

REPORT OF THE

# Auditor General of New Brunswick

Volume II  
Performance Audit

2020

AUDITOR GENERAL  
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL  
DU NOUVEAU-BRUNSWICK

**Published by:**  
Office of the Auditor General  
Province of New Brunswick

February 2021

ISSN 0382-1420



Speaker of the Legislative Assembly  
Province of New Brunswick

Sir

As required under Section 15(1) of the *Auditor General Act* I am submitting Volume II of my 2020 Report to the Legislative Assembly.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kim Adair-MacPherson". The signature is written in a cursive, flowing style.

Kim Adair-MacPherson, FCPA, CA, ICD.D  
Auditor General

Fredericton, N. B.  
February 2021

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# Chapter 1

## Performance Audit – Key Messages from the Auditor General

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# Performance Audit – Key Messages from 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 2020 Report, we include five performance audit chapters:

- Electronic Medical Records (EMR) Program;
- NB Power Debt Challenges;
- Nursing Homes Update;
- Auditor General’s Access to Vestcor Significantly Limited; and
- Follow-up on Recommendations from Prior Years Performance Audit Chapters.

***Lack of public accountability is a key theme***

1.3 In reflecting on the key findings in this volume, the troubling theme is a lack of public accountability.

***Public accountability for delivery of key government programs and services needs significant improvement***

1.4 I am concerned public accountability for delivery of key government programs and services needs significant improvement to ensure:

- the eHealth vision of one patient, one record is achieved;

- reduction and management of \$4.7 billion of NB Power debt (ultimately owed by the Province) is publicly reported and compared to achievement targets;
- enough nursing home beds will be available to meet the important growth in demand for this essential service; and
- over \$18 billion in New Brunswick public sector funds is subject to independent performance audits by the Auditor General and independent and publicly accountable oversight through the Legislative Assembly.

***Taxpayers, ratepayers and citizens expect better***

**1.5** Lack of public accountability is a very serious issue in my view. Taxpayers, ratepayers and citizens expect better. Public accountability for results gives confidence that essential programs and services will be available, sustainable and delivered efficiently and effectively for all New Brunswickers.

**1.6** This report details many findings and conclusions on these topics while providing recommendations to ensure the deficiencies identified are remedied for the future. A summary of the key points from each chapter in this volume follows.

**Electronic Medical Record (EMR) Program**

**1.7** Chapter 2 of this volume presents findings and recommendations from our audit of the Electronic Medical Records (EMR) Program at the Department of Health. We found after eight years and over \$26 million of investment, the EMR program failed to achieve its intended outcomes. Less than half of eligible physicians adopted the provincial EMR system. We also found the Department failed to exercise proper oversight and accountability over funding recipients.

***Complex program delivery structure was not in the best interest of New Brunswickers***

**1.8** We found the Province chose an overly complex structure to deliver the EMR program. New Brunswick took a unique approach compared to its peers. We are the only province in Canada to have the Medical Society and a private company, Velante Inc, implement and operate the EMR program. Other parties involved in the project included Canada Health Infoway, Accreon, Intrahealth as well as physicians.



**1.9** The Department of Health’s efforts appeared limited to handing over of funds to the Medical Society who passed them on to Velante Inc. This company had limited resources of its own and acted as a mere middleman with no demonstrated value add. With this setup, the Department became removed from and had minimal oversight over the program implementation effort. In my view, such a structure was not capable of delivering value for taxpayers’ dollars and was not in the best interest of New Brunswickers.

***The single-vendor EMR model was flawed and unsustainable from the outset***

**1.10** The Department decided to proceed with a single-vendor EMR solution even though the business model was critically flawed and unsustainable from the outset. Since inception, the program suffered from a known funding deficit of \$8,000 per physician implementation. We found no explanation of how this deficit was going to be funded. We also found ongoing maintenance fees charged by Velante would not be sufficient to cover recurring fees paid to the software supplier.

