structure their revenues and expenditures. Particularly, population aging poses mounting challenges for the provincial government because of the pressure it exerts on health-care and social programs as well as its impact on labour force renewal.

***New Brunswick has the second oldest population in Canada***

**2.62** Among provinces, New Brunswick is recognized as having the second oldest population in Canada with a median age of 44.3 years, only behind Newfoundland. New Brunswick has tied with Nova Scotia in having the highest percentage of people older than 64 years than any other province, as shown in Exhibit 2.12. Additionally, population growth was concerning in New Brunswick. According to Statistic Canada, New Brunswick recorded a population decline of 0.3% in 2014, while Canada's population rose by 1.1% in the same period. A low rate of natural increase and a high level of interprovincial outmigration are challenges for New Brunswick.

**Conclusion**

**2.63** Based on the information we gathered and analyses we conducted, we found there is no immediate risk of default on New Brunswick debt. Two important indicators associated with the level of debt (interest costs to revenue and Debt-to-GDP) are reasonably in line with other provinces in Canada. The costs of servicing the public debt have been relatively stable, due to the low interest rate environment and the Department's low risk debt management policies.

**2.64** However, the Province could potentially face a higher level of debt in the future, given the sluggish economic growth<sup>7</sup> in New Brunswick, the potential for stagnant or declining revenue, and an aging population.

**2.65** The above mentioned circumstances may not allow the Province to handle a public debt burden as high as some other provinces with higher potential long-term growth prospects.

**2.66** It is possible New Brunswick's key debt indicators could fall out of a reasonable range compared to other provinces. Consequently, investors could demand higher returns on New Brunswick bonds, or in a worst case scenario, lose confidence in the New Brunswick government's ability to repay its debt.

**2.67** As a result, the Province must be diligent in monitoring the level of the public debt and take appropriate action to control its rate of growth. In similar circumstances, some governments have made difficult choices. For example, Saskatchewan and Canada's debt to GDP ratios reached concerning levels in the mid-1990s. However, their respective governments took actions

---

<sup>7</sup> The Rebalancing Act: Managing Through Fiscal and Economic Adjustment, DBRS, December 2014

such as reducing spending, disposing of assets and restructuring fiscal policies. These steps led to long-term improvements in their fiscal situations. On the other hand, Greece and the city of Detroit did not take appropriate action, and their experiences clearly show the ultimate consequences of a failure to act.

**Does the Provincial Debt Management Practice Mitigate Important Risks?**

**2.68** Our audit objective was:

*To determine if the Department of Finance follows a prudent debt management practice to mitigate risks associated with public debt.*

**2.69** The International Monetary Fund (IMF) and World Bank issued the Guidelines for Public Debt Management in 2001. The Guidelines were amended in 2003 and revised in 2014. The Guidelines have been widely used by countries as a benchmark to improve public debt management.

**2.70** The Guidelines are designed to assist policymakers in considering reforms to strengthen the quality of their public debt management and reduce their country's vulnerability to international financial shocks.

**2.71** We reviewed the Guidelines and used relevant best practices to develop our audit criteria. These criteria provide the framework for the remainder of this section of the report.

***What is debt management?***

**2.72** Debt management is the process of establishing and executing a strategy for managing a jurisdiction's debt in order to raise the required amount of funding, achieve its risk and cost objectives.<sup>8</sup>

**Debt management strategy**

**2.73** Our first criterion was: *the Department should have a comprehensive, well documented and approved Debt management Strategy.*

**2.74** A debt management strategy sets a government's objectives and plans for the management of its domestic and foreign debt. It should include<sup>9</sup>:

---

<sup>8</sup> Guidelines for Public Debt Management, prepared by the Staffs of the International Monetary Fund and the World Bank, December 2003

<sup>9</sup> *ibid*

- the desired composition of the public debt portfolio;
- the government's preferences with regard to a cost-risk trade-off;
- a strong focus on managing the risk exposure embedded in the debt portfolio; and
- potential variations in the cost of debt servicing and its impact on the budget and the level of public debt.

**2.75** Debt issued domestically with a term of ten years or longer is currently preferred. The Department's current annual borrowing plan is designed to take advantage of historically low interest rates to manage interest costs and reduce the future risks of re-financing maturing debt.

**2.76** One of the Department's debt management objectives is budget certainty with little volatility in the costs of servicing the public debt. This is consistent with the Department's low risk approach.

***The Department has no comprehensive debt management strategy***

**2.77** Currently there is no comprehensive debt management strategy at the Department, although the Department has been following a relatively low-risk and non-complex practice, such as issuing long term fixed rate debentures.

**2.78** There are many factors that must be considered in debt management decisions, such as debt costs, budgetary risk, debt rollover and market impact. Without a comprehensive debt management strategy, it would be difficult to balance these competing considerations and to assess the cost-risk trade-offs of different borrowing approaches.

**2.79** One of the important functions of a debt management strategy is to define the objectives of debt management practices. For example, within certain tolerance for risks which we will discuss later, a well-developed debt management strategy would allow the government to assess the costs and risks of different debt structures, such as floating vs. fixed rate or short-term, medium-term vs. long-term bonds. This will ensure a thoughtfully balanced debt portfolio, which is important for the fiscal stability of the Province. A debt management strategy would also ensure long term consistent debt management practices in New Brunswick.

***Recommendation***

**2.80 We recommend the Department develop a comprehensive debt management strategy and have it approved by Cabinet.**

## Risk Management

- 2.81** Our second criterion was: *the Department should clearly establish its risk tolerance.*
- 2.82** Our third criterion was: *the Department should carefully monitor and evaluate the risks inherent in the structure of the Province's debt. These risks should be mitigated to the extent feasible by modifying the debt structure, taking into account the cost of doing so.*
- 2.83** An appropriate debt management strategy depends on the government's tolerance for risk. Therefore, determining **risk tolerance** is an important component in public debt management.
- 2.84** **Risk tolerance** is defined by IMF as "the degree of risk a government is willing to take".<sup>10</sup> It may evolve over time depending on the size of the government debt portfolio, and the government's vulnerability to tough economic and financial conditions.
- 2.85** In order to develop appropriate **risk tolerance**, a government should<sup>11</sup>:
- Identify and understand the nature of the risks it's facing and assess the sensitivity to changing financial market conditions;
  - Determine the tolerance of the organization for the risks identified;
  - Determine the mechanics required to execute the strategic decisions; and
  - Develop and implement the necessary processes to execute the risk management program.
- 2.86** We reviewed the Department's financial risk framework. It identified a number of financial, reputational and accounting risks. They were well described and documented.
- 2.87** Some targets were set to limit certain risks, for example:  
*"Limit interest rate exposure by limiting floating rate debt*

---

<sup>10</sup> Guidelines for Public Debt Management, prepared by the Staffs of the International Monetary Fund and the World Bank, December 2003

<sup>11</sup> *ibid*

to 20% of Funded Debt for Provincial Purposes;” and “Limit total foreign currency exposure to 10%”<sup>12</sup> of total portfolio.

**2.88** Setting these targets helps the Department achieve one of its most important debt management objectives which is to manage volatility in debt service towards the government’s goal of budget certainty.

**2.89** The Department regularly monitors these targets to ensure the limits are not breached.

*Province’s risk tolerance has not been established*

**2.90** However, the framework does not establish the Province’s **risk tolerance** in terms of an acceptable dollar variation from the budget of servicing public debt due to financial markets movement such as changes in interest rates.

**2.91** Without the **quantified risk tolerance**, it is difficult to establish long term and short term debt management objectives. It would be also impossible to measure whether the objectives were met.

*The existing Risk Management Committee has conflicting roles*

**2.92** We also noted the framework was approved by the Risk Management Committee, which consists of a group of Treasury Division employees at the Department. This Division is also the group which executes the framework.

**2.93** We believe it is inappropriate to have the framework approved by a committee which also executes the policy, nor is it a best practice in the public debt management field. For example, management of British Columbia's debt portfolio is overseen by a Risk Committee. The Risk committee's primary objective is to set risk policies and parameters that balance costs and risk within acceptable control standards. The Risk Committee is comprised of the Deputy Minister of Finance, the Deputy Minister of the Environment, the Assistant Deputy Minister, Provincial Treasury, and members from the financial and academic community.<sup>13</sup>

*Recommendations*

**2.94 We recommend the Department establish the Province’s risk tolerance in terms of an acceptable dollar variation**

<sup>12</sup> Long-Term Borrowing Policy No. 2015-05-11 LTB, Treasury Division, Department of Finance,

<sup>13</sup> [www.fin.gov.bc.ca/PT/dmb/riskcomm.htm](http://www.fin.gov.bc.ca/PT/dmb/riskcomm.htm)

**from the budget of servicing public debt due to financial markets movement.**

**2.95 We recommend the Department form a risk committee independent of the Treasury Division to review and approve all risk management related policies.**

**Sensitivity  
Analysis**

**2.96** Our fourth criterion was: *the Department should conduct sensitivity analysis based on the volatility of interest rate and other market conditions.*

**2.97** At certain points such as new issuance and renewal of existing provincial bonds, variability in financial markets will lead to a change in the cost of funds for the Province and therefore potential variances from budget forecasts of servicing the public debt. The impact of these movements in financial markets should be firmly understood through rigorous analysis based on current market volatility.

**2.98** Interest rates and foreign exchange rates would be the most typical variables for sensitivity analyses.

**2.99** The Department currently conducts **sensitivity analysis** on interest rates on an annual basis. It calculates how a 1% increase on long term interest rates would impact public debt servicing costs and sinking fund earnings.

**2.100** A **sensitivity analysis** related to changes in foreign exchange rates is not being performed, as currently there is no unhedged foreign currency debt in the portfolio.

***The Department  
conducted  
sensitivity analysis***

**2.101** We concluded the Department conducted **sensitivity analysis** based on the volatility of interest rate.

**Debt portfolio  
stress test**

**2.102** Our fifth criterion was: *to assess risk, the Department should regularly conduct stress tests of the debt portfolio on the basis of the economic and financial shocks to which the government are potentially exposed.*

**Definition of a stress test**

- 2.103** A **stress test** is a type of analysis conducted under significant unfavorable economic scenarios which is designed to determine whether an organization has enough capital to withstand the impact of such adverse developments<sup>14</sup>.
- 2.104** **Stress tests** focus on a few key risks such as credit risk, market risk, and liquidity risk to assess what the Province's financial health is likely to be in crisis situations. The results of **stress tests** depend on the assumptions made in various economic scenarios, which are described by the IMF as "unlikely but plausible."<sup>15</sup>
- 2.105** This assessment is often conducted using financial models ranging from simple scenario-based models, to more complex models involving highly sophisticated statistical and simulation techniques.
- 2.106** When constructing such assessments, debt managers need to factor in the risk that the government will not be able to roll over its debt and will therefore be forced to default. This also has long-term costs that are much broader than just those associated budget implications.
- 2.107** "In general, models used should enable government debt managers to undertake the following types of risk analysis:
- Projecting expected future debt servicing costs over a medium- to long-term horizon based on assumptions regarding factors affecting debt-servicing capability, such as: new financing requirements, assumptions for future interest rates and exchange rates;
  - Generating a "debt profile," consisting of key risk indicators of the existing and projected debt portfolio over the projected horizon;
  - Calculating the risk of future debt servicing costs in both financial and real terms by summarizing the results of **stress tests** that are formulated on the basis of the economic and financial shocks to which the government and the [Province]

---

<sup>14</sup> Guidelines for Public Debt Management, prepared by the Staffs of the International Monetary Fund and the World Bank, December 2003

<sup>15</sup> How did Markets React to Stress Tests, IMF working paper, April 2015

more generally are potentially exposed. Risks are typically measured as the potential increase in debt servicing costs under the risk scenarios relative to the expected cost; and

- Summarizing the costs and risks of alternative strategies for managing the government's debt portfolio as a basis for making informed decisions on future financing alternatives.”<sup>16</sup>

***The Department does not perform full stress tests***

**2.108** We found the Department did not perform full **stress test** of its debt portfolio. The Province's current debt portfolio is relatively low risk and does not contain complex financial products. However, effective full **stress tests** would help the Department:

- better understand where the debt portfolio may be overexposed in terms of concentration;
- identify which types of debt within a certain concentration have more potential risks;
- expose the potential factors that will have the most adverse impact upon specific portfolios; and
- develop a roadmap to manage risks when the unexpected happens.

***Recommendation***

**2.109** We recommend the Department regularly conduct a full **stress test of its debt portfolio on the basis of the economic and financial shocks to which the Province is potentially exposed.**

***Authority for debt transactions***

**2.110** Our sixth criterion was: *the Department should clarify the authority to borrow and to issue new debt, invest, and undertake transactions on the government's behalf.*

**2.111** Sound governance practice is an important component of debt management, given the magnitude of the Province's debt portfolios.

**2.112** Moreover, the investors and other third party organizations involved need assurances that the debt managers have the legal

---

<sup>16</sup> Guidelines for Public Debt Management, prepared by the Staffs of the International Monetary Fund and the World Bank, December 2003

authority to represent the government, and that the government stands behind any transactions into which its debt managers enter.

**2.113** An important feature of the legal framework is the authority to issue new debt, which is normally stipulated in the form of either borrowing authority legislation with a preset limit or a debt ceiling.

**2.114** The *Provincial Loans Act* allows the Minister of Finance to borrow on a short-term and long term basis. When the specific borrowings are prepared for each bond issuance, the Minister approves the specific terms (rate, maturity, etc) provided it is within the general guidelines previously approved by Cabinet. An information package is then forwarded to Cabinet notifying them of the specific details within 30 days.

**2.115** The annual *Loan Act* provides the authority for new borrowing. Each Act approves a certain amount of new borrowing. If the entire amount is not immediately borrowed, the remainder is carried forward until such time as it is needed.

**2.116** We found the Department follows the Acts and ensures the proper authorizations are in place prior to undertaking transactions.

***The legislative framework for debt management is sound***

**2.117** We concluded the legal framework for debt management was sound. The Department ensures it has appropriate authorizations prior to initiating a transaction.

**Permissible debt products**

**2.118** Our seventh criterion was: *the Department should clearly state in its policy what is a permissible product and what is not.*

**2.119** We reviewed the Statement of Investment Policy and Goals for the Province's general sinking fund. It clearly stated the assets eligible for investment and the requirements for diversification.

***The Department's policies do not specify permissible debt products that may be issued by the Province***

**2.120** On the borrowing side, however, the policies did not clearly specify which products are permitted and which are not.

**2.121** Straightforward instruments were most commonly used, including currency swaps, interest rate swaps and forward foreign exchange contracts. Complex derivatives were avoided.

**2.122** However, without clearly stating the permissible products, there is a risk that a decision will be made to enter into a debt arrangement inconsistent with the Department's low risk

approach.

- Recommendation 2.123** We recommend the Department clearly state in its borrowing policies which debt products may be issued by the Province and which may not.
- Transaction limits for Department staff members 2.124** Our eighth criterion was: *the Department should establish transaction limits and authorities for all the staff members involved in debt management activities.*
- Transaction limits (in dollars) have not been established for individual staff 2.125** As mentioned previously, the Treasury Division acts within the parameters of the annual *Loan Acts* and the *Provincial Loans Act*.
- 2.126** There are a small number of staff members at the Treasury Division who are involved in debt management activities. Transactions must be approved before they can be executed. It's unlikely that unauthorized transactions would be processed.
- 2.127** However, there are no individual sub-limits for Division staff members who are involved in the debt management activities.
- 2.128** Operating within the Acts but without sub limits essentially gives all the staff members the same limits and authority provided to the Minister. Without individual sub-limits there is a risk that staff members may take on an inappropriate amount of risk or enter into transactions that are contrary to the overall debt management strategy.
- Recommendation 2.129** We recommend the Department document in its policy the limits and authorities for all levels of staff who can undertake borrowing and investment related transactions.
- Transparency in debt management 2.130** Our ninth criterion was: *the Department should regularly release the government's objectives, guidelines, and strategies, as well as medium-term financing needs and targets, in terms of debt composition, average maturity, and other indicators.*
- 2.131** The case for transparency in debt management operations is based on two main premises<sup>17</sup>:

---

<sup>17</sup> Guidelines for Public Debt Management, prepared by the Staffs of the International Monetary Fund and the World Bank, December 2003

- effectiveness can be strengthened if the goals and instruments of policy are known to the public and if the authorities can make a credible commitment to meeting them; and
- transparency can enhance good governance by requiring greater accountability from public institutions involved in debt management.

**2.132** The Government of Canada publishes a Debt management Strategy which sets out its objectives, strategy and plans for the management of its domestic and foreign debt, other financial liabilities and related assets.

**2.133** Ontario Financing Authority, which manages the debt of the Province of Ontario, releases its borrowing program for future years and medium-term borrowing outlook on its website.

**2.134** The government of British Columbia outlined in its 2014 budget its strategy for debt management with its strategic goals.

***The Department's debt management objectives and targets are not publicly reported***

**2.135** The Department annually releases, in Volume I of Public Accounts, indicators of financial health, including net debt-to-GDP and the cost of servicing the public debt as a proportion of total revenue.

**2.136** The objectives of debt management are defined in the Department's policies. We believe the Department is able to project the government's medium-term financing needs and targets, in terms of debt composition, average maturity, and other indicators.

**2.137** However, the Department's debt management objectives and targets are not publicly reported. Further, no future oriented information regarding debt portfolio performance is reported.

**2.138** Without transparency, it is difficult for legislators and the public to assess the effectiveness of the Department's debt management operations and hold it accountable for that performance.

***Recommendation***

**2.139** **We recommend the Department publicly report the government's debt management objectives, guidelines, and strategies, as well as medium-term financing needs and targets, in terms of debt composition, average maturity, and other indicators.**

**Public reporting of debt portfolio**

**2.140** Our tenth criterion was: *the Department should provide the public with information on the past, current, and projected performance of the government debt portfolio, including its cost*

of debt.

- 2.141** Capital markets react swiftly to new information and developments, and in the most efficient of these markets, participants react to information. Market participants will attempt to infer information that is not disclosed, therefore most debt managers regularly publish projected domestic borrowing programs.
- No future oriented information regarding debt portfolio performance is reported** **2.142** The Department provides the past and current performance of the Province's debt portfolio including its cost of debt through Volume I of the Public Accounts.
- 2.143** However, it does not provide projected future performance of the Province's debt portfolio as part of its reporting. This will enhance the transparency and promote greater accountability in public debt management.
- 2.144** In Chapter VI of Ontario's annual Economic Outlook and Fiscal Review, the Ontario government publishes its annual borrowing plan, medium-term borrowing outlook, and projected debt levels and net debt-to-GDP ratios in next 3 fiscal years.
- Recommendation** **2.145** **We recommend the Department provide the public with information on the projected future performance of the Province's debt portfolio, including its cost of debt.**
- Reporting of emerging issues related to debt levels** **2.146** Our eleventh criterion was: *the Department should inform the government on a timely basis of emerging debt sustainability issues.*
- 2.147** The higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable. This is because, other things being equal, a higher debt requires a higher primary surplus to sustain it.
- 2.148** Although the responsibility for ensuring prudent debt levels lies with the fiscal authority (i.e. the Government of New Brunswick) debt managers' analyses of the cost and risk of the debt portfolio may contain useful information.
- 2.149** In addition, debt managers play an important role in setting the composition of that debt through their borrowing activity in financial markets on behalf of the government. This places them in direct contact with market participants. Their observations of investor behavior in both primary and secondary markets, as well as their discussions with market participants, may provide useful insights into the willingness of investors to hold that debt.