***No business case to support the chosen single-vendor option***

**1.11** The Department has not presented a business case to demonstrate the viability and sustainability of the single-vendor option. It is not clear what level of due diligence, if any, was carried out before making the decision to proceed with the single-vendor model.

***Failed oversight and little accountability for public funds***

**1.12** We found the Department failed to fulfil its oversight and stewardship role over public funds spent on this program. The Department did not carry out basic monitoring tasks such as reviewing financial records of funding recipients to ensure funds were used for their intended purposes. When deviations from funding terms occurred, the Department failed to hold funding recipients accountable. In many instances the Department did not enforce clauses concerning claw back of unused funds.

***Department failed to intervene despite obvious signs of project failure***

**1.13** In 2015, the Department failed to intervene when there were clear signs the program was in jeopardy. The Department continued extending deadlines and providing more funding for four more years until the program was finally terminated in late 2019. We were unable to find valid reasons why the Department continued spending public money on a program obviously destined for failure.

***Department must learn from its failures as it pursues the open market EMR model***

**1.14** There is high risk the new open market model now being pursued by the Department will have a similar fate if past practices continue. In addition to the physician adoption of the EMR model the Department must give priority to the key integrations with other components of the eHealth system and ensure responsibilities of the parties involved are clearly defined. I made recommendations in this chapter to help the Department avoid similar pitfalls in the future.

**NB Power Debt Challenges**

**1.15** Chapter 3 of this volume presents findings and observations from our report on NB Power Debt Challenges. NB Power debt totaled \$4.9 billion in 2020. We found NB Power fails, year after year, to meet its legislated debt to equity target and the 10 Year Plan forecast. We also found the forecasts in the 10 Year Plans we reviewed have not been accurate. NB Power should improve its financial forecasting process by quantifying the impact of likely uncertainties in the 10 Year Plan.

***NB Power faces significant sustainability risks***

**1.16** With an estimated future capital spending of a further \$3 to \$4 billion for planned major capital projects (such as the Mactaquac Life Achievement project), NB Power faces a significant sustainability concern. We found NB Power's net income fell short of the Province's expectations by \$195 million over the last four years. If this continues, NB Power may not have the ability to generate enough net income to sustain its growing debt obligations. This will negatively impact the Province and all New Brunswickers.

***Elevated liquidity risk to the Province is concerning***

**1.17** NB Power has the highest debt to equity ratio compared to peer utilities in Canada. NB Power also has the worst 10-year average interest coverage across comparable jurisdictions. This combined with the utility's high debt to equity ratio represent an elevated liquidity risk to the Province which ultimately owns NB Power's debt. This is deeply concerning given capital project spending of nearly \$4 billion will be required in the future to meet NB Power's generating requirements. Rating agencies consider NB Power as the Province's largest contingent risk.

***It is ultimately NB Power management's decision to reduce debt***

**1.18** The 80:20 debt to equity ratio required by the *Electricity Act* and NB Power mandate has been a moving target in the utility's 10 Year Plans. Each of the last four plans had a different date for achieving this target ratio. NB Power's ability to generate net income to reduce its debt burden is

the key to attaining this target. While I understand there are many decisions that factor into NB Power's eventual net income and a comprehensive solution is needed to achieve the target debt to equity ratio by 2027, it is ultimately management's decision to reduce debt.

***NB Power needs a realistic debt management plan to achieve the 2027 debt to equity target***

**1.19** Although NB Power has reduced debt, on average, \$20 million annually since the Point Lepreau refurbishment project was completed in 2013, we noted \$65 million annually is needed to achieve the 2027 target. NB Power does not have a definitive plan for to do this. The 10 Year plans we examined seemed overly optimistic hence the moving of the target each time a new plan is made. This mode of planning is evidently not working. NB Power needs to act immediately to develop a well-defined realistic debt management plan to achieve the required debt to equity ratio by the current deadline of 2027.

**Nursing Homes Update**

***AG disappointed province failing to address nursing home capacity demand***

**1.20** Chapter 4 presents findings and observations from our report on Nursing Homes Update. It is important to note the scope of this work was unrelated to the COVID-19 pandemic. I was disappointed to find significant delays in the implementation of Nursing Home Plans since our 2016 report. In my view, the Province is failing to address the nursing home capacity demand. Given such delays the Province is not ready for the increase in seniors requiring placement in a residential facility.

**1.21** We also found the Department of Social Development did not implement key recommendations from our 2016 Nursing Homes chapter. The Department is yet to evaluate whether there is an actual economic benefit to providing nursing home beds under the for-profit model versus the traditional model.

***AG finds lack of progress to address growing nursing home waitlist very concerning***

**1.22** We found, since our 2016 report, the nursing home wait list continued to increase. There were more than 700 individuals waiting for a bed at March 31, 2020, over half of them waiting in hospital. I am aware the Departments involved recognize this is not the optimal way to accommodate seniors in need of nursing home care nor is it the best use for hospital beds. However, this still results in millions of dollars of additional costs every year. I find the lack of progress in addressing this issue very concerning.

***AG states taking 10 years to replace two Miramichi nursing homes with just 28 additional beds is unacceptable***

***Important 2009 AG recommendation not done - Department never evaluated actual costs and quality of service of for-profit vs not-for-profit nursing homes***

***Aging strategy implementation is lagging and fragmented at best***

***Aging strategy needs implementation plan with clear measurable targets, monitored execution and regular public updates***

**1.23** Nursing home plans have undergone multiple revisions since 2009 and are still not being implemented on time. In my view, taking 10 years to replace two nursing homes in Miramichi with just 28 additional beds is unacceptable. The Department seems to take significant time to make nursing home decisions only to reverse them at the next round of planning. The Department could not provide a clear explanation for the significant delays that occurred and continue to happen with the current nursing home plan.

**1.24** My office has a standing recommendation since 2009 for the Department to evaluate whether there is an economic benefit to providing nursing beds under the for-profit model versus the traditional not-for-profit model. This has not been done. The Department continued to award nursing home contracts to the private sector based on projected cost savings but never carried out an evaluation of actual economic benefits derived from this model over the traditional model. I continue to believe cost projections alone are not enough as a basis for continuing to adopt the for-profit model. The Department needs to compare actual costs and quality of service under the two models.

**1.25** While the Department is taking steps to implement certain initiatives that align with the vision of the 10-year Aging Strategy, these efforts are not done in the context of a comprehensive implementation plan. The strategy sets a broad vision of how to improve care and support for seniors to have a positive and healthy aging experience. This vision may not be realized with the current fragmented implementation approach.

**1.26** I recognize the various initiatives and projects the Department is undertaking in many areas of senior care and support. However, I strongly believe the Department needs to improve its planning and execution methods and approaches to achieve tangible results of enhanced senior care and support on the ground. To realize the vision expressed in the Aging Strategy, the Department needs to develop a comprehensive implementation plan with clear measurable targets, monitor the execution of the plan and keep the public informed of progress on a regular basis.

**Auditor General  
Access to Vestcor  
Significantly  
Limited:**

*\$18 billion of NB  
public sector funds  
not subject to  
independent and  
publicly accountable  
oversight*

*As required by the  
Auditor General Act,  
I am informing the  
Legislative Assembly  
of access restrictions  
to Vestcor, which I  
believe necessary to  
fulfil my legislated  
mandate*

*In my view Vestcor is,  
in substance, a public  
sector entity*

*In my view, Vestcor is  
subject to Auditor  
General audit  
regardless of its new  
legislation*

*Legislators had  
concerns about how  
Vestcor would be held  
to account*

**1.27** Chapter 5 of this volume presents our findings and observations regarding the difficulty I had in fulfilling my legislated mandate due to Vestcor restricting my access to information needed for my audit work.

**1.28** As a result, over \$18 billion in New Brunswick public sector funds is not subject to independent and publicly accountable oversight by the Legislative Assembly.