*The appropriate communication channels exist to ensure any emerging debt level concerns are shared with the government on a timely basis.*

## **Conclusion**

- 2.150** We found there is regular communication between the Treasury Division and budgeting group regarding emerging financing needs, as well as unexpected large cash inflows and outflows.
- 2.151** The Assistant Deputy Minister in charge of the Treasury Division is part of the Department's senior management group, therefore the appropriate communication channels exist to ensure any emerging issues related to debt levels are shared with the government on a timely basis.
- 2.152** The Department has been following a relatively low-risk and non-complex debt management practice. However, it does not have an approved and well documented comprehensive debt management strategy.
- 2.153** Further, it can make improvement in some areas such as risk management, operations, and public reporting to mitigate potential risks associated with public debt.

## Appendix I: Detroit Filed for Bankruptcy Protection in 2013

The city of Detroit, which for years paid its bills with borrowed money, is the largest city in U.S. history to file for bankruptcy protection. Here's a look at how the city spiraled into financial ruin and why it's in so much trouble:

### WHAT HAPPENED?

For decades, Detroit paid its bills by borrowing money while struggling to provide the most basic of services for its residents. The city, which was about to default on a good chunk of its \$14 billion-plus debt, now will get a second chance in a federal bankruptcy court-led restructuring. Detroit's budget deficit this year alone is estimated at \$380 million, and Kevyn Orr, its state-appointed emergency manager, chose bankruptcy over diverting money from police, fire and other services to make debt payments. The move conserves cash so the city can operate, but it will hurt Detroit's image for years. It also leaves creditors with pennies on the dollar and places in jeopardy the pension benefits of thousands of city retirees.

### WHY DID IT HAPPEN?

It took decades of decay to bring down the once-mighty industrial giant that put the world on wheels. The city grew to 1.8 million people in the 1950s, luring them with plentiful jobs that paid good wages to stamp out automobiles for sale across the globe. But like many American cities, Detroit's fall began late that decade as developers starting building suburbs. Then came the 1967 riots that accelerated the number of white residents who moved to the cities north of Eight Mile Road, considered the region's racial dividing line. At the same time, auto companies began opening plants in other cities, and the rise of autos imported from Japan started to cut the size of the U.S. auto industry. Detroit's property values fell, tax revenue dropped, police couldn't control a growing murder rate, and many middle-class blacks fled the city for safer suburbs with better schools. By 2009, the auto industry collapsed along with the economy as a whole, eventually pulling the city down with it. Government corruption under former Mayor Kwame Kilpatrick only made things worse. In the 2000 census, Detroit's population fell under 1 million in as the exodus continued.

*Source: "Detroit and Bankruptcy: How A Once-Great American City Endured Decades of Decay", by Tom Krisher and Dee-Ann Durbin, the Huffington Post, 09/17/2013*

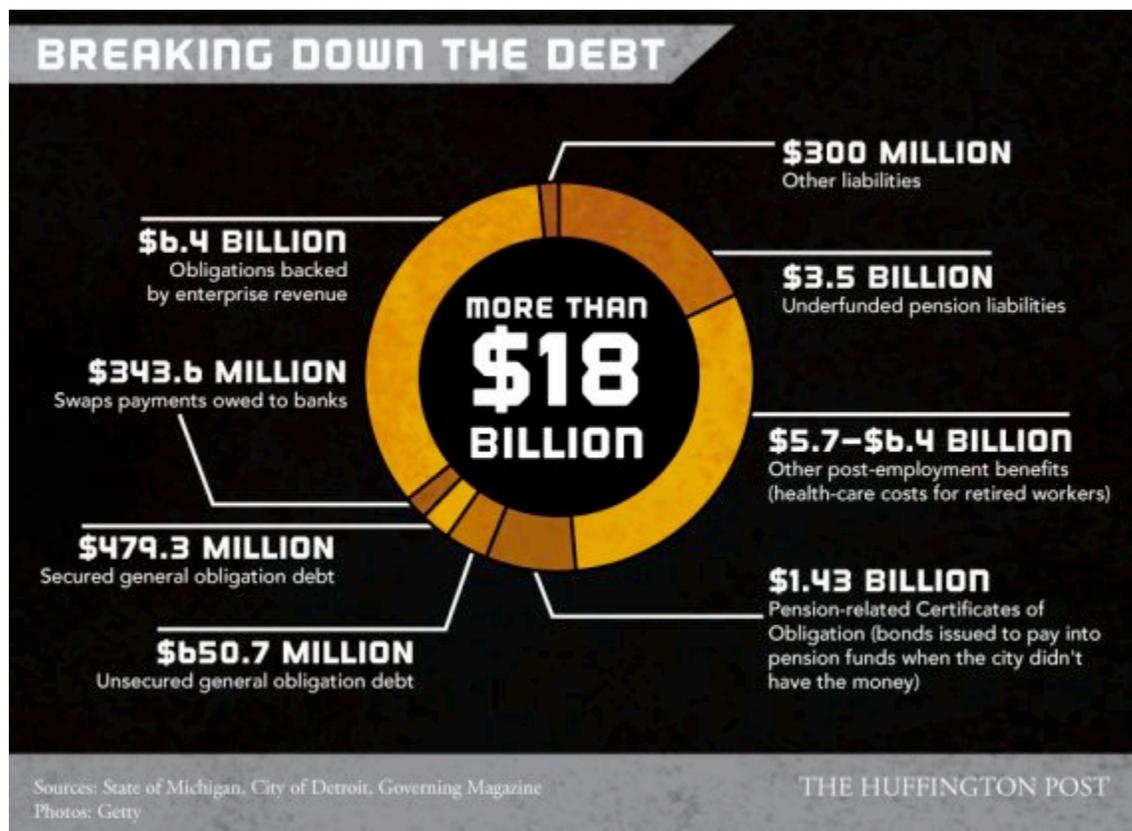
[http://www.huffingtonpost.com/2013/07/18/detroit-and-bankruptcy-decay-how-went-bankrupt-why\\_n\\_3620004.html](http://www.huffingtonpost.com/2013/07/18/detroit-and-bankruptcy-decay-how-went-bankrupt-why_n_3620004.html)

## Appendix I: Detroit Filed for Bankruptcy Protection in 2013 (continued)

### What is Detroit's debt?

The City of Detroit estimates that it owes more than \$18 billion in short-term and long-term debt, but even that might be a lowball figure. Detroit currently spends 38 cents of every dollar on "legacy debt," or retiree health care, pensions and other costs. That's money that can't be spent on services desperately needed by businesses and residents, like firefighters, police officers, park upkeep, garbage pickup and streetlights.

The infographic below offers a visual breakdown of Detroit's debt.



Source: "The Only Detroit Bankruptcy Explainer You'll Need", by Ashley Woods, *Huffington Post*, 07/24/2013 (unaudited)

[http://www.huffingtonpost.com/2013/07/24/detroit-bankruptcy-chapter-9\\_n\\_3640734.html](http://www.huffingtonpost.com/2013/07/24/detroit-bankruptcy-chapter-9_n_3640734.html)

## **Appendix II: Greek Debt Crisis: How did the Greek Economy Get Into Such a Mess?**

*Source: Dan Roberts, 6 May 2010 the Guardian*

Like many countries, the Greek government relies on borrowed money to balance its books. The recession has made this harder to achieve, because tax revenues are falling just as welfare payments start to rise. It doesn't help that, in Greece, tax evasion is commonplace and pension rights are unusually generous – but, to be fair, using public spending to even out the bumps of the global downturn is what most large developed economies are trying to do right now.

Unfortunately, investors have lost confidence in the Greek government's ability to walk this tightrope – so they have been demanding ever higher rates of interest to compensate for the risk that they might not get their money back. The higher its borrowing costs, the harder it is for the Greek economy to grow itself out of trouble.

Events began to spiral out of control when credit rating agencies downgraded Greek government debt to "junk" status, pushing the cost of borrowing so high that the country effectively had its international overdraft facility cancelled overnight. Fearing bankruptcy, Greece had to turn instead to the European Union and the International Monetary Fund (IMF) – the world's lender of last resort – for up to 120 billion euros of replacement lending.

But political opposition in Germany and IMF orthodoxy in Washington demands that the rescue package comes with strings attached: a tough series of public sector cuts designed to reassure international investors that the government can become creditworthy again.

The snag is, this traditional market response is complicated by Greece's membership of the single-currency euro club. This means it cannot stimulate growth by devaluing its currency, and nor can it cut interest rates any further, which would help, because these are decided by the European Central Bank in Frankfurt. Instead, the public sector cuts are almost certain to deepen the Greek recession, reducing tax revenues and making it even harder to service the debts in future.

What many investors fear is that the only way out of this vicious circle is for Greece to walk away from its existing debts and try to go it alone – potentially triggering a wave of similar defaults in other indebted European countries, and jeopardising the euro itself. In the meantime, what many Greeks fear is that the IMF option is just going to prolong the agony – and drive the country to the brink of political as well as economic collapse.

<http://www.theguardian.com/world/2010/may/06/greek-debt-crisis-economy>

## Appendix III: Glossary

**Debt management:** the process of establishing and executing a strategy for managing a jurisdiction's debt in order to raise the required amount of funding, achieve its risk and cost objectives.

**Risk tolerance:** The degree of risk a government is willing to take may evolve over time depending on the size of the government debt portfolio, and the government's vulnerability to economic and financial shocks.

**Quantified risk tolerance:** risk tolerance in terms of an acceptable dollar variation from the budget due to financial markets movement such as changes in interest rates.

**Sensitivity analysis:** a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. This technique is used within specific boundaries that will depend on one or more input variables, such as the effect that changes in interest rates will have on a bond's price.

**Stress test:** a type of analysis conducted under significant unfavorable economic scenarios which is designed to determine whether an organization has enough capital to withstand the impact of such adverse developments.

# Chapter 3

## Department of Transportation and Infrastructure

### Centennial Building

#### Contents

Introduction.....	49
Background.....	49
Objective.....	50
Results in Brief.....	50
Scope and Approach.....	52
Recommendations.....	52
Conclusion.....	61
Appendix I – Images of Centennial Building and Chancery Place.....	62
Appendix II – Examples of Centennial Building Original Mechanical Equipment.....	63
Appendix III – Breakdown of Occupied and Vacant Space in Centennial Building in 2015	64

# Department of Transportation and Infrastructure Centennial Building

## Introduction

**3.1** Infrastructure is a key enabler for future economic growth and stability. The Department of Transportation and Infrastructure’s mandate is “to contribute to New Brunswick’s economy and quality of life by providing and supporting sustainable infrastructure (...).”

**3.2** Several recent Auditor General Reports have looked at the government’s management of the Province’s critical infrastructure assets. This has included reports on highway maintenance, bridges and schools. From this work some common themes or findings have emerged such as government’s short term approach to the management of long lived assets, failure to plan and budget for full life cycle cost, and an inability to rationalize non-essential assets.

**3.3** The government report, “Government Renewal Project #8: Space Utilization and Sharing Arrangements, Final Report October 28, 2011”, states: “After staffing salaries, office space typically accounts for the largest expense in most office based organizations”. This report also stated that the “footprint of government office space has increased continually in the Province for over 44 years.”

## Background

**3.4** The Centennial Building located at 670 King Street in Fredericton was built in 1966 and opened for Canada’s centennial in 1967. It was one of a number of capital projects across the country completed in partnership with the Federal Government. At the time it was intended to “streamline the efficiency” of government. The building is located in downtown Fredericton adjacent to the Legislature. It centralized government functions and departments in close

proximity to the legislature.

**3.5** It was our understanding that Chancery Place at 675 King Street was built to replace Centennial Building or allow it to be fully refurbished. However, after Chancery Place opened we noted that the Centennial Building continued to be partially occupied by government employees and no demolition or refurbishment of the building took place. Images of Centennial Building and Chancery Place are found in Appendix I.

**Objective**

**3.6** Our objective for the work was to report on government infrastructure planning for the Centennial Building in Fredericton, associated financial impact on provincial taxpayers, and the current status of the facility.

**Results in Brief**

<b>Objective</b>	
To report on government infrastructure planning for the Centennial Building in Fredericton, associated financial impact on provincial taxpayers, and the current status of the facility.	
<b>Questions</b>	<b>Our Findings</b>
1. <i>What is the status of Centennial Building?</i>	<ul style="list-style-type: none"> <li>• Past its useful life and in need of major refurbishment or demolition.</li> <li>• Must be fully vacated for refurbishment to occur.</li> <li>• As of August 2015 the building was partially occupied with no firm decision or plan for its future.</li> </ul>
2. <i>Was a comprehensive plan done and did it align with an overall strategy?</i>	Yes, since 2004 the Department of Transportation and Infrastructure drafted several options for the Centennial Building, and included a proposed overall office space strategy for provincial government offices in Fredericton.
3. <i>Did the Department consider economy (optimize costs to save money overall)?</i>	Yes, part of the proposed 2010-11 strategy involved ways to consolidate office space and save money over the long term.
4. <i>Were all options presented (i.e. the option and potential cost of deferring a decision) and was a recommendation made?</i>	No, plan scenarios did not include a status quo option (i.e. doing nothing or the financial risks in delaying a decision.)
5. <i>What actions and decisions have taken place?</i>	<ul style="list-style-type: none"> <li>• 2007 - Decision to have the City of Fredericton construct Chancery Place.</li> <li>• 2011 - New office building (Chancery Place) purchased. Change from temporary space to a permanent move.</li> <li>• 2013 - Centennial Building partially vacated.</li> <li>• 2014 - Centennial Building used as a temporary location for new downtown health clinic.</li> <li>• 2015 - No final decision on the future of the Centennial Building.</li> </ul>

*Results in Brief - (continued)*

6. Did the decision and commitment to build and then purchase Chancery Place include a decision and commitment on Centennial Building?	No, the Department approach throughout has been to get approval for short term “next step”.	
7. What has been the financial impact?	Capital cost of Chancery Place	\$54 million
	Estimated capital cost to refurbish Centennial Building	\$60 million
	Operating costs of Centennial Building	\$1 million/yr
	Opportunity cost of vacant space	\$3.2 million/yr
	Renovation cost to temporarily house health clinic	\$218,000
	Estimated savings over a 40 year useful life upon renovating Centennial Building (not being achieved)	\$176 million/40 years
8. Why was Centennial Building not completely vacated?	<ul style="list-style-type: none"> <li>• Chancery Place had insufficient space for all occupants of Centennial Building.</li> <li>• The Department was not given the funds required (\$2.4 million) for relocation costs and to renovate suitable office space to accommodate staff not moved to Chancery Place.</li> </ul>	
9. Why were new occupants allowed to move in after Centennial Building was supposed to be vacated?	Because Centennial Building was still partially occupied with no definite plan or timeline for its future, it became the logical choice to satisfy any urgent provincial government space requirements in downtown Fredericton.	
10. What other impacts have there been in the continued operation of Centennial Building?	Expansion of government’s office space footprint and continued operation of an inefficient building in contravention of the government’s own climate change action plan.	
<b>Conclusion</b>		
- Government has not followed a long term infrastructure plan in management of government office space.		
- Government focused on short-term decisions		
- There have been nine years of government indecision on the future of the Centennial Building. It continues to cost millions of taxpayer dollars.		

## Scope and Approach

- 3.7** In conducting this work we:
- interviewed Department staff;
  - conducted on site walkthroughs; and,
  - examined internal Department documentation as well as government decisions pertaining to the infrastructure management of the Centennial Building.
- 3.8** We did not audit the Department's plans and financial analysis. We looked to ensure the plans and analysis existed and were reasonably prepared. For information relating to the condition of the building and its components, we relied on information provided to us by Department representatives based on their technical knowledge, including third party expert reports.
- 3.9** Certain financial and statistical information presented in this chapter was compiled from information provided by the Department of Transportation and Infrastructure. It has not been audited or otherwise verified. Readers are cautioned that this financial and statistical information may not be appropriate for their purposes.
- 3.10** We completed our work in August 2015. We did not conduct our standard performance audit with objectives and audit criteria in this situation where our line of inquiry was very specific to the Centennial Building. Instead we sought to obtain answers to a series of questions relating to the capital asset management of the Centennial Building. The answers we found appear in the sections that follow.

## Recommendations

- 3.11** A summary of our recommendations can be found in Exhibit 3.1.

Exhibit 3.1 – Summary of Recommendations

Recommendation	Department's response	Target date for implementation
<p><b>3.57</b> To facilitate a government decision on the future of the Centennial Building, we recommend the Department present government with an updated cost analysis of potential options for the facility, including the “do nothing” option.</p>	<p><i>Following presentation of a MEC in September 2015, the Department was asked to return to Board of Management with updated options for the Centennial Building. The Department is working [with] the Department of Finance to have these options to present to Board of Management by December 31, 2015.</i></p>	<p><i>December 31, 2015</i></p>
<p><b>3.58</b> We also recommend the Department implement a moratorium on new modifications, fit-ups and new occupants in the Centennial Building until a decision on its future has been made.</p>	<p><i>This moratorium has been in place since early 2015.</i></p>	<p><i>Implemented</i></p>
<p><b>3.59</b> We further recommend the Department proceed immediately to implement government's chosen option for the facility.</p>	<p><i>Please see response to 3.57. The Department is including in its Capital Budget submission this fall, funding to complete emptying the Centennial Building and [commence] work associated with the selected option.</i></p>	<p><i>Pending approval of 2016-2017 Capital Budget</i></p>
<p><b>3.60</b> We recommend one central authority within government be assigned control over the provision and management of all government office space, with the mandate and authority to fully enforce office space allocation and acquisition policies.</p>	<p><i>The Department agrees with the recommendation and intends to bring forward recommendations to Board of Management by March 31, 2016 that would strengthen the Space Allocation Policy and the Space Acquisition Policy in the AD Policy Manual by authorizing DTI to fully enforce compliance to these policies.</i></p>	<p><i>MEC by March 31, 2016</i></p>
<p><b>3.61</b> We recommend, for future infrastructure projects, the Department request comprehensive approval from government, including any removal from service, disposal and or demolition of surplus infrastructure rather than having a piecemeal approval process not supported by the original business case.</p>	<p><i>The Disposal of Real Property policy [AD-6204] in the AD Administrative Manual has been presented to and approved by Board of Management. The amended policy includes provision to reduce holding costs associated with disposing these assets through the use of a cost-benefit threshold tool which helps determine the optimal approach for dealing with surplus properties containing a building or buildings.</i> <i>The cost to dispose of redundant assets is also now included in the Capital Budget Submission when replacements are being recommended.</i></p>	<p><i>Partially implemented</i></p>

***What is the status of Centennial Building?***

**3.12** The Centennial Building in its current condition is past the point of its useful life. It requires complete renovation in order to serve as a safe, secure location for government employees.

**3.13** As of August 2015 the Centennial Building had the following deficiencies:

- The building contains significant quantities of asbestos. The remaining asbestos does not pose an immediate hazard to occupants if left undisturbed. It cannot be removed while the building is occupied because this would create a serious health risk for staff;
- Mechanical systems are past their useful life and are at risk of breaking down causing expensive emergency repairs or expensive last minute relocation of occupants. Many of these systems are original equipment (Appendix II);
- The cooling unit and boiler have been replaced but are again at the end of their useful lives and need to be replaced;
- It is not energy efficient. The exterior wall has air and water leakage. This causes condensation and water damage on the interior window sills; and,
- Centennial Building does not meet current building code standards. This does not pose an immediate threat to the remaining occupants but like many older buildings any renovation work would require Centennial Building to be brought up to current building code standards. This includes upgrades to the life safety systems, which includes the sprinkler system and modifications to the building's load structure.

**3.14** The Centennial Building remains open and partially (32% see Appendix III) occupied. However, it must be completely vacated before needed renovations can be performed.

**3.15** Air quality assessments have been done in response to concerns and complaints about indoor air quality. Tests conducted in 2013 and again in 2015 indicated air quality was within acceptable standards.

**3.16** Centennial Building is heated from a centralized steam heat plant which is adjacent to the building. This heating plant uses an oil fired boiler with in ground oil storage tanks. Further complicating the situation, a number of other buildings rely on

the Centennial Building heat plant for their own steam heating. These include: the Beaverbrook Art Gallery, the Crowne Plaza hotel and the Legislature. The Crowne Plaza pays/reimburses the Department for their own usage.

**3.17** The Centennial Building is located in zone B of the City of Fredericton's well field protection zone. This places restrictions on in ground oil storage tanks. The Province has received an exemption and must continue to apply for this exemption while Centennial Building has the in ground oil storage tanks.

***Was a comprehensive plan done and did it align with an overall strategy?***

**3.18** Yes. Over the last ten years there have been numerous reports, briefings and memorandums and several versions of a plan produced.

**3.19** The following points summarize the main themes from these documents:

- The Centennial Building is at the end of its useful life;
- A decision on whether to refurbish it or demolish it is required;
- The building must be vacated whether it is decided to demolish or refurbish it; and,
- Net cost savings can be realized from replacing office space leased from the private sector with government owned office space.

**3.20** We reviewed documentation that indicated the Department began planning and first made government aware of the issues in 2004.

**3.21** During the initial planning in 2004 to 2006, an analysis of the available office space in Fredericton was done. It found there was insufficient leased space available to accommodate all occupants of Centennial Building. A recommendation was made that a new office building be constructed or purchased in partnership with the City's conference center development. This new office building was to be used as swing space to temporarily house staff from Centennial Building while Centennial Building was refurbished.

**3.22** In 2006 the government was presented with a high level plan and options. It included a proposed time line:

- 2006-2008: build a new building;
- 2008: empty Centennial Building;

- 2008-2010: refurbish Centennial Building; and,
  - 2010: move occupants into Centennial Building as private sector office space leases expired in Fredericton.
- 3.23** However, the plan and timeline were not adopted and the decision was deferred.
- 3.24** Government has not adopted an overall strategy for office space in the City of Fredericton although a draft policy was put forward by the Department in 2010. It included specific objectives for the construction of Chancery Place, vacating Centennial Building, and a plan to reduce the overall cost of government office space. The strategy also sought to address a number of issues the Department was facing that included:
- aging infrastructure and deferred capital maintenance requirements;
  - use of government premises by non-government and non-profit organizations;
  - disposal of surplus properties;
  - future space needs of government;
  - own versus lease policy for government office space; and
  - sustainable development.
- 3.25** The strategy was not adopted by government. An updated five year strategy was recently put forward but was amended by government to focus on the short term (one year).

***Did the Department consider economy (optimize costs to save money overall)?***

- 3.26** Yes, the Department repeatedly sought to find cost efficiencies by attempting to coordinate and consolidate office space requirements in Fredericton and find the most cost efficient allocation of owned and leased space.
- 3.27** A comprehensive business case involving the future of Centennial Building and leased office space in Fredericton was prepared in 2010-2011.
- 3.28** It covered the financial impact of six potential courses of action ranging from demolition to a full refurbishment of Centennial Building. Analysis included potential net cost savings from consolidating some leased space into newly constructed/renovated government owned space.
- 3.29** The business case option that predicted the highest net benefit financially was to fully renovate Centennial Building and then move government offices out of old converted

residential buildings and other leased space in downtown Fredericton into the newly renovated Centennial Building. The business case projected \$176 million in savings over the 40 year useful life of the newly refurbished Centennial Building.

**3.30** Due to delays in completing Chancery Place and relocating Centennial Building offices and staff, along with lack of a firm decision from government, none of the projected savings have been realized to date. In the plan, timing was critical and construction and completion times were initially designed to coincide with the natural expiry date of privately leased office space. Because the timing of the original plan was not adhered to these leases were renewed and the window of opportunity for those projected savings closed.

#### *Was the opportunity cost of delay considered?*

**3.31** No. Plans presented to government over the last ten years related to the future of Centennial Building and government office space in Fredericton. None of the plans analyzed the risks and opportunity costs of the “do nothing” option. This was effectively the chosen option due to government indecision.

**3.32** The longer the Centennial Building continues to be occupied without refurbishment, the greater the likelihood that a critical building system will fail. For instance failure in a component of the air handler system, which is required for both heating and cooling, would mean either expensive emergency repairs or equally expensive emergency relocation of staff. There would be no residual value to such a repair when the building is subsequently refurbished or demolished.

**3.33** In addition, part of the bottom floor of Centennial Building has been renovated to house, on a temporary basis, a new downtown Fredericton health clinic at a cost of \$218,000. Should the Centennial Building be fully refurbished, or when the health clinic moves to its new location in 2016, the \$218,000 renovation costs will be sunk costs with little, if any, future value.

#### *What actions and decisions have taken place?*

**3.34** Government made a final decision late in 2007 to construct a new office building in partnership with the City of Fredericton. The building, Chancery Place, formed part of the downtown conference center development. It was to be leased

by government with an option to purchase it from the city and was to serve as swing space to allow the Centennial Building to be vacated.

**3.35** However, the Department did not obtain a long term capital plan approval for work on the Centennial Building site at the same time. The result was that no final decision was made on the future of Centennial Building even though a capital commitment had been made for Chancery Place.

**3.36** In 2010, the government confirmed that “Chancery will be designed as swing space until the refurbishment of the Centennial Building is completed”. This inferred that a decision had been made to refurbish the Centennial Building although the Department could provide no record or reference of such a decision.

**3.37** Subsequently, government decided that staff to be relocated to Chancery Place from the Centennial Building would stay there permanently. This change in plan after the building was substantially completed caused a further delay in completion of Chancery Place.

**3.38** In March 2011, government decided to purchase Chancery Place.

**3.39** In 2013, Chancery Place opened allowing Centennial Building to be partially vacated.

**3.40** In 2014, a downtown health clinic opened in the bottom floor of Centennial Building.

**3.41** In 2015, government authorized \$2.4 million over two years for relocation costs and for renovations to existing vacant and underutilized government space to allow the remaining occupants (excluding the health clinic) to vacate Centennial Building. The health clinic was excluded from the \$2.4 million as there is a separate plan to relocate the clinic to its permanent location in a newly constructed building.

**3.42** However, as of the completion of our work in August 2015, no final decision has been made on the future of the Centennial Building.

#### ***What has been the financial impact?***

**3.43** For over two years the government has owned and operated two large office buildings in downtown Fredericton. There has been no accompanying reduction in the amount of private leased space to offset the increase in building operating costs or

the capital cost of the new building. There has been a \$300,000 or 23% decrease in Centennial Building's annual operating costs to \$1 million (excluding heating plant oil costs of \$442,000 attributed to heat the Art Gallery, Legislature and Crowne Plaza).

**3.44** The vacant office space in the Centennial Building has a market value of about \$3.2 million per year based on the cost of private office space leased by government. Over the two years since the Centennial Building was partially vacated, government indecision has cost tax payers \$6.4 million in foregone savings.

**3.45** The capital cost of Chancery Place was initially authorized to be \$39 million plus \$5 million for fit-up costs, \$44 million in total. As a result of the change in use and the delays in completing its construction, the actual capitalized fit-up costs were \$14.6 million for a total capital cost of \$53.6 million.

**3.46** Further delays in making a decision may increase the cost to fully refurbish Centennial Building, which is now estimated to be \$60 million. These increases result from changes to building codes and increases in the cost of labour and materials.

#### ***Why was the building not completely vacated?***

**3.47** The replacement office building, Chancery Place, at 140,000 sq. ft. is smaller than the Centennial Building. The shortfall was to be made up in part by asking Departments to pare down their own space requirements, eliminating a cafeteria and numerous meeting rooms and a press gallery. The rest of the difference was going to be made from securing alternative locations for the remaining occupants that weren't going into Chancery Place. This was known in advance and planned for by the Department.

**3.48** However, until 2015 the Department did not receive the funding (\$2.4 million) to renovate alternative space and relocate those remaining occupants who could not be accommodated in Chancery Place.

#### ***Why were new occupants allowed to move in after the Centennial Building was supposed to be vacated?***

**3.49** Because it was still partially occupied with no definite plan or timeline for its future, Centennial Building became the logical choice to satisfy any urgent provincial government

space requirements in downtown Fredericton.

**3.50** For example, shortly after the move to Chancery Place, government was searching for a temporary location in downtown Fredericton for a health clinic. Centennial Building had vacant space and was government owned and controlled making it the most expedient option. Consequently part of the bottom floor of Centennial Building was fitted up at a cost of \$218,000 as the temporary location of the new downtown health clinic. This decision was made at an interdepartmental level and not solely by the Department of Transportation and Infrastructure.

**3.51** It is our observation the Department is accountable for but lacks control over government office space. It develops strategies and is tasked with managing the infrastructure to achieve efficiency and cost reductions but it does not have the authority to enforce those strategies. A recurring issue faced by the Department has involved groups or departments moving into vacant space created by rationalization, contradictory to Department plans.

**3.52** A similar point was raised in the 2011 report on Space Utilization and Sharing Arrangements. In it a recommendation related to governance was made that the “governance structure should clearly identify one organization which is responsible for the management of space used by the Province of New Brunswick”. The report went on to say the organization responsible “must be empowered with the tools to enforce the overall plan of government as it relates to space usage.”

***What other impacts have there been in the continued operation of Centennial Building?***

**3.53** By constructing a new building and failing to do anything with the old building the Department is not fulfilling parts of its commitment to its climate change action plan. For example:

- Government committed to enforce space standards with a view to reducing the footprint of government in the area of total space requirements and associated amenities;
- Government also committed to switch from burning oil to heat public sector buildings to using cleaner fuels such as natural gas and renewables. The Centennial Building continues to be heated through an oil-fired heating plant.

**Conclusion**

**3.54** Government has not followed a long term infrastructure plan in managing government office space.

**3.55** A business case was developed to support capital spending and rationalize associated assets and lease costs. However, government failed to fully implement a long term plan and instead focused on short-term decisions.

**3.56** There have been nine years of government indecision on the future of the Centennial Building. It continues to cost millions of taxpayer dollars.

**Recommendations**

**3.57** To facilitate a government decision on the future of the Centennial Building, we recommend the Department present government with an updated cost analysis of potential options for the facility, including the “do nothing” option.

**3.58** We also recommend the Department implement a moratorium on new modifications, fit-ups and new occupants in the Centennial Building until a decision on its future has been made.

**3.59** We further recommend the Department proceed immediately to implement government’s chosen option for the facility.

**3.60** We recommend one central authority within government be assigned control over the provision and management of all government office space, with the mandate and authority to fully enforce office space allocation and acquisition policies.

**3.61** We recommend, for future infrastructure projects, the Department request comprehensive approval from government, including any removal from service, disposal and or demolition of surplus infrastructure rather than having a piecemeal approval process not supported by the original business case.

## Appendix I: Images of Centennial Building and Chancery Place

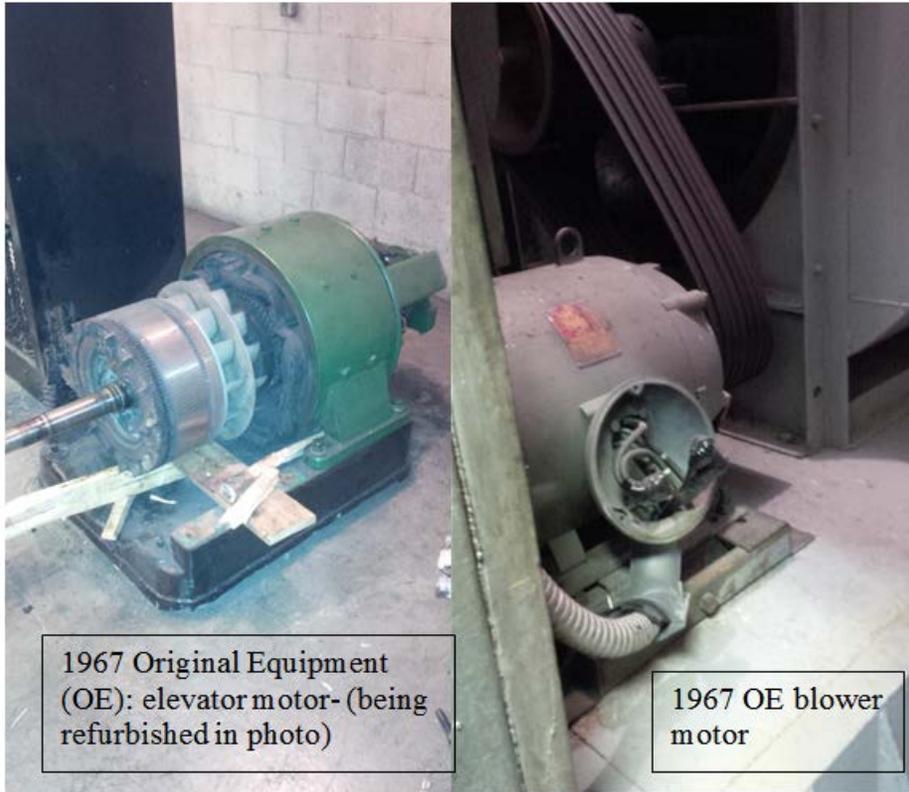


*Centennial Building*



*Chancery Place*

## Appendix II: Examples of Centennial Building Original Mechanical Equipment



1967 Original Equipment (OE): elevator motor- (being refurbished in photo)

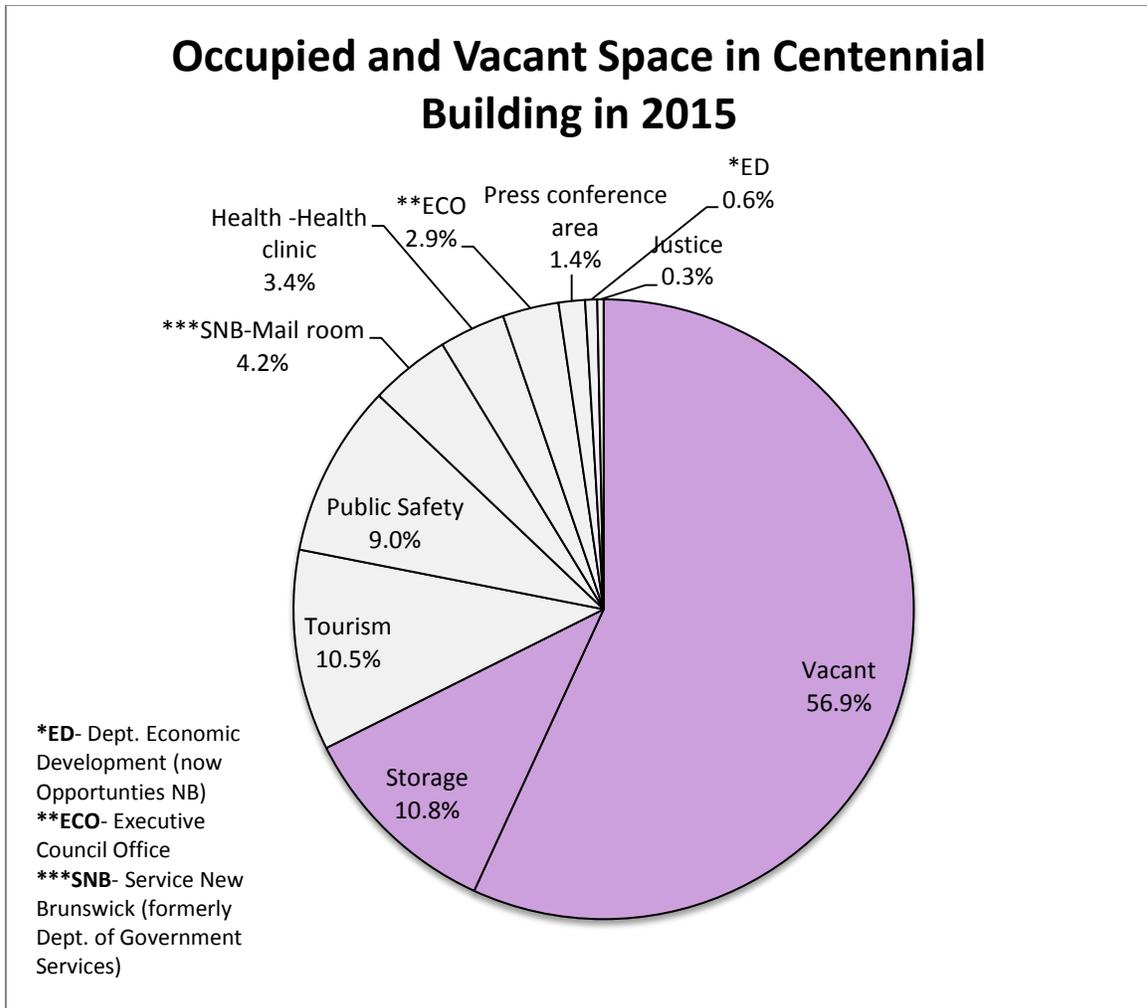
1967 OE blower motor



1967 OE - Hot water pressure vessel end of life

1967 OE backup generator heat & lights

### Appendix III: Breakdown of Occupied and Vacant Space in Centennial Building in 2015



Source: Exhibit prepared by AGNB from the Department of Transportation and Infrastructure Centennial Building floor plans

# Chapter 4

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

### Contents

Background.....	67
Summary.....	67
Scope and Objectives.....	69
Detailed Findings.....	70
General Comments on the Implementation of our Recommendations.....	86
<b>Appendix A</b> - Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years.....	89
<b>Appendix B</b> - Detailed Status Report of Recommendations Since 2011.....	97

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

## Background

**4.1** This follow-up chapter promotes accountability by giving the Legislative Assembly, and the general public, information about how responsive government has been to our performance audit (Value for Money) recommendations. We think it is important that both MLAs and taxpayers be provided with sufficient information to assess the progress government is making in implementing these recommendations.