**1.29** Section 15(1)(b) of the *Auditor General Act* requires I inform the Legislative Assembly if my office received all information and explanations required in the course of our audit work. In this case, Vestcor and its owners (Pension Plan Boards of Trustees) disagreed with my office regarding my access. We disagreed about access to conduct our oversight and salary and benefits work and our financial audit procedures for our audit of the Province's financial statements.

**1.30** Before Royal Assent of the *Vestcor Act* in 2016, I had unrestricted access to audit the New Brunswick Investment Management Corporation (NBIMC), Vestcor's predecessor company. In my view, Vestcor is, in substance, a public sector entity and my office should continue to have unrestricted access to conduct both performance audits and financial audit procedures at Vestcor.

**1.31** As a result of Vestcor's new private legislation, Vestcor and its owners believe my access to Vestcor is significantly reduced compared to my access to NBIMC. Regardless of its new legislation and legal form, in my view, Vestcor continues to be a significant "funding recipient" and "service provider" of public funds and therefore subject to audit as per the *Auditor General Act*.

**1.32** During the legislative Standing Committee hearing to discuss the proposed *Vestcor Act*, we found Legislators raised concerns regarding how the *Vestcor Act* would impact my access to audit. They were provided with inconsistent information on this issue. Although some oversight is provided through the Boards of Trustees and other entities, in my view, this oversight is missing public accountability by the Legislative Assembly.

***Vestcor is not like private investment firms***

**1.33** Vestcor is not like private investment firms and should be publicly held to account. Unlike private firms:

- Vestcor was created by an Act of the New Brunswick Legislature;
- Vestcor is 100% owned by the Province’s two largest pension plans (the New Brunswick Public Service Pension Plan and the New Brunswick Teachers’ Pension Plan) and, as a result, will unlikely have to compete with other investment management firms;
- Vestcor’s investment portfolio is derived entirely from New Brunswick public sector funds;
- essentially all Vestcor’s operating and capital funding results from services provided to the broader New Brunswick public sector; and
- Vestcor considers itself to be not-for-profit in nature.

***Significant amount of public sector funds involved***

**1.34** The Province’s two largest pension plans represent \$14 of the \$18 billion of NB public sector assets managed by Vestcor. In 2020, Vestcor received approximately \$400 million in pension plan contributions and made approximately \$715 million in pension benefit payments. We also found total employee incentives (bonuses) have significantly increased by almost 500% since 2010.

***AG suggests the Auditor General Act be amended to prevent future disagreements over Vestcor access***

**1.35** In my view, the *Auditor General Act* currently grants me the authority to conduct performance audits of Vestcor, as well as unrestricted access to perform financial audit procedures. To ensure this access, however, I am recommending a regulation be added to the *Auditor General Act* to explicitly list Vestcor (and its related entities) as an auditable entity.

***Impact of suggested legislative changes***

**1.36** If the *Auditor General Act* granted my office explicit authority to audit Vestcor, public accountability to the Legislative Assembly through reports from my office on Vestcor’s performance could continue. Potential areas my office would audit and publicly report, include items such as the reasonableness of Vestcor’s incentive program, information presented in its annual reports, and its operating and capital expenses.

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

**1.37** Chapter 6 of this volume presents our follow-up on recommendations from prior years performance audit chapters released in 2016, 2017 and 2018 as well as select others. Our follow-up chapter is intended to promote accountability by giving the Legislative Assembly, and the public, information on how government has acted on our performance audit recommendations.

**1.38** In addition to self-reported updates by departments, Commissions and Crown agencies, this year we performed detailed follow-up work on selected chapters from the 2015 and 2016 AGNB reports, as follows:

- Private Wood Supply (2015);
- Silviculture (2015); and
- Agricultural Fair Associations (2016).

***Key 2015 AG  
recommendations not  
implemented by  
NRED***

**1.39** I am disappointed the Department of Natural Resources and Energy Development is yet to implement key recommendations from our 2015 chapters on Silviculture and Private Wood Supply. The Department continues to disregard the need to reduce clear-cut harvest on Crown land to align with the Province’s forest management strategy.