**4.2** Note that recommendations made to departments, commissions and Crown agencies pursuant to our financial audit work are followed up annually as part of our financial audit process, and are not discussed in this chapter. For a complete list of Performance Audit reports over the last ten years, please see Appendix A.

**4.3** We continue to have a strategic goal that departments, commissions and agencies accept and implement all our performance audit recommendations. Consequently, in this chapter we report on the updates as provided to us by departments, commissions and Crown agencies for performance audit recommendations made in our 2011, 2012, and 2013 Reports. Even though we do not have the resources to review the accuracy of all responses annually, we reviewed the responses received related to our 2011 recommendations for accuracy, and gathered and summarized the information submitted by departments, commissions and agencies for 2012 and 2013.

## Summary

**4.4** Our overall results show departments, commissions and agencies report they had implemented about 70% (69 of 98) of our performance audit recommendations from the 2011, 2012 and 2013 Reports of the Auditor General.

**4.5** The percentage of performance audit recommendations implemented from 2011 was 63%. It appears, based on self-reporting by the Departments responsible for responding to

recommendations in our 2012 and 2013 reports, that four-year percentages may ultimately be at a comparable level or better for 2012 and 2013.

- 4.6** In our 2015 follow up review of our 2011 audit of Constituency Office Costs for Members of the Legislative Assembly and Executive Council, we were disappointed to note that two important recommendations have still not been implemented by the Executive Council Office and/or the Legislative Assembly. Implementation of these recommendations is critical in ensuring that Members of the Legislative Assembly can be held accountable for their constituency office costs.
- 4.7** In our follow up of our 2011 chapter, “CMHC Social Housing Agreement”, we noted that a key recommendation had not been implemented. Specifically, we recommended the Department of Social Development establish a long-term plan to ensure that it can continue to provide for provincial social housing needs in the future. Given the pending decline of federal support and aging infrastructure, government’s ability to meet demands of the program continues to be at risk without a long-term plan.
- 4.8** Not all recommendations contained in our 2011 chapter on Wastewater Commissions have been implemented. However, the recommendations that have been implemented appear to have had a significant, positive impact on the governance and oversight of the Greater Moncton Sewerage Commission. Additionally, amendments made to the *Clean Environment Act* have enhanced the governance of all provincial wastewater commissions.
- 4.9** Our follow up for “Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School” indicated that many of our recommendations have been implemented. However, we continue to believe the Department of Transportation and Infrastructure, in cooperation with the Departments of Finance and Education should develop an asset management system for provincial schools, in conjunction with budgeting measures to protect long-term funding required to appropriately maintain provincial schools over their useful lives.
- 4.10** We note both Opportunities New Brunswick and the Executive Council Office report they have acted quickly to respond to a number of the recommendations contained in our 2015 audit of Financial Assistance to Atcon Holdings

Inc. and Industry, although we have not verified this information. We will follow up again in 2016 to ensure progress in implementing those recommendations continues.

## Scope and Objectives

- 4.11** Our practice is to track the status of our performance audit recommendations for four years after they first appear in the Report of the Auditor General, starting in the second year after the original Report. In other words, in this 2015 Report, we are tracking progress on performance audit recommendations from 2011, 2012 and 2013. Our objective is to determine the degree of progress departments, commissions and agencies have made in implementing our recommendations. We have assessed their progress as fully implemented, not implemented, disagreed with, or no longer applicable.
- 4.12** To prepare this chapter, we request written updates on progress from the respective departments, commissions and Crown agencies. They are asked to provide their assessment of the status of each performance audit recommendation. In addition, departments, commissions and agencies also add any explanatory comments they believe necessary to explain the rationale for their assessment.
- 4.13** We received all updates requested.
- 4.14** In the past year we followed up on all performance audit recommendations made in our 2011 Report. Areas covered included:
- Wastewater Commissions;
  - Public-Private Partnerships: Eleanor W. Graham Middle School and Moncton North School;
  - Constituency Office Costs for Members of the Legislative Assembly and Executive Council; and
  - CMHC Social Housing Agreement.
- 4.15** We also met with Opportunities New Brunswick to get an update on their progress in implementing the recommendations from our 2015 audit of Financial Assistance to Atcon Holdings Inc. and Industry.

## Detailed Findings

**4.16** This section provides details on how well departments, commissions and Crown agencies have done in implementing performance audit recommendations we made in the years 2011, 2012 and 2013.

**4.17** Exhibit 4.1 presents the status of recommendations by department, commission and agency. This information allows users to quickly assess which departments, commissions and agencies have done a good job in implementing our recommendations, and which have not. Exhibit 4.2 provides additional details on the implementation of recommendations by department, commission and agency.

*Exhibit 4.1 – Status of Implementation of Recommendations*

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

Exhibit 4.1 – Status of Implementation of Recommendations (continued)

		Year of AG Report		
	Report Release Date & Project Name	2015	2014	2013
<b>Departments</b>				
<b>Environment and Local Government</b>	(2012) - Solid Waste Commission	✓	▲	
	(2011) - Wastewater Commissions	▼	▲	▼
<b>Executive Council/ Legislative Assembly</b>	(2011) - Constituency Office Costs for MLAs and Executive Council	▼	▼	▼
<b>Finance / Transportation and Infrastructure</b>	(2011) - Public Private Partnerships	▲	✓	▲
<b>Government Services</b>	(2013) - Procurement of Goods and Services – Phase I	▼		
<b>Health</b>	(2012) - EHealth – Procurement and Conflict of Interest	▲	▲	
	(2012) - Medicare – Payments to Doctors	●	●	
<b>Social Development</b>	(2013) - Foster Homes	✓		
	(2011) - CMHC Social Housing Agreement	▼	●	●
<b>Transportation and Infrastructure</b>	(2013) - Provincial Bridges	▼		
	(2012) - Long Term Infrastructure Sustainability Plan	●	●	
	(2012) - Capital Maintenance of Highways	▲	▼	
<b>Various Departments</b>	(2013) - Collection of Accounts Receivable	●		
<b>Crown Corporation</b>				
<b>NB Power</b>	(2013) - Point Lepreau Generating Station Refurbishment – Phase I	●		

Exhibit 4.2 - Status of Performance Audit Recommendations as Reported by Departments, Commissions or Agencies

Department / Commission/ Agency	Subject	Year	Performance Audit Recommendations					% Implemented
			Total	Disagreed	Implemented	Agreed/Not implemented	No longer applicable / Not determinable	
Environment and Local Government	Solid Waste Commissions	2012	13	0	13	0	0	100
	Wastewater Commissions	2011	7	0	4	3	0	57
Executive Council/ Legislative Assembly	Constituency Office Costs for MLAs and Executive Council	2011	5	0	3	2	0	60
Finance / Transportation and Infrastructure	Public Private Partnerships	2011	10	0	6	2	2	75
Government Services	Procurement of Goods and Services – Phase I	2013	9	0	6	3	0	67
Health	EHealth – Procurement and Conflict of Interest	2012	6	0	5	1	0	83
	Medicare – Payments to Doctors	2012	3	0	1	2	0	33
NB Power	Point Lepreau Generating Station Refurbishment – Phase I	2013	1	0	0	1	0	0
Social Development	Foster Homes	2013	11	0	11	0	0	100
Social Development	CMHC Social Housing Agreement	2011	2	0	1	1	0	50
Transportation and Infrastructure	Provincial Bridges	2013	13	0	8	5	0	61
Transportation and Infrastructure	Long Term Infrastructure Sustainability Plan	2012	1	0	0	1	0	0
Transportation and Infrastructure	Capital Maintenance of Highways	2012	10	0	8	2	0	80
Various Departments	Collection of Accounts Receivable	2013	9	0	3	6	0	33
<b>Totals</b>			<b>100</b>	<b>0</b>	<b>69</b>	<b>29</b>	<b>2</b>	<b>70</b>

\*100% implemented rate excludes those recommendations that are no longer applicable.

**4.18** Exhibit 4.3 shows the results summarized by year.

Departments, commissions and agencies reported to us that they had implemented 55 of 76 (72%) of our performance audit recommendations from the 2012 and 2013 Reports of the Auditor General. For 2011, based upon department, commission and agency reporting, and our own review of their assessments, we have concluded that 14 of 22 (63%) of our recommendations have been implemented. Of the remaining 8 recommendations, all 8 have been agreed with but not yet implemented. There are also 2 recommendations that were no longer applicable by the time of our 2015 follow up. Consistent with our established process, this is the last year that our 2011 performance audit recommendations will be subject to our formal follow up process. However, project areas covered in 2011 may be considered for future performance audit reports.

*Exhibit 4.3 - Summary Status of Recommendations by Year as Reported by Departments, Commissions or Agencies*

Year	Recommendations					% Implemented *
	Total	No longer applicable / Not determinable	Implemented	Agreed/Not implemented	Disagreed	
2013	43	0	28	15	0	65
2012	33	0	27	6	0	81
2011	24	2	14	8	0	63
Total	100	2	69	29	0	70

\* excludes those no longer applicable

**Comments on recommendations from 2011**

**4.19** Exhibit 4.4 provides a full listing of our 2011 performance audit recommendations that have still not been implemented.

**4.20** Our 2011 performance audit recommendations have reached the end of the four year follow-up cycle. Projects included in the 2011 Report included:

- Wastewater Commissions;
- Public-Private Partnerships: Eleanor W. Graham Middle School and Moncton North School;
- Constituency Office Costs for Members of the Legislative Assembly and Executive Council; and
- CMHC Social Housing Agreement.

**4.21** Immediately following Exhibit 4.4, we provide additional commentary on these four 2011 projects.

**4.22** We encourage Members of the Legislative Assembly to look at the 2011 performance audit recommendations which the government has not implemented. Upcoming meetings of the Public Accounts Committee and the Crown Corporations Committee provide an opportunity for Members to pursue the status of these recommendations with the involved departments, commissions and Crown agencies.

Exhibit 4.4 - Summary Status of 2011 Performance Audit Recommendations Not Implemented

Department/ Commissions / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Environment and Local Government / Executive Council Office	Wastewater Commissions	2011	1	1	45	We also recommend Executive Council Office amend the provincial policy document, "An Appointment Policy for New Brunswick Agencies, Boards and Commissions" to require term limits be placed on all government appointments to agencies, boards, and commissions.	Not Implemented
		2011	1	1	47	We recommend the Department of Environment ensure that all wastewater commission boards in the Province are provided with ongoing guidance in the areas of governance and accountability. This guidance could include, but not be limited to, such areas as: <ul style="list-style-type: none"> <li>• How to prepare board member position profiles and other selection criteria for reference by appointing bodies;</li> <li>• The roles and responsibilities of commission board members;</li> <li>• How to hold management accountable for performance;</li> <li>• Committees of the board;</li> <li>• Commission board members' accountability obligation to commission stakeholders; and</li> <li>• Steps to take when a commission wants to involve itself in areas outside its legislated mandate.</li> </ul>	Not Implemented
		2011	1	1	59	We recommend necessary steps be taken, by the Department of Environment to ensure wastewater commissions comply with the <i>Public Purchasing Act</i> .	Not Implemented
Department of Transportation and Infrastructure and Department of Finance	Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School	2011	3	2	71	The Department of Supply and Services should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.	Not Implemented

Exhibit 4.4 - Summary Status of 2011 Performance Audit Recommendations Not Implemented  
(continued)

Department/ Commissions / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Department of Transportation and Infrastructure and Department of Finance	Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School	2011	3	2	111	<p>To ensure provincially owned schools are properly maintained over their useful lives, the Department of Supply and Services in cooperation with the Departments of Finance and Education should:</p> <ul style="list-style-type: none"> <li>develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and</li> <li>implement budgeting measures to protect the long-term funding stream required for sufficient ongoing maintenance of the schools.</li> </ul>	Not Implemented
Executive Council Office and Legislative Assembly	Constituency Office Costs for Members of the Legislative Assembly and Executive Council	2011	3	3	50	We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.	Not Implemented
		2011	3	3	62	To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.	Not Implemented
Social Development	CMHC Social Housing Agreement	2011	3	4	60	We recommended the Department develop a comprehensive long-term plan to ensure the Province can continue to provide and maintain social housing. The plan should include an effective funding and financing strategy to address the declining condition of housing stock.	Not Implemented

## Environment and Local Government / Executive Council Office

### Wastewater Commissions

- 4.23** Our objective in this review was to assess the adequacy of the governance and oversight structures and processes for New Brunswick wastewater commissions. The review focused primarily on the three largest organizations.
- 4.24** Our review found that governance and accountability practices at the Greater Moncton Sewerage Commission were not functioning effectively. In addition, we identified general weaknesses in governance practices applicable to all wastewater commissions.
- 4.25** Our review resulted in seven recommendations, six to Environment and Local Government (ELG) and one addressed to the Executive Council Office (ECO). Four of the six recommendations made to ELG have been implemented while the recommendation made to ECO has not. The status of the three recommendations not implemented is discussed below.
- 4.26** We recommended “the Executive Council Office amend the provincial policy document, ‘An Appointment Policy for New Brunswick Agencies, Boards and Commissions’ to require term limits be placed on all government appointments to agencies, boards, and commissions.”
- 4.27** The final response from ECO to this recommendation in 2015 indicated that this recommendation was not implemented and stated:

*“Given that most statutes set out the terms of members appointed by the Lieutenant Governor in Council, this issue is not one that is specifically addressed in the policy document ‘An Appointment Policy for New Brunswick Agencies, Boards and Commissions.’”*

*The legislative framework for commissions is established under section 15.2 of the Clean Environment Act. In 2012 the department amended this section to reflect the recommendations from the Auditor General’s Report on Water and Wastewater Commissions (2011). The amendments allowed the municipalities and rural communities to appoint their own members and the Minister to appoint for unincorporated areas. Also, that section of the Act states that all members are to be appointed for a 4 year term and can be reappointed for up to 3 consecutive terms (12 years total).*

*The appointment policy is currently under review and the term limits will be considered as part of this review”.*

**4.28** Although government amended the *Clean Environment Act* to address some of our recommendations, we continue to believe a provincial policy requiring sound governance practices including term limits across all agencies, boards, and commissions would further enhance effective and consistent application of these practices provincially.

**4.29** We also recommended “*the Department of Environment ensure that all wastewater commission boards in the Province are provided with ongoing guidance in the areas of governance and accountability. This guidance could include, but not be limited to, such areas as:*

- *How to prepare board member position profiles and other selection criteria for reference by appointing bodies;*
- *The roles and responsibilities of commission board members;*
- *How to hold management accountable for performance;*
- *Committees of the board;*
- *Commission board members' accountability obligation to commission stakeholders; and*
- *Steps to take when a commission wants to involve itself in areas outside its legislated mandate.”*

**4.30** The Department's 2015 response to this recommendation was “*implemented*”. The Department indicated it provides ongoing guidance to wastewater commissions verbally when requested and as needed. There are no records of regular meetings or training sessions with commissions and the Department could provide no clear documentation to support their response.

**4.31** The Department did provide profiles it created and used to fill vacancies for wastewater commissions in non-incorporated areas. Although this is a positive step, we concluded this recommendation was not implemented.

**4.32** Finally, we recommended that “*necessary steps be taken by the Department of Environment to ensure wastewater commissions comply with the Public Purchasing Act.*”

**4.33** The Department has not implemented this recommendation. The Department does not believe the *Procurement Act* applies to the wastewater commissions.

**4.34** While ELG did not implement all of the recommendations we made, the changes that have been made appear to have had a significant, positive impact on the governance and oversight of the Greater Moncton Sewerage Commission. Additionally, amendments made to the *Clean Environment Act* have enhanced the governance of all provincial wastewater commissions.

### **Transportation and Infrastructure / Finance**

#### **Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School**

**4.35** Our objectives for this audit were:

1. *To determine the process for identifying the two school project as a potential public-private partnership (P3); and*
2. *To assess the business case on which the Department's decision to adopt the P3 approach for the two school project was based.*

**4.36** We found for objective one *“there was no formal process to support the identification of this project as a P3 candidate.”*

**4.37** We concluded for our second objective that *“not all significant assumptions were supported and documented. We had concerns about the appropriateness of certain assumptions made, and the accuracy of the resulting comparison between the P3 and traditional models.”*

**4.38** Since the completion of this audit in 2011, the responsibility for capital infrastructure projects has been moved to the Department of Transportation and Infrastructure (DTI). DTI and the Department of Finance (Finance) provided responses to the recommendations discussed below.

**4.39** We provided nine recommendations to DTI and one recommendation to Finance as a result of our audit.

**4.40** Senior staff in both DTI and Finance stated no P3 procurements have been undertaken since the audit report was released in 2011. They did indicate one project related to the construction of two nursing homes in Moncton had been evaluated as a possible P3 project but government decided to pursue an “alternate procurement method”, resulting in a long-term service contract. DTI does not believe this method constitutes a P3 in the context of our 2011 report. They provided documentation on the evaluation of this project for our

follow-up review.

- 4.41** Subsequent to our follow-up work we discovered that both the Moncton nursing home project and a Miramichi nursing home project were announced by government as P3 procurements in separate news releases.<sup>1</sup>
- 4.42** When we raised this with the Department they reiterated their view that these are not public-private partnerships. The discrepancy between the government announcements versus the position of senior staff in both the departments of DTI and Finance is curious. Regardless of the label put on these major capital construction/service delivery projects (P3 or alternative service delivery) and given the significant participation by the private sector, the 2011 recommendations should be followed.
- 4.43** We intend to revisit the implementation of these recommendations in the next year.
- 4.44** Based on our review, six of those recommendations were fully implemented. The remaining four recommendations were not, and are discussed in the paragraphs that follow.
- 4.45** We recommended *“The Department of Finance should have the government obtain approval of the Legislative Assembly, during the budget process, for future year P3 funding commitments in advance of entering into such contracts.”*
- 4.46** Finance, in their 2015 response, stated *“The Department will ensure approvals, consistent with the budgeting and approval process of the Government of New Brunswick will be obtained.”*
- 4.47** We also recommended *“The Department of Supply and Services should inform the public of key information in the P3 process.”*
- 4.48** DTI, in their 2015 response, said *“There have been no new P3s approved since AG report was issued in 2012. Government directed the [Moncton] Nursing Home project to proceed with the issuance of a RFP to provide nursing services for seniors.”*

---

<sup>1</sup> [www2.gnb.ca/content/gnb/en/news/news\\_release.2015.05.0407.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2015.05.0407.html)  
[www2.gnb.ca/content/gnb/en/news/news\\_release.2015.10.0993.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2015.10.0993.html)

*The project savings did not warrant a lease/P3 option.”*

**4.49** As the Department has indicated there have been no other P3 projects since our original report was issued in 2011, we have treated these two recommendations as “not determinable” at this time for purposes of this follow up chapter (given the current stage of the nursing home projects).

**4.50** Our 2011 report also recommended “*the Department of Supply and Services should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.*”

**4.51** Their 2015 response indicated “*DTI reviewed the business case for Nursing home construction and operation. The review included an assessment and comparison of the assumptions.*”

**4.52** We reviewed the documentation provided on the nursing home project assessment and business case. Although the documents presented the assumptions and risks considered in the assessment, we were not provided with documentation supporting the development of these assumptions or an assessment of their reasonableness. Consequently we were unable to conclude this recommendation was implemented.

**4.53** We further recommend, to “*ensure provincially owned schools are properly maintained over their useful lives, the Department of Supply and Services in cooperation with the Departments of Finance and Education should:*

- 1. develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and*
- 2. implement budgeting measures to protect the long-term funding stream required for sufficient ongoing maintenance of the schools.”*

**4.54** DTI responded in 2015, stating that this was partially implemented and “*Finance evaluates the capital requirements to maintain existing infrastructure as part of the Capital Budgeting (sic) process. DTI has developed an Asset Management application for the roofs of provincially owned buildings, including public schools. The model was funded in the 2015-2016 Capital Budget for maintenance schedules to ensure that roofs are replaced at the optimal time over their lifecycle. To help improve planning, DTI will also include asset management liabilities as information to government when*

*requesting approval for new construction projects.”*

**4.55** After reviewing the information made available by DTI regarding the roofing model, we consider the first part of the recommendation to be partially implemented. However, the Department has not implemented an asset management system for provincial buildings.

**4.56** Further, Finance indicated to us that each year *“requirements to maintain existing infrastructure is evaluated during the capital budget process”* and a multi-year (three year) capital plan is included in the budget speech. They also indicated *“appropriations are not done beyond the budget year in question”*.

**4.57** The response does not address the *“protection of a long-term funding stream”* or indicate that a change in the budget process has been developed to address *“sufficient ongoing maintenance of the schools”*. We therefore concluded the second part of the recommendation has not been implemented.

**4.58** We continue to believe that implementation of these four recommendations will help ensure that the P3 model is only used where it would be of benefit to the Province, and that resulting infrastructure is appropriately maintained over its useful life.

### Legislative Assembly and Executive Council

#### Constituency Office Costs for Members of the Legislative Assembly and Executive Council

**4.59** Our objective for this audit was:

*To determine whether payments to Members of Executive Council and/or Members of the Legislative Assembly including allowances, reimbursements and related expenses are adequately supported and in accordance with Acts, Regulations, policies and other guidelines.*

**4.60** We concluded that while there was adequate authority for constituency office expenses, policy and guidelines for consistently approving, recording and reporting constituency office expenses needed improvement. In particular, we had concerns about management practices and operating procedures in place for Ministers' constituency office expenses paid by their departments.

**Two important recommendations have not been implemented**

- 4.61** We made five recommendations to the Legislative Assembly and/or Executive Council Office. Only three of those recommendations have been implemented to date.
- 4.62** In our original 2011 report chapter, we recommended “*all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. ...*”
- 4.63** The following updates were received in 2015 from the Legislative Assembly and the Executive Council Office.
- The Legislative Assembly continues to work with the Executive Council Office in moving forward with the implementation of this recommendation.*
- In May 2014, consideration was given to this matter. However, practical complexities required attention. Direction was given to the Government House Leader to work with the Speaker of the House and the Legislative Administration Committee to conduct a review respecting policies and procedures by which expenses are paid to Members of the Legislative Assembly and that the matter be brought back to Cabinet.*
- 4.64** We are concerned that four years after this important recommendation was first made, it has still not been implemented. Implementation of our recommendation would help ensure that constituency office cost guidelines are respected by all Members.
- 4.65** We also recommended “*the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.*”
- 4.66** In its 2015 update, the Legislative Assembly responded:
- This recommendation should be achieved once the constituency office expenses of all Members, including Members of the Executive Council, are reimbursed through the Legislative Assembly. As previously noted, the Legislative Assembly is collaborating with officials in the Executive Council Office to effect these changes.*
- 4.67** We understand that the Legislative Assembly has been waiting for the implementation of the previous recommendation to facilitate its implementation of this recommendation. However because full public reporting of Members constituency office costs would provide better accountability in this area, we strongly encourage the

Legislative Assembly to implement this recommendation now.

## Department of Social Development

### CMHC Social Housing Agreement

**4.68** Our objectives for this work were:

1. *To prepare for the Legislative Assembly an analysis of the financial impact to the Province due to the decline of funding under the CMHC Social Housing agreement; and*
2. *To assess whether the Department manages and administers the program in accordance with four key requirements (in clause 6(b)) of the agreement related to managing and administering the portfolio. Those requirements included:*
  - *maintain and enforce the principles and the key elements for each program in the portfolio;*
  - *ensure that only targeted households are eligible to receive the benefit of CMHC funding;*
  - *set standards of housing affordability, suitability and adequacy; and*
  - *comply with all reporting requirements in this Agreement.*

**4.69** We concluded there is a need for long term planning with policies and strategies to ensure the Province can provide and maintain social housing needs in New Brunswick once the Social Housing Agreement expires in 2034. Based on our analysis, the impact of the declining funding will be more and more evident in coming years, making it vital for the Department and the Province to find solutions now to address impending challenges.

**4.70** We further concluded the Department has met three of the four key requirements we examined with regards to managing and administering the program. The requirement to do a program evaluation every five years was not being met.

**4.71** We made two recommendations in our 2011 chapter, only one of which has been implemented.

**4.72** We recommended “*the Department develop a comprehensive long-term plan to ensure the Province can continue to provide and maintain social housing. The plan should include an effective funding and financing strategy to address the declining condition of housing stock.*”

**4.73** The Department's update for 2015 stated "*Work is continuing on a long term plan for addressing the issues of the devolving nature of the Social Housing Agreement and the declining condition of the housing stock.*"

**4.74** We are disappointed this recommendation has not yet been implemented and would stress the importance of establishing a long-term plan to ensure the Department can continue to provide for provincial social housing needs in the future. Given the pending decline of federal support and aging infrastructure, government's ability to meet demands of the program continues to be at risk without a long-term plan.

## Opportunities New Brunswick/Executive Council Office Financial Assistance to Atcon Holdings Inc. and Industry (2015)

- 4.75** The objectives of this audit, which was reported in our March 2015 Report, were:
- 1. To determine whether the Government exercised due diligence in granting financial assistance to the Atcon group of companies;*
  - 2. To identify all provincial government organizations that provide financial assistance to industry and determine whether they coordinate their assistance to limit the exposure of the Province;*
  - 3. To determine whether the Department has implemented recommendations made in previous performance audits of financial assistance to industry performed by our Office; and*
  - 4. To determine whether the Department publicly reports on the performance of the financial assistance it provides.*
- 4.76** Given the magnitude of unrecovered Provincial funds (close to \$70 million) relating to Atcon, we believe it is important to comment at an early stage on government's response in implementing our recommendations.
- 4.77** Responsibility for financial assistance to industry now rests with the recently-created Opportunities New Brunswick (ONB). We met with representatives of that organization during September 2015. They indicated they had engaged a private sector consultant in order to review the current lending practices for ONB, in addition to assessing the proposed responses to the Auditor General's recommendations.
- 4.78** To date we have not performed any follow up audit work on the implementation of the Atcon recommendations.
- 4.79** We were pleased to note the new *Opportunities New Brunswick Act*, proclaimed 1 April 2015, included some late changes to address certain of our recommendations, especially those relating to amending security terms against assistance provided to business by ONB.
- 4.80** In general, we are pleased with the initial response from Opportunities New Brunswick and Executive Council Office regarding the 19 recommendations from the March 2015 report. However, it will be necessary to conduct follow up work in future to verify implementation of our recommendations.

**General  
Comments on the  
Implementation  
of our  
Recommendations**

**4.81** As noted earlier, we encourage the Public Accounts and Crown Corporations Committees to use this chapter to hold government accountable for implementing our performance audit recommendations. Exhibit 4.5 reports government's progress, in implementing our performance audit recommendations since 1999.

*Exhibit 4.5 - Implementation of Performance Audit Recommendations*

Year	Number of Recommendations	Recommendations Implemented Within		
		Two years	Three years	Four years
1999	99	35%	42%	42%
2000	90	26%	41%	49%
2001	187	53%	64%	72%
2002	147	39%	58%	63%
2003	124	31%	36%	42%
2004	110	31%	38%	49%
2005	89	27%	38%	49%
2006	65	22%	38%	N/A*
2007	47	19%	N/A*	45%**
2008	48	N/A*	60%**	57%****
2009	49	73%**	73%***	74%****
2010	44	64%***	70%***	62%****
2011	24	71%***	79%***	63%****
2012	32	69%***	81%***	-
2013	43	65%***	-	-

\* N/A as no follow-up performed in 2010  
 \*\* As self-reported by departments, commissions and agencies with confirmation by our Office in the Department of Justice and Consumer Affairs  
 \*\*\* As self-reported by departments, commissions and agencies  
 \*\*\*\* As self-reported by departments, commissions and agencies and reviewed for accuracy by our Office.

**4.82** Over 62% of performance audit recommendations have been implemented for each of the past few years, which is an improvement over historical implementation percentages. However, we are not satisfied with this implementation rate.

**4.83** We are committed to continuing to work with departments, commissions and Crown agencies to develop sound, practical recommendations in all our performance audit reports. Also, we will continue to use our follow-up process as a means of providing encouragement and support for

departments, commissions and Crown agencies to fully implement, on a timely basis, as many of our performance audit recommendations as possible.

# Appendix A

## Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years

The following is a list of value-for-money projects reported in a separate chapter of our annual Reports over the last ten years, organized by department and agency. The year of reporting is in brackets following the subject of the projects. The list is organized using the current name of the department or agency, even though in some cases the project was conducted prior to government reorganization.

### **Department of Education and Early Childhood Development**

#### **Provincial Testing of Students – Anglophone Sector (2009)**

This chapter assesses the Department's strategic direction for its provincial testing of students in the Anglophone sector. It also assesses the Department's process of administering its provincial testing of students in the Anglophone sector.

### **Department of Environment and Local Government**

#### **Solid Waste Commissions (2012)**

This chapter examines the governance, accountability and financial management of the twelve provincial solid waste commissions. It also addresses the Province's involvement in reducing the impacts of solid waste on the environment.

#### **Wastewater Commissions (2011)**

This chapter examines the governance, accountability and financial practices of the three largest wastewater commissions: the Greater Moncton Sewerage Commission, the Greater Shediac Sewerage Commission and the Fredericton Area Pollution Control Commission. The report addresses concerns with respect to board governance, accountability and questionable financial practices of the Greater Moncton Sewerage Commission.

### **Environmental Trust Fund (2009)**

This chapter examines whether the purpose of the Environmental Trust Fund is clearly established, and whether the Fund is measuring and reporting the achievement of its goals and objectives. It also examines whether the Fund is operating as intended with respect to grants.

### **Environmental Impact Assessment (2008)**

This chapter examines whether the Department is carrying out its key roles and responsibilities under the NB Environmental Impact Assessment (EIA) Regulation and related Departmental guidelines with due regard for economy, efficiency and effectiveness. It also identifies key risks associated with the provincial EIA process and determines the extent to which those risks are being managed.

## **Executive Council Office**

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

This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly and departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

## **Department of Finance**

### **Collection of Accounts Receivable (2013)**

This chapter provides information on provincial policies and initiatives currently underway to improve the collection of accounts receivable, and our comments relating to those policies and initiatives.

## **Department of Government Services**

### **Procurement of Goods and Services – Phase 1 (2013)**

This chapter examines whether public purchasing practices used by the Department comply with key components of the regulatory framework and best practices, and if it publicly reports on the effectiveness of the procurement function.

## **Department of Health**

### **Infection Prevention and Control in Hospitals (2015)**

This chapter determines if the Department of Health and the Regional Health Authorities have an infection prevention and control program to protect people from hospital-acquired infections.

### **Medicare - Payments to Doctors (2012)**

This chapter examines whether the Department of Health is maximizing its recovery of incorrect Medicare payments to doctors, through the practitioner audit function. It also highlights unusual items that warrant further investigation by the Department.

### **EHealth – Procurement and Conflict of Interest (2012)**

This chapter examines the government procurement policy for purchases of services related to the E-Health initiative. It also examines whether a conflict of interest exists in the use of consultants.

### **Program Evaluation (2007)**

This chapter examines whether adequate systems and practices have been established to regularly evaluate programs funded by the Department of Health.

### **Health Levy (2006)**

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

## **Department of Justice and Attorney General**

### **Superintendent of Credit Unions (2008)**

This chapter examines whether the Superintendent of Credit Unions is fulfilling his duties and responsibilities to oversee the financial stability and solvency of credit unions and caisses populaires for the protection of New Brunswick depositors.

### **New Brunswick Credit Union Deposit Insurance Corporation (2007)**

This chapter examines whether the New Brunswick Credit Union Deposit Insurance Corporation has adequate structures, processes and procedures in place to fulfill its obligation to protect the deposits of members of credit unions and caisses populaires in New Brunswick.

### **Pension Benefits Act (2006)**

This chapter examines the protections offered by the *Pension Benefits Act* to active and former pension plan members, and the nature of the operations of the Office of the Superintendent of Pensions.

### **Health Levy (2006)**

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

## **Legislative Assembly**

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

This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly and departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

## **Department of Natural Resources**

### **Silviculture (2015)**

This chapter determines whether the Department is meeting its responsibilities to enhance the quality and quantity of future timber supply through silviculture and acquires silviculture services with due regard for economy and efficiency.

### **Private Wood Supply (2015)**

This chapter determines whether the Department is meeting its responsibilities respecting timber supply from private woodlots and if the New Brunswick Forest Products Commission provides adequate oversight of Forest Products Marketing Boards.

### **Timber Royalties (2008)**

This chapter describes timber royalties and the processes and requirements surrounding them. It also examines whether the Department is complying with its legislated requirements.

### **Wildlife Trust Fund (2007)**

This chapter reports the results of an audit of a sample of grants issued by the fund and our testing of the conservation revenue fee.

### **Tracking System for Wood Harvested from Private Woodlots (2006)**

This chapter examines whether the Department maintains appropriate processes to ensure the tracking system for primary forest products harvested from private woodlots is operating as required by the *Transportation of Primary Forest Products Act*. It also examines whether the Department uses the information provided by the wood tracking system in assessing and reporting publicly on the sustainability of the private wood supply in New Brunswick.

## **Department of Post-Secondary Education, Training and Labour**

### **Immigration with the Provincial Nominee Program (2010)**

This chapter examines whether the Population Growth Secretariat has identified and documented significant planning measures for New Brunswick's Provincial Nominee Program. It also examines whether the Secretariat has adequate processes and controls for delivering the Provincial Nominee Program in New Brunswick, and if it supports the program in achieving its objective "to increase the economic benefits of immigration to New Brunswick." Finally, it examines whether the Secretariat measures performance for the Provincial Nominee Program and if it publicly reports the program's performance.

### **Adult Literacy Services (2008)**

This chapter examines the Department's strategic direction, control procedures, and performance measurement and reporting for its adult literacy support.

### **Private Occupational Training Act (2007)**

This chapter examines whether the Department, and the New Brunswick Private Occupational Training Corporation, are fulfilling their mandate to provide effective consumer protection to students of private occupational training organizations in New Brunswick.

## **Department of Social Development**

### **Foster Homes (2013)**

This chapter examines whether the Department complies with its documented foster home standards, and if it publicly reports on the effectiveness of its Children's Residential Services program.

### **CMHC Social Housing Agreement (2011)**

This chapter examines the future of the financial impact to the Province due to the decline of funding under the CMHC Social Housing Agreement; and assesses whether the Department managed and administered the programs in accordance with four key agreement requirements.

### **Review of Nursing Home Contract with Shannex Inc. (2009)**

This chapter examines various questions surrounding the contract with Shannex Inc. to supply nursing home beds.

## **Department of Tourism, Heritage and Culture**

### **New Brunswick Art Bank (2010)**

Our objective for this project was to ensure that all art works acquired for the provincial Art Bank can be accounted for and are being adequately protected, maintained and conserved.

## **Department of Transportation and Infrastructure**

### **Provincial Bridges (2013)**

This chapter examines whether the Department performs bridge inspections in accordance with accepted professional standards and used the inspection results to identify and prioritize necessary capital maintenance and other remedial measures. The chapter also examines whether the Department maintains the service level of its bridge inventory based on a long term least life cycle cost approach, and whether it publicly reports on the condition of designated Provincial bridges and the effectiveness of its bridge inspection activities.

### **Premixed Asphalt Procurement (2013)**

This chapter discusses our planned project to determine if the Department's exempt purchases of pre-mixed asphalt are being made with due regard of economy and transparency, and the reasons why we chose to temporarily defer this project.

### **Capital Maintenance of Highways (2012)**

This chapter examines whether capital road repairs, identified as necessary by the Department, are made on a timely basis.

### **Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School (2011)**

This chapter examines the process for identifying the two school project as potential P3 agreements and evaluates the value for money assessment on which the Department's decision to recommend the P3 approach for the two school project was based.

### **Review of Nursing Home Contract with Shannex Inc. (2009)**

This chapter examines various questions surrounding the contract with Shannex Inc. to supply nursing home beds.

## **Government-wide projects**

### **Office of the Chief Information Officer Data Centre Power Interruption (2014)**

This chapter examines the events and circumstances surrounding the data centre outage of 9 June 2014. It reports findings on the impact to government operations and the level of emergency preparedness of IT operations. It provides recommendations on improvements to business continuity and disaster recovery planning as well as defining roles and responsibilities of those involved in providing IT services.

### **Review of Departmental Annual Reports (2008)**

Our primary objective for this project was to determine the degree to which departmental annual reports and our government's reporting on performance could be improved by applying state-of-the-art principles. Our secondary objective was to determine what enhancements might be recommended for the Province's annual report policy.

## **Crown Agency and Crown Corporation Projects**

### **New Brunswick Internal Services Agency**

#### **Data Centre Power Interruption (2014)**

This chapter examines the events and circumstances surrounding the data centre outage of 9 June 2014. It reports findings on the impact to government operations and the level of emergency preparedness of IT operations. It provides recommendations on improvements to business continuity and disaster recovery planning as well as defining roles and responsibilities of those involved in providing IT services.

### **New Brunswick Investment Management Corporation**

#### **Investment Performance and Cost Analysis (2008)**

This chapter looks at some indicators of the New Brunswick Investment Management Corporation's investment performance, and provides an analysis of the costs of the organization.

#### **Governance (2006)**

This chapter examines whether current governance structures and processes established for the New Brunswick Investment Management Corporation set a framework for effective governance.

### **New Brunswick Liquor Corporation**

#### **Agency stores (2010)**

This chapter examines whether the New Brunswick Liquor Corporation has appropriate control procedures for its agency store program.

### **NB Power**

#### **Point Lepreau Generating Station Refurbishment – Phase II (2014)**

This chapter assesses the reasonableness of key project costs of the Point Lepreau Generating Station Refurbishment Project.

#### **Point Lepreau Generating Station Refurbishment – Phase I (2013)**

This chapter describes key aspects of NB Power's planning and execution of the Point Lepreau refurbishment, and presents summaries of amounts making up the \$1.4 billion asset account and the \$1.0 billion deferral account related to the refurbishment.

## **Opportunities NB**

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

This chapter assesses whether the government exercised due diligence in granting financial assistance to the Atcon group of companies and determines if provincial government organizations coordinate the provision of assistance to industry to limit provincial exposure. It also determines whether the Department has implemented recommendations made in previous performance audits of assistance it provides to industry as well as the effectiveness of the Department's public reporting of the financial assistance it provides.