**1.40** While I recognize the initiative NRED is undertaking to encourage participation by private woodlot owners in forest management and the wood market, I am concerned our 2015 recommendations relating to proportional supply and sustainable yield are still not implemented. We believe proportional supply was meant to be a key mechanism under the Act to ensure “*equitable sharing among the sources of wood supply*”.

**1.41** I continue to believe the Department needs to directly address the principles of proportional supply and sustained yield to fulfill its obligations under the *Crown Lands and Forests Act*.

***We remain unsatisfied with the implementation rate of our recommendations***

**1.42** Overall, audited entities implemented 81% of recommendations from our 2015 to 2018 performance audit reports. Although this is an improvement compared to the 71% implementation rate we reported in last year’s follow-up chapter, it remains significantly below our target of 100%.

**1.43** I encourage members of the Public Accounts Committee to discuss and question the status of unimplemented performance audit recommendations with the involved departments, commissions and Crown agencies.

**Acknowledgements**

**1.44** 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 Adair-MacPherson, FCPA, CA, ICD.D  
Auditor General



**Chapter 2**

**Department of Health –  
Electronic Medical Record  
Program**

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# Electronic Medical Record (EMR) Program – Department of Health

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## Why Is This Important?

- EMR is one important component of each New Brunswicker's health record and is meant to capture doctor visits and prescriptions, allow access to lab results and provide strategic information to assist in the planning and design of an efficient and effective health system.
- For the past eight years (2012 through 2019), an integrated EMR system has been under implementation by the Department of Health.
- The Province invested over \$26 million to implement and operate the EMR program.
- Failure of the EMR program could negatively impact residents of New Brunswick and the future of healthcare delivery in the Province.

## Overall Conclusions

- The provincial EMR program failed to achieve its intended outcomes. After eight years and over \$26 million of investment, less than half of eligible physicians adopted the system.
- The Department proceeded with the single-vendor EMR knowing the business model was flawed from the outset.
- The complex delivery structure which involved Velante Inc. as a middleman, weakened the Department's governance and oversight of the program and was not in the best interest of New Brunswickers.
- The Department appeared to bear all the risk even though the program was operated by the New Brunswick Medical Society.

## What We Found

### Oversight Failure by Department and Weak Accountability

- Department had hands-off approach to EMR funding
- Department did not monitor program effectiveness
- Department did not review financial records of funding recipients to substantiate use of funding
- Department did not hold funding recipients accountable for use of funds and results achieved
- Department continued funding the program despite obvious signs of failure
- No program audit conducted to evaluate achievement of program outcomes and compliance with funding criteria
- Continued EMR usage not a criteria for funding

### Single-Vendor Provincial EMR Model Failed

- Unsustainable business model from the outset
- Less than 50% of the 800 of eligible physicians adopted the provincial EMR system
- Physician implementations never met Canada Health Infoway target, after numerous extensions
- EMR still not fully integrated with the Electronic Health Record system
- Lab integration, a desired essential component, was significantly delayed
- The single-vendor EMR model was finally terminated in 2019
- New Brunswick has one of the lowest EMR adoption rates in Canada

## Key Findings and Observations Table

### Electronic Medical Record Program – Department of Health

Paragraph	Key Findings and Observations
	<b>Oversight Failure by Department and Weak Accountability</b>
2.36	<i>Inadequate oversight and monitoring of program implementation</i>
2.38	<i>No formal business case</i>
2.39	<i>Complex organization structure weakened Department oversight</i>
2.42	<i>Department chose not to review financial records of funding recipients or ensure compliance with funding agreements</i>
2.45	<i>In 2015, the Department failed to intervene even though there were clear signs of program failure</i>
2.47	<i>A further \$9 million was spent on the single-vendor Electronic Medical Record (EMR) model before the project was terminated in 2019</i>
2.48	<i>In 2017, government requested a program review</i>
2.49	<i>Department had no plan to monitor achievement of program outcomes</i>
2.50	<i>No performance measures or progress reporting on program implementation</i>
2.52	<i>The scramble to meet physician enrolment targets resulted in many errors and discrepancies</i>
2.54	<i>Department did not monitor clinical value achievement</i>
2.56	<i>Inadequate validation of clinical value survey – only negative responses were validated</i>
2.59	<i>No EMR audit was conducted</i>
2.62	<i>Continued EMR usage not a criteria for funding</i>
2.63	<i>Physicians were able to discontinue EMR usage without having to pay back subsidies</i>
2.64	<i>Department paid multiple times for one EMR site</i>
2.67	<i>Department overpaid its subsidies for Fee for Service physician implementations</i>
2.68	<i>Funding match between the Department and physicians did not occur</i>
2.69	<i>Weak enforcement of funding agreement by the Department</i>
2.71	<i>Department provided financial assistance to Velante in 2017</i>