### **Financial Assistance to Industry (2010)**

This chapter assesses whether the Department has adequate procedures in place to measure and report on the effectiveness of the financial assistance it provides to industry.

### **New Brunswick Innovation Foundation (2009)**

This chapter examines whether governance structures and practices established by the Department in connection with the delivery of innovation funding through the New Brunswick Innovation Foundation ensure accountability and protection of the public interest.

## **Regional Health Authorities – Horizon and Vitalité Health Networks**

### **Infection Prevention and Control in Hospitals (2015)**

This chapter determines if the Department of Health and the Regional Health Authorities have an infection prevention and control program to protect people from hospital-acquired infections.

Appendix B  
Detailed Status Report of  
Recommendations  
Since 2011

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Wastewater Commissions	Environment and Local Government	2011	1	1	44	<p>We recommend the Department of Environment [and Local Government] establish additional legislative requirements geared to strengthening governance and accountability of provincial wastewater commissions. In this regard, the Department should develop a regulation that:</p> <ul style="list-style-type: none"> <li>• attaches specific term limits to all appointments to wastewater commission boards. Longest-serving members of provincial boards (i.e. those having served 20 years or more) should be replaced immediately, and other members in place for longer than maximum legislated term limits should be replaced as soon as practical on a case by case basis;</li> <li>• prescribes any local or provincial requirements for the appointment of regional or other representative board members (i.e. by and/or from particular municipalities, aboriginal reserves, etc.);</li> <li>• prescribes the roles, responsibilities, and accountabilities of government, board members, municipalities and key stakeholders;</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Wastewater Commissions	Environment and Local Government	2011	1	1	44	<ul style="list-style-type: none"> <li>sets annual reporting requirements for wastewater commissions as well as procedures for annual budget and business plan approvals;</li> <li>establishes the requirement for all executive members of the board, including the Chair, to be elected from among appointed members;</li> <li>requires all commissions delivering service to one or more municipalities to set up a technical steering committee that, where possible, involves engineering staff from those municipalities to ensure that commission plans for capital projects are acceptable and as a source of technical advice; and</li> <li>establishes other terms and conditions as considered appropriate in the circumstances.</li> </ul>	Implemented
Wastewater Commissions	Executive Council Office	2011	1	1	45	We also recommend Executive Council Office amend the provincial policy document, "An Appointment Policy for New Brunswick Agencies, Boards and Commissions" to require term limits be placed on all government appointments to agencies, boards, and commissions.	Not Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	46	We recommend the Department of Environment [and Local Government] ensure that board vacancies at wastewater commissions are filled on a timely basis.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Wastewater Commissions	Environment and Local Government	2011	1	1	47	<p>We recommend the Department of Environment [and Local Government] ensure that all wastewater commission boards in the Province are provided with ongoing guidance in the areas of governance and accountability. This guidance could include, but not be limited to, such areas as:</p> <ul style="list-style-type: none"> <li>• How to prepare board member position profiles and other selection criteria for reference by appointing bodies;</li> <li>• The roles and responsibilities of commission board members;</li> <li>• How to hold management accountable for performance;</li> <li>• Committees of the board;</li> <li>• Commission board members' accountability obligation to commission stakeholders; and</li> <li>• Steps to take when a commission wants to involve itself in areas outside its legislated mandate.</li> </ul>	Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	59	<p>We recommend necessary steps be taken, by the Department of Environment [and Local Government] to ensure wastewater commissions comply with the <i>Public Purchasing Act</i>.</p>	Not Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	127	<p>We recommend, the Department of Environment [and Local Government], in consultation and agreement with the City of Moncton, the City of Dieppe and the Town of Riverview, evaluate the existing GMSC Board member composition in light of our findings regarding questionable governance, accountability and financial management practices. Emphasis should be placed on ensuring GMSC operates under a modern governance framework and that it is well positioned to serve ratepayers of Moncton, Riverview and Dieppe within the legislated mandate.</p>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Wastewater Commissions	Environment and Local Government	2011	1	1	128	Once the Board of GMSC has been determined, the Department of Environment [and Local Government], in cooperation with the Greater Moncton Sewerage Commission, the City of Moncton, the City of Dieppe, and the Town of Riverview, should develop a plan specifically geared to improve: <ul style="list-style-type: none"> <li>• governance processes;</li> <li>• financial management;</li> <li>• monitoring and oversight;</li> <li>• accountability; and</li> <li>• compliance with provincial legislation at the Greater Moncton Sewerage Commission.</li> </ul>	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	26	The Department of [Transportation and Infrastructure] should conduct a preliminary assessment to identify the best procurement approach prior to a Cabinet decision on how to proceed (P3 or traditional approach).	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	31	The Department of Finance should have the government obtain approval of the Legislative Assembly, during the budget process, for future year P3 funding commitments in advance of entering into such contracts.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	71	The Department of [Transportation and Infrastructure] should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	72	The Department of [Transportation and Infrastructure] should review assumptions made by its VFM consultant. Reviews and important discussions should be properly documented.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	73	The Department of [Transportation and Infrastructure] should obtain the discounted cash flow model from its consultant as part of the arrangement for future P3 projects.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	96	The Department of [Transportation and Infrastructure] should perform a sensitivity analysis which includes all key variables in the project cost estimate process.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	97	The Department of [Transportation and Infrastructure] should inform the public of key information in the P3 process.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	103	The Department of [Transportation and Infrastructure] should perform an independent due diligence review of the value for money assessment for each proposed P3 project.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	111	To ensure provincially owned schools are properly maintained over their useful lives, the Department of [Transportation and Infrastructure] in cooperation with the Departments of Finance and Education should: <ul style="list-style-type: none"> <li>1) develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and</li> <li>2) implement budgeting measures to protect the long-term funding stream required for sufficient ongoing maintenance of the schools.</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	117	The Department of [Transportation and Infrastructure] should tender or solicit multiple fee estimates when engaging advisors for P3 projects, given the significant cost of these services.	Implemented
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	50	We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.	Not Implemented
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	62	To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.	Not Implemented
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	74	The Legislative Administration Committee should establish additional guidelines for constituency office assets to ensure purchases by Members are reasonable (e.g. timing, individual cost and/or frequency of asset purchases).	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	83	The Legislative Administration Committee should consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, it should give the Office of the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.	Implemented
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	89	The Legislative Administration Committee should develop an inventory control policy for assets purchased for constituency offices which includes controls similar to those in the Government's policies AD-1703 and AD-1704.	Implemented
CMHC Social Housing Agreement	Social Development	2011	3	4	60	We recommended the Department develop a comprehensive long-term plan to ensure the Province can continue to provide and maintain social housing. The plan should include an effective funding and financing strategy to address the declining condition of housing stock.	Not Implemented
CMHC Social Housing Agreement	Social Development	2011	3	4	74	Given the hardship the programs could face in the future due to declining funding, the expiration of the CMHC Social Housing Agreement in 2034, the declining condition of housing stock and the remaining need for social housing, we recommended program evaluations be carried out in order to develop a strategy to address these issues and to comply with the Agreement.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Medicare Payments to Doctors	Health	2012	2	2	42	<p>We recommend the Department develop an action plan, with specific steps and timelines, to address the deficiencies identified by our work. The action plan is to include, but not be limited to, the following:</p> <ul style="list-style-type: none"> <li>• Improving the monitoring of doctor remuneration, including all methods of remuneration (Fee-For-Service, salary, sessional), total payments, and the cap and the “on-call group account” for salaried doctors</li> <li>• Improving the audit function by: expanding the audit coverage to include all Medicare payments; using a risk-based audit approach; ensuring the audit unit has the skill set and information needed; documenting procedures for authorizing, processing, recording and reviewing the reversal / repayment of recoveries; publicly reporting the actual performance of its audit function in comparison with targeted recoveries and providing a rationale for any variances; expanding the use of the Professional Review Committee, etc.</li> <li>• Improving the Department’s enforcement of doctor compliance with legislation and departmental policies by establishing an enforcement policy and implementing ramifications for doctors who do not comply, such as those who over-charge, double bill for services relating to workplace injuries and those who do not shadow-bill</li> <li>• Ensuring claims submitted for radiology services comply with legislation and payments for those services are subject to the same payment controls, monitoring and auditing as other Fee-For-Service payments</li> </ul>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Medicare Payments to Doctors	Health	2012	2	2	42	<ul style="list-style-type: none"> <li>Improving and automating the process of recovering Medicare payments relating to WorkSafeNB claims.</li> </ul>	Not Implemented
Medicare Payments to Doctors	Health	2012	2	2	43	Similar to other government reporting of employee compensation and vendor payments, and to provide better accountability, we recommend the Department publicly report total remuneration for each doctor, regardless of whether the doctor is paid via Fee-For-Service, salary, sessional or alternative payment arrangements.	Not Implemented
Medicare Payments to Doctors	Health	2012	2	2	44	To provide better accountability, we recommend the Department publicly report annually summary-level information on doctor remuneration, such as: total payments for each remuneration method (Fee-For-Service, salary, sessional, other), doctor remuneration by dollar range, doctor remuneration by specialty, etc.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	50	<p>The findings in the OoC's report are consistent with ours. Recommendations regarding the procurement process from the OoC's report are applicable to our findings as well. The OoC's recommendations included:</p> <ul style="list-style-type: none"> <li>• Contract managers should ensure that the requirements of the <i>Public Purchasing Act</i> are followed. Documentation should be maintained supporting Minister's exemptions particularly when the exemption for Specific Skills or Sole Source of supply is used. .</li> <li>• A purchase order should be obtained prior to the payment of any amounts and the value of the purchase order should not be exceeded.</li> <li>• A signed statement of work should always be obtained prior to the commencement of the project.</li> <li>• When contracts are negotiated and signed with vendors, only contracts drafted by PNB should be utilized. Vendor contracts should not be used.</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	51	<p>In addition to the recommendations made by the OoC, we recommend:</p> <ul style="list-style-type: none"> <li>To avoid frequent contract amendments, the Department of Health adequately plan and define the scope, deliverables, timelines and costs for each IT contract and complete all required documentation before signing contracts or allowing work to commence; and</li> <li>In the event contract amendments are required, the Department of Health properly prepare and approve change requests and amendments to original contract agreements.</li> </ul>	Implemented
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	69	<p>In general, the findings in the OoC's report were consistent with ours. The OoC's recommendations related to conflict of interest are applicable to our findings in this area as well. The OoC's recommendations included:</p> <ul style="list-style-type: none"> <li>Employees and contractors should sign off as having read and understood AD-2915 (Conflict of Interest) on an annual basis. For employees, this could be incorporated as part of their annual performance review. As stated in AD-2915 employees must advise the Senior Executive Officer of any conflict of interest situation in which they find themselves. Documentation should be maintained.</li> <li>Managers and directors should familiarize themselves with the meaning and definition of an "apparent conflict of interest ". A suggested reading could be the document on this topic published by the Treasury Board of Canada Secretariat.</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	69	<ul style="list-style-type: none"> <li>Contractors should not occupy management positions within the department. Where the situation is unavoidable, the contractor should be strictly limited to the financial information which they can access particularly with respect to competitor's information.</li> <li>Where contractors are members of project steering committees, they should not take part in any discussions surrounding the contracting/outsourcing of any work for the project.</li> <li>Contractors should be required to disclose business relationships with other contractors working in the department when a partnership or joint venture type relationship exists.</li> <li>If a Project Manager or member of a Steering Committee is a contractor and also a partner or principal of a consulting firm, the department should refrain from hiring other contractors from the same company on the project.</li> </ul>	Implemented
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	70	We recommend the Department of Health develop and implement a plan to eliminate reliance on consultants serving as project managers and prohibit consultants from serving as members of RFP evaluation committees or project steering committees.	Implemented
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	81	We recommend the Department of Health develop and implement a plan to in-source all IT operation and maintenance functions over the next two years.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
EHealth – Procurement and Conflict of Interest	Office of the Chief Information Officer	2012	2	3	85	<p>We recommend the Office of the Chief Information Officer develop and monitor compliance with a government-wide policy relating to the procurement, contracting and management of IT consultants. That policy should address and mitigate risks regarding procurement and conflict of interest of consultants, and clearly state when the use of internal IT resources is more appropriate. As a minimum, the policy should require that:</p> <ul style="list-style-type: none"> <li>• the primary role of IT consultants be to provide specialized expertise to government, typically for development initiatives;</li> <li>• IT operations and maintenance work be in-sourced, with allowances made for knowledge transfer from private sector experts in the shorter term;</li> <li>• a competitive bidding process, in compliance with all pertinent government legislation, be followed for the selection of consultants;</li> <li>• any exemption from the competitive bidding process be properly authorized and made for sound business reasons defensible to the public;</li> <li>• there is sufficient in house government expertise to effectively oversee and manage the work of consultants before a project is started;</li> <li>• the opportunity for real or perceived conflict of interest on the part of contracted consultants is mitigated, in part by requiring that project managers, and members of key project committees be staffed exclusively with in-house resources; and</li> <li>• provincial remuneration levels for IT staff not act as a barrier to the ability of government to hire and retain needed internal IT resources on a permanent basis.</li> </ul>	No Update