Key Findings and Observations Table (Continued)

<b>Paragraph</b>	<b>Key Findings and Observations</b>
2.72	<i>Department paid an extra \$2.8 million and did not receive a reconciliation of where it was spent</i>
2.75	<i>New EMR funding agreement signed in November 2019</i>
	<b>Single-Vendor Provincial EMR Model Failed</b>
2.79	<i>Overall the EMR program did not satisfy Department's expectations</i>
2.80	<i>EMR solution has never been fully integrated with the Electronic Health Record</i>
2.82	<i>Integration work neglected as efforts were focused on meeting enrolment targets</i>
2.83	<i>Responsibility for integration work was not clearly defined</i>
2.84	<i>Lab integration, a desired essential component, was significantly delayed</i>
2.87	<i>EMR Program failed to meet its intended outcomes</i>
2.88	<i>After eight years and over \$26 million, less than half of 800 of eligible physicians implemented the Provincial EMR</i>
2.90	<i>Physician implementation never met Canada Health Infoway (Infoway) target</i>
2.91	<i>Infoway deadlines extended several times to avoid claw-back of funds</i>
2.95	<i>High initial cost of EMR was a deterrent to physician enrolment</i>
2.97	<i>Instances found where physicians were paid to implement the EMR system</i>
2.98	<i>Incomplete EMR clinical data does not benefit population health management</i>
2.100	<i>New Brunswick has one of the lowest EMR adoption rates in Canada</i>
2.101	<i>Provincial EMR business model was unsustainable from the outset</i>
2.102	<i>Velante had \$8,000 shortfall in planned revenue per physician implementation</i>
2.104	<i>Project proceeded despite known funding deficit</i>
2.105	<i>Velante was making a loss on Monthly user fees</i>
2.108	<i>Unfavourable pricing model for monthly user fees</i>

## Recommendations and Responses

Recommendation	Department’s response	Target date for implementation
<p><b>2.41 We recommend that the Department of Health:</b></p> <ul style="list-style-type: none"> <li>• <b>structure contracts to maintain oversight and hold parties receiving public funds accountable; and</b></li> <li>• <b>if complex structures can not be avoided, the Department needs to build in adequate controls to manage the risks and protect public funds.</b></li> </ul>	<p><i>As the department moves forward with an open market Provincial EMR Program there will be two approaches to managing contracts.</i></p> <p><i>Salaried Physicians - the Department of Health will hold the contract for all salaried physicians. This will involve working very closely with the health authorities to ensure Service Level Agreements and Health Information Management processes and procedures are adhered to by the vendor.</i></p> <p><i>Fee for Service Physicians - will be signing and managing their individual contracts and relationship with their preferred vendor. Any financial incentives to vendors or physicians will be tied to specific measurable objectives (implementation of specific integrations, physician funding for adoption or specific meaningful use).</i></p> <p><i>The Department of Health will be implementing an Open Market EMR Certification process with the support of OntarioMD to ensure EMR vendors meet standard requirements in order to be eligible for both funding and integration with provincial assets.</i></p> <p><i>The first phase of the Open Market will include incentives to FFS physicians adopting a Certified EMR. Such incentives will only be available to physicians adopting EMRs that meet the criteria clearly outlined in the Provincial EMR Certification process. The incentives will be administered by NBMS and will be audited by DoH via annual reports.</i></p> <p><i>These contract structures are much less complex; however, adequate controls are being built in with corresponding governance between the health authorities, the medical society, and DH stakeholders.</i></p>	<p><i>December 2021</i></p>