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Solid Waste Commissions	Environment and Local Government	2012	2	4	49	We recommend the Department of Environment and Local Government include a dispute resolution mechanism in the planned Solid Waste Commissions Regulation under the <i>Regional Service Delivery Act</i> to address situations where a commission board has been unable to obtain the two-thirds majority needed to approve an annual budget, commission borrowing, or the election of board officers.	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	51	We recommend the Province, through the Minister of Environment and Local Government, ensure future appointments of local service district representatives to the new Regional Delivery Commission boards are made within three months of a vacancy occurring.	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	58	We recommend each new Regional Delivery Commission adopt the following good governance practices: <ul style="list-style-type: none"> <li>• document the roles and responsibilities of their board, individual board members, and board executive members;</li> <li>• document and approve terms of reference for each of their board committees;</li> <li>• provide all new board members with orientation sessions;</li> <li>• document a code of conduct for board, management and staff; and</li> <li>• create a governance committee of the board to oversee the development and implementation of good governance practices.</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Solid Waste Commissions	Environment and Local Government	2012	2	4	65	<p>We recommend all commissions provide up-to-date accountability information on their websites including, as a minimum, the following:</p> <ul style="list-style-type: none"> <li>• audited financial statements;</li> <li>• annual reports;</li> <li>• current commission tipping fees; and</li> <li>• the names of board members indicating which local government they represent.</li> </ul>	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	79	<p>We recommend commissions negotiating solid waste transfer agreements in future consider:</p> <ul style="list-style-type: none"> <li>• what direct and administrative costs are being incurred by landfill commissions in providing service to transfer station commissions; and</li> <li>• how these costs may be most fairly allocated in establishing landfill tipping fees under the agreement.</li> </ul>	Not Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	80	<p>We recommend Transfer Station Commissions investigate the potential for cost savings by shipping their solid waste to alternative provincial landfills, prior to renewing their existing transfer agreements.</p>	Not Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	99	<p>We recommend the Department finalize and request government approval for additions to the Designated Materials Regulation covering used oil, glycol, and e-waste.</p>	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	100	<p>We also recommend the Department design and implement additional extended producer responsibility programs to further reduce the volume of solid waste going to New Brunswick landfills.</p>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Solid Waste Commissions	Environment and Local Government	2012	2	4	122	We recommend the Department ensure challenging diversion goals are set for regional commissions. The Department should also monitor commission performance and ensure the degree of success by individual commissions in achieving their diversion goals is publicly reported. One option may be for commissions to report their diversion performance on their websites.	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	123	We also recommend the Department support the delivery of enhanced diversion programs by regional solid waste commissions to help them meet their diversion goals.	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	135	Given the environmental risks and financial costs associated with illegal dumping, we recommend the Department develop a standardized compliance and enforcement approach to better manage illegal dumping in the Province.	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	139	We recommend the Department ensure all construction and demolition debris disposal sites in the Province are physically inspected periodically to ensure they are accepting only materials specified in their Departmental certificate of approval to operate and identify and address other environmental concerns. Frequency of inspections of individual sites should be based upon a Departmental evaluation of the risk of non-compliance at individual disposal sites.	Implemented
Solid Waste Commissions	Environment and Local Government	2012	2	4	145	We recommend the Department develop and implement a plan, in agreement with individual commissions, covering ongoing government involvement in educating the public about solid waste matters. That involvement should focus on areas of province-wide concern.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	78	We recommend, in order to optimize decisions and reduce long term costs from asset management, the Department prioritize the addition of all significant asset categories not currently modeled in the system with timelines for their inclusion.	Not Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	83	We recommend the Department report on roads that are in very poor condition and develop optimization targets specific to that category of roads within the Asset Management System.	Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	89	We recommend the Department further enhance the Asset Management System to incorporate non-road condition based factors such as traffic counts, safety indicators, and environmental concerns that significantly impact project selection.	Not Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	114	We recommend the Department establish guidelines to govern projects selected outside the Asset Management System and document the rationale and benefits of these projects against the Asset Management System optimization criteria.	Not Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	115	We recommend the Department, in its annual report, communicate the implications of selecting and completing projects that do not meet Asset Management System optimization criteria.	Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	118	We recommend the Department provide sufficient training for additional staff to be competent in utilizing the Asset Management System. Training should include, but not be limited to, knowledge of optimization process rules.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	126	We recommend the Department complete the Road Surface policy (a policy that will guide decisions regarding the most appropriate and economical road surface given particular circumstances (i.e. chip seal versus asphalt)). Once complete, we recommend the Department incorporate the road surface selection process into the Asset Management System optimization model.	Not Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	130	In order to ensure sustainability of the Province's highway network at the most economical cost, we recommend the Department include total lifecycle costs in all new road construction decisions. We also recommend the Department obtain statutory funding when the decision is made to add new roads (similar to Public-Private Partnership highway projects).	Not Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	179	We recommend the Department develop effective program performance measures for its stated goals and objectives that include specific, relevant targets against which performance can be measured.	Implemented
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	180	We recommend the Department's annual report clearly state the overall highway network condition by kilometer in each condition category the Department uses, (currently very good, good, fair, and poor), with the intent of highlighting the short, medium, and long term impacts of not following Asset Management System projected funding recommendations. We further recommend the Department report the level of infrastructure debt caused by deferred capital maintenance in order to present a complete picture of the highway network status and the risk to safety and sustainability.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Foster Homes	Social Development	2013	2	2	57	We recommend the Department of Social Development establish standards for contracting with foster families.	Implemented
Foster Homes	Social Development	2013	2	2	58	We recommend the Department of Social Development amend its standards to provide comprehensive and consistent direction for approving and monitoring provisional (foster) homes.	Implemented
Foster Homes	Social Development	2013	2	2	72	We recommend the Department of Social Development comply with its documented foster home standards for providing a safe and secure environment for children who have to be separated from their families.	Implemented
Foster Homes	Social Development	2013	2	2	86	<p>We recommend the Department of Social Development implement regular monitoring procedures for both regional and central office to ensure compliance with its standards. The procedures could include, but not necessarily be limited to, the following:</p> <ul style="list-style-type: none"> <li>• a periodic review of a sample of files to determine compliance with standards; and</li> <li>• a regular review of “expired approval dates” recorded in the electronic information system, with follow-up to ensure the foster family’s annual review is completed on time.</li> </ul>	Implemented
Foster Homes	Social Development	2013	2	2	107	We recommend the Department of Social Development develop a long-term strategy to ensure sufficient appropriate foster homes are available to meet regional needs and to help meet, “The Children's Residential Services program primary goal ... to ensure consistent, high quality residential services to children who are in the temporary or permanent care of the Minister.”	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Foster Homes	Social Development	2013	2	2	122	We recommend the Department of Social Development review all rates and funding relating to foster homes and propose changes to Government as appropriate to eliminate any disincentive to current or prospective foster parents. This should be completed within twelve months of the release of our report.	Implemented
Foster Homes	Social Development	2013	2	2	123	We recommend the Department of Social Development review rates and funding relating to foster homes on a regular and ongoing basis.	Implemented
Foster Homes	Social Development	2013	2	2	124	We recommend the Department of Social Development take steps to increase the awareness of costs available for reimbursement to foster families.	Implemented
Foster Homes	Social Development	2013	2	2	125	We recommend the Department of Social Development be consistent in the amounts reimbursed to foster families.	Implemented
Foster Homes	Social Development	2013	2	2	129	We recommend the Department of Social Development reconcile its foster family information (statistics, data, names) with each of the regions on a regular basis to ensure information used by central office for program planning is complete and accurate.	Implemented
Foster Homes	Social Development	2013	2	2	134	We recommend the Department of Social Development publicly report on the effectiveness of its Children's Residential Services program. Such performance information should be included in the Department's annual report and on its website.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Provincial Bridges	Transportation and Infrastructure	2013	2	3	46	We recommend the Department document its bridge inspection processes in a single comprehensive manual.	Not Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	47	We recommend the Department have readily accessible to all staff the most current and complete copy of any manual or other documentation referenced in the inspection process.	Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	62	We recommend the Department follow the Ontario Structures Inspection Manual guidelines for reporting bridge component deterioration and record the quantitative information such as the width and extent of cracks in the inspection reports. The recording of actual quantities of the defects leads to a better estimation of rehabilitation needs.	Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	63	We recommend the Department include suggested completion dates within the maintenance recommendations in the inspection reports. This will provide additional detailed information for use by senior department officials and members of the Legislative Assembly, inventory data analysis and performance reporting.	Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	69	We recommend the Department add a severity rating component to their material rating process similar to the Ontario Structures Inspection Manual. Standardized material ratings should be used.	Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	75	We recommend the Department standardize the use of priority codes within the inspection reporting process.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Provincial Bridges	Transportation and Infrastructure	2013	2	3	79	<p>We recommend the Department implement and document a formal quality control and assurance procedure for inspections and reporting. In conjunction with this, the Department should formalize supervision of the inspection team by a qualified structural engineer. This could include, but not be limited to:</p> <ul style="list-style-type: none"> <li>documented review by a professional engineer of a random sample of completed bridge inspection reports and photo files;</li> <li>direct observation; and</li> <li>re-performance of field inspections.</li> </ul>	Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	88	We recommend the Department establish guidelines for bridge repair and replacement project selection and document the rationale for the projects selected.	Not Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	104	We recommend the Department clearly define the least life cycle cost for a bridge and adopt this approach in prioritizing all capital bridge work, as stated in the Department's Bridges and Culverts Asset Management Plan.	Not Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	115	We recommend the Department publicly report the Bridge Condition Index of all designated Provincial bridges on an annual basis.	Not Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	116	We recommend the Department have measurable objectives relating to the condition of Provincial bridges. Such objectives might include setting a target Bridge Condition Index.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Provincial Bridges	Transportation and Infrastructure	2013	2	3	124	We recommend the Department set targets for its bridge inspection program and publicly report the targets, actual results and the rationale for variances in its annual report.	Implemented
Provincial Bridges	Transportation and Infrastructure	2013	2	3	136	The Department should develop and implement a long term plan to address current and expected future funding shortfalls in ordinary and capital bridge maintenance. This plan should be communicated annually during the capital budget process in order to appropriately inform senior officials and Cabinet Ministers.	Not Implemented
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	58	We recommend the DGS (Department of Government Services) ensure that provincial regulation, policies and practices are internally consistent, and are consistent with trade agreements signed by the Province.	Implemented
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	71	We recommend the DGS (Department of Government Services) require the use of the NBON system by client departments or implement a mechanism to accurately capture contract of supply draw down information and changes to purchase orders.	Implemented
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	72	We recommend the DGS (Department of Government Services) establish a plan to undertake periodic reviews of significant contracts to ensure all of the benefits such as discounted pricing of the contract are received by government entities and vendors meet their contracted obligations.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	79	We recommend the DGS (Department of Government Services) modernize and update the procurement policy and procedural framework used by government to include the establishment of a policy defining the roles and responsibilities of the entities involved in critical procurement functions, particularly between DGS as the central agency and client departments.	Not Implemented
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	85	We recommend the DGS (Department of Government Services) develop an exemption approval policy that balances procurement risk and value against timeframe considerations to better meet client department and DGS approval requirements.	Implemented
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	118	We recommend the DGS (Department of Government Services): <ul style="list-style-type: none"> <li>design criteria effective in determining when significant procurements should fall under the Public Purchasing Act, adhere to the criteria, and establish procedures to ensure this decision is supported and documented;</li> <li>design an effective review process to ensure that no single individual can complete the evaluation of a procurement project and award a purchase order; and</li> <li>enforce compliant procurement practices and ensure adequate file documentation is maintained to demonstrate compliance with the Act, regulations, and policy.</li> </ul>	Implemented
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	129	We recommend the DGS (Department of Government Services) ensure all of the required information is included with exemption requests to provide sufficient support for their approval.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	163	<p>We recommend the DGS create best practice policies and procedural guidelines including but not limited to:</p> <ul style="list-style-type: none"> <li>enhancing the role of the procurement specialist to include the level of involvement in critical functions such as mandatory site visits and membership on Request for Proposal (RFP) evaluation committees;</li> <li>improving records management practices to ensure consistency, completeness, and adequate decision support for vendor debriefing sessions, final contracts, and RFP bid evaluations to address issues such as:</li> <li>missing and incomplete evaluation documents;</li> <li>potential conflict of interest situations; and</li> <li>enhancing continuous improvement processes to improve forward planning by including practices such as soliciting vendor and client department feedback, completing procurement summaries and vendor performance reports, and undertaking periodic file reviews.</li> </ul>	Not Implemented
Procurement of Goods and Services – Phase I	Government Services	2013	2	4	171	<p>We recommend the DGS publicly report on the goals, objectives, performance targets and actual results achieved by the Strategic Procurement business unit with explanations for any variances between actual results and targets.</p>	Not Implemented
Collection of Accounts Receivable	Finance	2013	2	5	49	<p>We recommend departments identify those accounts at risk of becoming statute-barred and implement collection procedures in order to maximize their collection prior to the expiry of the May 2016 standstill provision.</p>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Collection of Accounts Receivable	Finance	2013	2	5	61	We recommend departments share debtor contact information, where legislation permits (for example, the <i>Family Income Security Act</i> or <i>Right to Information and Protection of Privacy Act</i> ), for the purpose of collecting accounts receivable.	Not Implemented
Collection of Accounts Receivable	Post-Secondary Education, Training, and Labour	2013	2	5	77	Given the recent rapid growth in the student loans Return to Government portfolio and the limited resources of the Portfolio Debt Management group, we recommend the Department of Post-Secondary Education Training and Labour continue to develop, in conjunction with the central collection unit, a collection strategy for the Return to Government portfolio including establishing collection targets and active monitoring of targets.	Not Implemented
Collection of Accounts Receivable	Post-Secondary Education, Training, and Labour	2013	2	5	81	We recommend the Department of Post-Secondary Education, Training and Labour register employment program overpayments with the Canada Revenue Agency Refund Set-off Program.	Not Implemented
Collection of Accounts Receivable	Economic Development (Opportunities NB)	2013	2	5	88	To improve the recovery of loans receivable from businesses, we recommend that independent expertise in collection of business accounts be engaged to assist either the Department of Economic Development or the central collection unit. The expert engagement should include the development of an action plan to address the historic high delinquency rate of economic development loans to businesses.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Collection of Accounts Receivable	Agriculture, Aquaculture and Fisheries	2013	2	5	99	We recommend a matching process be undertaken to identify provincial employees with past due accounts for veterinary services or with any other amounts in arrears. Payment arrangements should be established or payroll set-off applied. In the future, departments should collect a “unique identifier” from individuals in order to facilitate recovery (through matching) should default occur.	Not Implemented
Collection of Accounts Receivable	Finance	2013	2	5	105	We recommend the Department of Finance complete its work to routinely register overdue property tax receivable accounts with the Canada Revenue Agency Refund Set-off Program.	Implemented
Collection of Accounts Receivable	Education and Early Childhood Development	2013	2	5	124	Given the current five year Enhanced Agreements with First Nations are ending in 2013, we recommend the Aboriginal Affairs Secretariat and the Department of Education and Early Childhood Development establish payment arrangements for all arrears owing prior to the signing of new Enhanced Agreements. Reinvestment of provincial funds (under the new Agreements) should not take place until payment arrangements have been negotiated.	Implemented
Collection of Accounts Receivable	Finance	2013	2	5	129	We recommend the Department of Finance establish collection guidelines to ensure equitable treatment of debtors.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Point Lepreau Generating Station Refurbishment – Phase I	NB Power	2013	2	6	29	<p>Based upon our observations relating to the decision-making process for the Point Lepreau Generating Station refurbishment, we recommend for future major capital projects undertaken by NB Power:</p> <ul style="list-style-type: none"> <li>the decision-making process be clearly documented, including identifying the roles and responsibilities of key players (i.e. NB Power, the Province, external contractors, regulators such as the Energy and Utilities Board, etc.) before significant amounts are expended;</li> <li>a planned decision-making timeline be developed and agreed upon by key players;</li> <li>all feasible options be identified and fully investigated as early in the process as possible;</li> <li>pre-decision spending be limited to that needed to adequately evaluate and mitigate risks associated with options under consideration prior to selecting a preferred option;</li> <li>an independent, third-party expert be contracted to guide the process of selecting the best option, identifying and developing mitigation strategies for all significant risks, identifying a preferred proponent, and ensuring that the corporation gets the best possible outcome for provincial ratepayers; and</li> <li>the process be transparent and the public made aware of the criteria to be used for decision making, progress towards making a decision and key reasons for the selection of a preferred alternative.</li> </ul>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	51	We recommend NB Power obtain competitive bids for all significant engineering services, even if not required by legislation to do so.	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	60	We recommend NB Power use industry standardized formats for all external contracts. The International Federation of Consulting Engineers offers standardized contract templates which can be used as a model.	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	61	We recommend NB Power use a consistent approach to perform post contract reviews and document any areas for improvement.	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	77	We recommend NB Power: <ul style="list-style-type: none"> <li>contract directly with vendors providing major components or equipment;</li> <li>require the contractors and subcontractors demonstrate that they have appropriate safety and risk mitigation procedures in place;</li> <li>include provisions in contracts which provide sufficient liability protection based on NB Power's assessment of risks; and</li> <li>increase oversight on the transportation of major equipment with the contractor and transportation vendor.</li> </ul>	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	82	We recommend for future building construction contracts NB Power perform sufficient due diligence and preparatory work prior to proceeding to the procurement process to avoid cost overruns.	*

*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2016 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	95	We recommend NB Power conduct an annual review of all major ongoing time and materials contracts. This review should assess the level of success achieved by the vendor over the past year based on set criteria including results achieved and value for money. During an annual review NB Power should conduct interviews with key vendor personnel and perform internal assessments by NB Power staff responsible for interaction with that vendor.	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	96	We recommend NB Power benchmark market rates for similar services and retain this support with procurement documentation to support the contractor choice.	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	106	We recommend NB Power assess its project cost management methodology for large projects. Earned Value Management System, which is an industry best practice, could be used as a model.	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	121	We recommend NB Power develop contingency plans to manage overtime during project delays, including: <ul style="list-style-type: none"> <li>periodically reevaluating during the project to account for major changes in project timelines;</li> <li>sufficiently analyzing the new circumstances and revise the plan as necessary, when a major unanticipated event impacts a project; and</li> <li>carrying out sufficient equipment testing to address any equipment challenges resulting from extended delays.</li> </ul>	*
Point Lepreau Generating Station Refurbishment – Phase II	NB Power	2014	2	2	136	We recommend NB Power prepare a staffing plan for each major project and revise when it is determined that major project changes have occurred.	*

\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2016 work plan.

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Data Centre Power Interruption	NB Internal Services Agency	2014	2	3	71	We recommend the NBISA identify critical infrastructure components and establish replacement plans. We also recommend the NBISA develop and implement a refresh program for such equipment.	*
Data Centre Power Interruption	NB Internal Services Agency	2014	2	3	72	We recommend the Office of the Chief Information Officer (OCIO) define roles and responsibilities related to development of corporate IT strategic development for all departments and take recommendations to cabinet that clarify corporate IT roles and responsibilities and ensure strategic goals of the OCIO, the NBISA and the departments are aligned.	*
Data Centre Power Interruption	NB Internal Services Agency	2014	2	3	81	We recommend the NBISA prepare threat risk assessments, as part of its corporate IT continuity planning, and take recommendations to cabinet to further mitigate risk of failure of IT services.	*
Data Centre Power Interruption	NB Internal Services Agency	2014	2	3	82	We recommend the NBISA develop a data centre availability strategy to provide a level of service congruent with industry standards. We also recommend NBISA develop a monitoring process to ensure strategies are implemented to achieve the strategic vision.	*
Data Centre Power Interruption	NB Internal Services Agency	2014	2	3	92	We recommend the OCIO, in consultation with departments, develop a government-wide IT continuity plan, which considers all aspects of government programs, services and operations. This plan should be tested annually to ensure its adequacy.	*
Data Centre Power Interruption	NB Internal Services Agency	2014	2	3	93	We recommend the OCIO, as part of IT continuity planning, obtain an assessment of services from each department to identify and prioritize critical systems, which require uninterrupted IT continuity.	*

\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2016 work plan.

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Data Centre Power Interruption	NB Internal Services Agency	2014	2	3	94	We recommend the NBISA, in consultation with departments, develop a disaster recovery plan, which prioritizes the restoration of government IT systems.	*
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	38	We recommend the Department establish clear guidelines for applications for assistance with documented analysis maintained in the client file to ensure decisions are supported.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	39	We recommend the Department ensure all requests for assistance include an application properly prepared and signed as complete and accurate by the client.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	41	We recommend the Department establish minimum standards and criteria, such as number of jobs to be created or maintained per dollar advanced, for use in evaluating applications for assistance.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	45	We recommend the Department include a complete version of the most recent audited financial statements with Memorandums to Executive Council requesting financial assistance.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	57	We recommend the financial considerations included in the Memorandum to Executive Council clearly state the financial impact on the accounts of the Province, including the need for a provision for loss.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	61	To improve future economic development decision making, we recommend the Department quantify the risks and rewards to the Province in order to clearly establish and balance the value received for the output of funding and the risk assumed by the Province.	**

\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2016 work plan.

\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	64	We recommend the Department establish guidelines for verification of claims and assumptions underlying projections included in applications for financial assistance.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	65	We recommend all claims of job creation or maintenance, in connection with the application, be made in writing, supported by documentation and signed by a company representative indicating the accuracy of the documentation and the company's commitment.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	72	We recommend the Department, in collaboration with others, propose an update to the Economic Development Act and Regulation to clarify the authority to amend security.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	82	Where it would improve the security taken by the Province on loan agreements, we recommend the Department seek an independent assessment of assets when assets are provided as security on loan or guarantee agreements, especially where the value is significant. Should further financial assistance be requested, the Department should reassess the value of these assets as this may affect the realizable value of the security.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	83	When personal guarantees are provided, we recommend the Province ensure there is adequate evidence to support the value of the personal assets such that there is sufficient net worth to safeguard taxpayers' money.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	85	We recommend the Department clearly identify companies and individuals involved in past defaults on government financial assistance as part of the Memorandum to Executive Council (MEC). Where there is a recommendation to approve assistance to such a company or individual, the justification should be clearly stated on the MEC.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	95	We recommend the Department establish a limit on the amount of assistance/level of provincial exposure that can be granted to a single company or group of related companies.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	96	We recommend the Department implement a process whereby financial assistance to industry provided by all government departments/agencies is monitored to determine the extent of financial assistance granted by all agents in the government reporting entity.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	97	We recommend, as an efficiency measure and to streamline administration, the Department of Economic Development make recommendations to Cabinet to rationalize the number of provincial entities that provide financial assistance to industry.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	98	We recommend the Executive Council Office take responsibility for coordinating the implementation by all departments/agencies providing financial assistance to industry of recommendations of this report.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	113	We recommend the Department report both expected and actual results of job creation and job maintenance in their annual report.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	123	We recommend the Department annually track and report the 10-year history of actual performance of assistance provided to industry, based on the 2010 analysis performed by the Office of the Comptroller.	**
Financial Assistance to Atcon Holdings Inc. and Industry	Economic Development (Opportunities NB)	2015	1	2	127	We recommend the Department establish goals, objectives and measurable targets for its financial assistance to industry programs.	**
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	112	<p>We recommend the Horizon and Vitalité Health Networks address deficiencies in infection prevention and control practices within their respective programs, including but not limited to those reported in Exhibit 2.9 such as:</p> <ul style="list-style-type: none"> <li>• hand hygiene not done when required by policy, healthcare workers wearing rings and bracelets, areas with inadequate signage and gel;</li> <li>• biomedical waste improperly stored;</li> <li>• overcrowding in hemodialysis and oncology areas whose patients have an increased risk of acquiring an infectious disease;</li> <li>• no cleaning between patients treated in the same chemotherapy chair;</li> <li>• isolation inadequacies (signage, carts supplies, use of personal protective equipment, etc.);</li> <li>• linen deficiencies (clean laundry arriving at hospitals without being properly covered, linen delivery trucks not properly cleaned, uncovered clean linen transported through the hospital, inadequate washing or replacing of the cloth cart covers protecting clean linen, excessive linen inventories, improper storage of clothing worn in the operating room, etc.);</li> <li>• containers of disinfectant wipes left open;</li> </ul>	**

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
						<ul style="list-style-type: none"> <li>inadequate separation of clean and dirty items and storage space (clean linen stored in poor locations, inadequate separation within nursing units and Medical Device Reprocessing units, equipment and testing supplies stored in patient's washrooms, poor placement of soiled linen hampers, etc.);</li> <li>doors missing or being left open;</li> <li>permanent placement of patients in beds in the corridor;</li> <li>inadequate cleaning, labelling and storage of shared equipment;</li> <li>insufficient signage (public entrances) and labelling ("clean" and "soiled" items, storage areas, etc.); and</li> <li>construction areas not properly sealed-off from patient areas (with proper ventilation and signs restricting access).</li> </ul>	
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	113	We recommend the infection prevention and control professionals and all managers do regular "walk-arounds" observing for compliance with policies and standards, reporting deficiencies to the units/departments, and ensuring corrective action is taken by those units/departments. Deficiencies should be monitored and reported to appropriate committees and/or department heads.	**
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	114	In smaller hospitals without on-site managers, we recommend the infection prevention and control professional and unit/department managers perform site visits on a regular basis. These visits will provide the opportunity to better monitor the smaller facility. Also, it will provide staff members with the opportunity to ask questions and identify challenges with which they are dealing.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	115	We recommend the Horizon and Vitalité Health Networks enforce compliance with infection prevention and control policies by all staff members, in all hospitals.	**
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	146	We recommend the Department of Health in consultation with the Horizon and Vitalité Health Networks develop a provincial infection prevention and control program and strategy for use in all New Brunswick hospitals. This should address both routine practices and additional precautions. The provincial program should include, but not be limited to, the following: <ul style="list-style-type: none"> <li>• documented provincial infection prevention and control policies, standards and practices;</li> <li>• a strategy for monitoring compliance with infection control standards; and</li> <li>• a comprehensive hand hygiene strategy.</li> </ul>	**
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	147	We recommend the Horizon and Vitalité Health Networks engage sufficient resources for their programs to ensure all zones have access to Infection Prevention and Control Professionals (ICPs), experts and administrative support.	**
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	148	We recommend the Vitalité Health Network require their ICPs obtain specialized training in infection prevention and control.	**
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	149	We recommend the Horizon and Vitalité Health Networks address the inconsistencies within their respective programs, including but not limited to: <ul style="list-style-type: none"> <li>• inconsistencies in ICPs' knowledge of appropriate practices and standards;</li> <li>• variations in the ICPs' work in different zones; and</li> <li>• inconsistencies with isolation gowns.</li> </ul>	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	180	<p>We recommend the Horizon and Vitalité Health Networks improve monitoring for compliance with infection prevention and control standards, including the monitoring of routine practices. This should include, but not be limited to, establishing policies and procedures for:</p> <ul style="list-style-type: none"> <li>• consistent unbiased hand hygiene auditing of appropriate quantity and including coverage of all areas in the hospitals;</li> <li>• auditing jewelry and nails of healthcare workers to ensure compliance with the hand hygiene policy;</li> <li>• auditing of linen management, including delivery trucks;</li> <li>• auditing of waste management, including all types of waste; and</li> <li>• auditing of shared equipment (proper cleaning, storage, etc.).</li> </ul>	**
Infection Prevention and Control in Hospitals	Horizon and Vitalité Health Networks and the Department of Health	2015	2	2	202	<p>We recommend the Department of Health and/or the Regional Health Authorities enhance its public reporting on the effectiveness of its infection prevention and control program(s) by reporting on hand hygiene and other infection prevention and control program performance indicators.</p>	**
Silviculture	Natural Resources	2015	2	3	76	<p>We recommend the Department adhere to a regulated and predictable forest management planning cycle and ensure compliance with the Crown Lands and Forests Act by obtaining revised forest management plans from each licensee every five years.</p>	**
Silviculture	Natural Resources	2015	2	3	83	<p>We recommend the Department regularly obtain forest management plans for all industrial freehold managed by Crown licensees and compare silviculture levels between licensee freehold and Crown land.</p>	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Silviculture	Natural Resources	2015	2	3	104	We recommend the Department complete and finalize a silviculture manual with performance standards based on best practices.	**
Silviculture	Natural Resources	2015	2	3	105	We recommend the Department enforce adherence to forest management standards and make amendments and exceptions only in light of new scientific knowledge and analysis of the effect of past treatments.	**
Silviculture	Natural Resources	2015	2	3	106	We recommend the area of Crown forest, subject to clear cut harvest, be reduced in favor of non clearcut harvest treatments as per the updated forest management strategy "A Strategy for Crown Lands Forest Management Putting our Resources to Work".	**
Silviculture	Natural Resources	2015	2	3	118	We recommend the Department continue with the silviculture annual monitoring program and apply consistent controls on silviculture services acquired.	**
Silviculture	Natural Resources	2015	2	3	122	We recommend the Department complete licensee performance evaluations every five years per the Crown Lands and Forests Act.	**
Silviculture	Natural Resources	2015	2	3	123	We recommend evaluation data be verified by the Department for completeness and accuracy.	**
Silviculture	Natural Resources	2015	2	3	131	We recommend the Department monitor the results of silviculture treatments over time and hold licensees accountable through performance based measures.	**
Silviculture	Natural Resources	2015	2	3	132	We recommend information self-reported by licensees be verified for completeness and accuracy.	**
Silviculture	Natural Resources	2015	2	3	142	We recommend the Department regularly report to the Legislative Assembly and the public on the status of New Brunswick's forest and its management.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Silviculture	Natural Resources	2015	2	3	143	We recommend pending the development and issuance of a consolidated “State of the Forest” report by the Department, the most recent forest management plans for all Crown licenses be made available to the Legislative Assembly and the public.	**
Silviculture	Natural Resources	2015	2	3	158	We recommend the Department include the use of an economic payback model when analysing resource allocations for silviculture program activities.	**
Silviculture	Natural Resources	2015	2	3	159	We recommend the Department implement a previous recommendation made by the Select Committee on Wood Supply to commit to, on a five year basis, the level of silviculture funding deemed appropriate to achieve stated timber and non-timber objectives.	**
Silviculture	Natural Resources	2015	2	3	163	We recommend the Department, in consultation with the Office of the Comptroller, calculate and record the value of the Crown timber asset in the Department’s annual report and adjust this valuation to reflect harvest, silviculture and other changes. This valuation will quantify the impact of their management decisions.	**
Silviculture	Natural Resources	2015	2	3	167	We recommend the Department include long-term regeneration needs of the Crown forest and harvest trends to support distribution of silviculture funding.	**
Silviculture	Natural Resources	2015	2	3	181	We recommend the Department regularly benchmark silviculture rates from other jurisdictions in addition to using the costing model.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Silviculture	Natural Resources	2015	2	3	182	We recommend the Department require licensees to provide a reconciliation of actual costs incurred for silviculture services provided on Crown land against fees paid and that cost efficiencies realized be proportioned between the Crown and licensee.	**
Silviculture	Natural Resources	2015	2	3	194	We recommend the standard reporting package prepared by the Forest Products Marketing Board include reconciliation between the audited financial statements and the schedule of silviculture funding and related costs.	**
Silviculture	Natural Resources	2015	2	3	196	We recommend the Department ensure a forest management agreement is signed by all current licensees to ensure compliance with the Crown Lands and Forests Act.	**
Silviculture	Natural Resources	2015	2	3	206	We recommend the Province adopt a more equitable cost sharing arrangement for silviculture work that recognizes the direct benefits realized by the forestry companies.	**
Private Wood Supply	Natural Resources	2015	2	4	96	We recommend the Department comply with the Crown Lands and Forests Act and regulations in meeting their responsibilities related to proportional supply and sustained yield. If current principles of proportional supply and sustained yield required under the Act are no longer relevant or applicable, the Department should pursue changes to the Act and regulations in order to facilitate accomplishment of its mandate.	**
Private Wood Supply	Natural Resources	2015	2	4	105	We recommend the Department establish a policy for sustained yield, set objectives and measurable targets, and monitor and publicly report on its performance in ensuring sustainable yield from private woodlots.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources	2015	2	4	113	We recommend the Department implement a single private land silviculture agreement for all marketing boards in order to limit duplication of effort.	**
Private Wood Supply	Natural Resources	2015	2	4	124	We recommend the Department set separate goals and objectives against which to measure its success in fulfilling its mandate regarding private woodlots. In addition, we recommend the Department establish goals and objectives for the Private Land Silviculture program to measure the benefits of the program to the Province.	**
Private Wood Supply	Natural Resources	2015	2	4	128	We recommend the Department publicly report on the goals, objectives, performance targets and actual results of their work and programs in regards to private wood supply. This should include providing explanations for variances between planned and actual performance.	**
Private Wood Supply	Natural Resources	2015	2	4	149	We recommend the Commission establish member position profiles and criteria against which potential appointees can be evaluated.	**
Private Wood Supply	Natural Resources	2015	2	4	154	We recommend the Commission make appointment requests in a manner that effectively staggers member appointments to promote continuity.	**
Private Wood Supply	Natural Resources	2015	2	4	159	We recommend the Department review the Commission's mandate and performance to ensure government objectives for the Commission's work are being achieved, and the Commission's role and responsibilities are well communicated and understood.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources	2015	2	4	161	We recommend the Commission review and compare their current governance policies and procedures against the Province's Agencies, Boards, and Commissions appointment policy as well as accepted governance best practices in order to define and implement tools to enhance current Commission practices.	**
Private Wood Supply	Natural Resources	2015	2	4	169	We recommend the Commission complete its strategic plan to reflect its mandate under legislation and articulate its strategic priorities.	**
Private Wood Supply	Natural Resources	2015	2	4	175	We recommend the Commission review its current policies and manuals to ensure these accurately and consistently reflect necessary requirements in accordance with accepted financial reporting standards. We further recommend current copies of these documents be provided to marketing boards.	**
Private Wood Supply	Natural Resources	2015	2	4	193	We recommend the Commission evaluate its reporting requirements from marketing boards to ensure that what is being requested provides the benefits intended. We further recommend the Commission enforce its Orders to ensure marketing board compliance with regulation.	**
Private Wood Supply	Natural Resources	2015	2	4	205	We recommend the Department and Commission document how financial reviews of marketing boards will be undertaken, assign personnel with the appropriate background and expertise to do the analysis, and report on the results of this analysis with recommendations, if required.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources	2015	2	4	219	We recommend the Commission require Marketing Boards to provide them with a signed agreement between the Marketing Board and its associated agent(s) that defines the nature of the agent relationship and the roles and responsibilities of each party as they pertain to the mandate of the Marketing Board.	**
Private Wood Supply	Natural Resources	2015	2	4	224	We recommend the Commission undertake regular meetings with the marketing boards, individually or in a group setting as required, and attend random district meetings to identify and act on areas of concern.	**
Private Wood Supply	Natural Resources	2015	2	4	226	We recommend the Commission document a framework, proactively identifying and addressing areas of risk in marketing board governance, to ensure that marketing boards operate as intended by legislation.	**
Private Wood Supply	Natural Resources	2015	2	4	234	We recommend the Commission establish and document an administrative process for the use of its investigative powers and formalize a series of escalating enforcement measures/mechanisms to be used in cases of non-compliance with Orders, regulations and policy directives.	**
Private Wood Supply	Natural Resources	2015	2	4	237	We recommend the Department and the Commission jointly review the Commission's mandate and structure and make the changes required to ensure the Commission can effectively perform its legislated mandate.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources	2015	2	4	241	We recommend the Commission establish performance targets for its own oversight work and for marketing boards against which the Commission can evaluate marketing board performance in critical areas. We further recommend the Commission report on the effectiveness of both its own work and marketing board operations against the predetermined targets.	**

*\*\*Our practice is to track the status of our value for money recommendations starting in the second year after the original Report is released. Follow up work on this chapter will be conducted as part of our 2017 work plan.*

# Glossary

## Findings by Entity

Department/Crown Agency	2015 Report References		
	Volume	Chapter	Page(s)
<b>Department of Agriculture, Aquaculture and Fisheries</b>	Volume 1	Chapter 2	33, 48
	Volume 3	Chapter 6	120, 139
<b>Centre communautaire Sainte-Anne</b>	Volume 3	Chapter 7	149, 151, 152
<b>Collège communautaire du Nouveau-Brunswick</b>	Volume 3	Chapter 7	149, 151-153
<b>Department of Economic Development</b>	Volume 1	Chapter 1	3,4
		Chapter 2	9-63
	Volume 4	Chapter 3	64
<b>Department of Education and Early Childhood Development</b>	Volume 3	Chapter 4	77-92
		Chapter 6	120, 121, 125-127, 129-131, 135, 143
	Volume 4	Chapter 1	6
		Chapter 4	68, 76, 81
<b>Energy Efficiency and Conservation Agency of New Brunswick</b>	Volume 3	Chapter 7	153
<b>Department of Energy and Mines</b>	Volume 3	Chapter 6	138
<b>Department of Environment and Local Government</b>	Volume 4	Chapter 4	71, 72, 75, 77-79

<b>Executive Council Office</b>	Volume 1	Chapter 2	14, 24, 42, 49, 50
	Volume 4	Chapter 1	4, 5
		Chapter 3	64
		Chapter 4	68, 71-73, 75-77, 82, 83, 86
<b>Department of Finance</b>	Volume 3	Chapter 1	4
		Chapter 3	65-67, 69, 71, 72
		Chapter 5	95, 98, 103, 105, 107, 110, 113
		Chapter 6	117, 120-122, 125-127, 133, 141-144
	Volume 4	Chapter 1	3
		Chapter 2	11-46
		Chapter 3	53
		Chapter 4	68, 71, 72, 75, 76, 79-82
<b>Financial and Consumer Services Commission</b>	Volume 3	Chapter 7	153
<b>Department of Government Services</b>	Volume 3	Chapter 7	153
	Volume 4	Chapter 3	64
		Chapter 4	71, 72
<b>Department of Health</b>	Volume 2	Chapter 2	9-107
	Volume 3	Chapter 5	110
		Chapter 6	126
	Volume 4	Chapter 4	71, 72

<b>Horizon Health Network</b>	Volume 2	Chapter 1	4
		Chapter 2	9-107
<b>Department of Human Resources</b>	Volume 3	Chapter 3	69
<b>Invest New Brunswick</b>	Volume 1	Chapter 2	11, 18, 48, 58
	Volume 3	Chapter 7	149, 151-153, 157
<b>Department of Justice and Attorney General</b>	Volume 3	Chapter 6	121, 135
	Volume 4	Chapter 3	64
		Chapter 4	87
<b>Kings Landing Corporation</b>	Volume 1	Chapter 2	11
	Volume 3	Chapter 7	149, 151, 152
<b>Legislative Assembly</b>	Volume 1	Chapter 1	3-5
		Chapter 2	9, 15, 28, 49, 59, 62
	Volume 4	Chapter 1	3, 5
		Chapter 4	68, 69, 71-73, 76, 80, 82-84
<b>Department of Natural Resources</b>	Volume 1	Chapter 2	33
	Volume 2	Chapter 1	4
		Chapter 3	111-168
		Chapter 4	171-233
	Volume 3	Chapter 6	135, 139
<b>New Brunswick Agricultural Insurance Commission</b>	Volume 3	Chapter 7	149, 151-153
<b>New Brunswick Community College</b>	Volume 3	Chapter 7	149, 151-153
<b>New Brunswick Electric Finance Corporation</b>	Volume 3	Chapter 2	32, 36
<b>New Brunswick Forest Products Commission</b>	Volume 2	Chapter 1	4, 5
		Chapter 3	114, 122, 131, 168
		Chapter 4	171, 173-175, 177-180, 183-188, 191-193, 201, 206-230, 232, 233

<b>New Brunswick Forest Products Marketing Boards</b>	Volume 2	Chapter 1	4, 5
		Chapter 3	122, 131, 157, 168
		Chapter 4	171, 187, 192-193, 197, 203, 206-207, 225, 230, 232-233
<b>New Brunswick Highway Corporation</b>	Volume 3	Chapter 7	149, 151-153
	Volume 4	Chapter 2	13
<b>New Brunswick Industrial Development Board</b>	Volume 1	Chapter 2	13, 30, 33, 34, 36, 37, 39, 44, 59
<b>New Brunswick Immigrant Investor Fund (2009) Ltd.</b>	Volume 1	Chapter 2	11
	Volume 3	Chapter 7	149, 151-153
<b>New Brunswick Internal Services Agency</b>	Volume 3	Chapter 6	120, 125, 145
		Chapter 7	149, 151-153, 157
<b>New Brunswick Investment Management Corporation</b>	Volume 3	Chapter 3	59, 60
<b>New Brunswick Legal Aid Services Commission</b>	Volume 3	Chapter 7	149, 151-153
<b>New Brunswick Lotteries and Gaming Corporation</b>	Volume 3	Chapter 1	5, 6
		Chapter 5	95-113
		Chapter 7	149, 151-153, 157, 158
<b>New Brunswick Municipal Finance Corporation</b>	Volume 3	Chapter 7	149
	Volume 4	Chapter 2	13

<b>New Brunswick Power Corporation</b>	Volume 3	Chapter 2	32, 36, 37
		Chapter 3	49, 69, 73
	Volume 4	Chapter 2	13
		Chapter 4	71, 72
<b>New Brunswick Research &amp; Productivity Council</b>	Volume 3	Chapter 7	151-153
<b>Office of the Comptroller</b>	Volume 1	Chapter 2	17, 26, 53 - 57
	Volume 2	Chapter 3	121, 150
	Volume 3	Chapter 1	4
		Chapter 3	65, 66, 69, 71
		Chapter 4	79, 80, 84, 87, 91
		Chapter 6	117, 120-122, 125, 126, 128, 129, 131, 133, 136, 138-140, 143, 145, 146
<b>Opportunities NB</b>	Volume 1	Chapter 2	19-22, 25, 26
	Volume 4	Chapter 1	4
		Chapter 4	68, 69, 86
<b>Department of Post-Secondary Education, Training and Labour</b>	Volume 1	Chapter 2	11, 33, 48
	Volume 3	Chapter 6	120, 121, 135, 143
<b>Premier's Council on the Status of Disabled Persons</b>	Volume 3	Chapter 7	149, 151-153
<b>Provincial Holdings Ltd.</b>	Volume 1	Chapter 2	11, 48
	Volume 3	Chapter 7	153
<b>Department of Public Safety</b>	Volume 3	Chapter 2	38
		Chapter 5	99, 109
		Chapter 6	121, 135, 140
	Volume 4	Chapter 3	64
<b>Public Trustee – Trusts Administered</b>	Volume 3	Chapter 7	149, 151-153

<b>Regional Development Corporation</b>	Volume 1	Chapter 2	11, 33, 48
	Volume 2	Chapter 3	148
		Chapter 4	171, 203
Volume 3	Chapter 7	149, 151-153	
<b>Service New Brunswick</b>	Volume 3	Chapter 6	120, 121, 125-131, 141, 142, 145
		Chapter 7	149, 153
	Volume 4	Chapter 3	64
<b>Department of Social Development</b>	Volume 3	Chapter 6	120, 121, 125, 126, 130, 131, 136, 137
	Volume 4	Chapter 4	68, 71, 72, 76, 84
<b>Department of Supply and Services</b>	Volume 4	Chapter 4	75, 76, 80, 81
<b>Tourism, Heritage and Culture</b>	Volume 1	Chapter 2	11, 33
	Volume 4	Chapter 3	64
<b>Department of Transportation and Infrastructure</b>	Volume 3	Chapter 6	120, 126, 130, 138
	Volume 4	Chapter 1	5-7
		Chapter 3	49-64
		Chapter 4	68, 71, 72, 75, 76, 79-82
<b>Vitalité Health Network</b>	Volume 2	Chapter 1	3, 4
	Volume 2	Chapter 2	9-107