Recommendation	Department's response	Target date for implementation
<p><b>2.44 We recommend the Department of Health, as part of granting program funding:</b></p> <ul style="list-style-type: none"> <li>• <b>assess the financial health of third-party funding recipients and their ability to achieve the desired results within agreed funding levels; and</b></li> <li>• <b>exercise periodic reviews of records as per the terms of funding agreements.</b></li> </ul>	<p><i>A governance model will be put in place for all third-party contracts related to the Provincial EMR Program to ensure the expected deliverables and services are being delivered.</i></p> <p><i>Periodic reviews of the funding agreement will be executed. The open market model will result in fewer contracts managed by GNB.</i></p>	<p><i>December 2021</i></p>
<p><b>2.46 We recommend the Department of Health intervene and take timely corrective action when there are indicators of program failure such as:</b></p> <ul style="list-style-type: none"> <li>• <b>not achieving project deliverables;</b></li> <li>• <b>missing key deadlines; and</b></li> <li>• <b>incurring funding shortfalls.</b></li> </ul>	<p><i>The Department completely agrees with this. The complex nature of the previous model created unnecessary ambiguity resulting in a difficult governance structure.</i></p> <p><i>The new model going forward will make certain the department is in full control of the contracts and arrangements that will support the onboarding and certification of eligible vendors.</i></p> <p><i>The new model will also ensure that EMR vendors are accountable to their clients directly. This supports a competitive market and ensures that private sector physicians are in control of getting value for their investment.</i></p>	<p><i>December 2021</i></p>

Recommendation	Department’s response	Target date for implementation
<p><b>2.51 We recommend the Department of Health, for future programs:</b></p> <ul style="list-style-type: none"> <li>• <b>develop measurable performance criteria to monitor program outcomes; and</b></li> <li>• <b>use regular progress reports to monitor program implementations.</b></li> </ul>	<p><i>The department agrees with this recommendation. There is a significant amount of work underway across jurisdictions to better understand meaningful integration.</i></p> <p><i>The expectations highlight in the initial program plan will require evaluation and adjustment, however, in the spirit of integration and seamless flow of information what had been identified is still valid.</i></p> <p><i>Regular progress reports will be considered as we move forward, cross-referencing this exercise with what other jurisdictions have accomplished will be important.</i></p>	<p><i>December 2021</i></p>
<p><b>2.61 We recommend the Department of Health ensure regular audits are carried out on future programs to evaluate achievement of program outcomes and funding recipients’ compliance with funding terms.</b></p>	<p><i>The Department of Health strategic plan highlights the importance of reporting on performance of program outcomes which would include third-party or managed service contracts in place to provide goods or services that contribute to health system goals.</i></p> <p><i>The Provincial EMR Program will clearly articulate program goals for increased adoption of Certified EMR and increased adoption of existing data integrations (MCE Billing, Client Registry, EHR Clinical Viewer, Labs).</i></p>	<p><i>Ongoing</i></p>
<p><b>2.77 We recommend the Department of Health stipulate, in future funding agreements, withholding of final payment until all agreement terms are satisfied.</b></p>	<p><i>The Department will consider this in conjunction with governance structures and regular auditing of performance. Several of the deliverable based contracts the department currently has in place stipulates withholding roughly 10% of the deliverable/unit price until all activities are identified and approved as being complete. We will continue to consider such measures where appropriate.</i></p>	<p><i>Ongoing</i></p>

Recommendation	Department's response	Target date for implementation
<p><b>2.109 For all future EMR solutions, we recommend the Department of Health:</b></p> <ul style="list-style-type: none"> <li>• <b>identify and prioritize all data integration requirements;</b></li> <li>• <b>clearly define responsibilities of all parties involved in integration; and</b></li> <li>• <b>ensure implementation timelines are met.</b></li> </ul>	<p><i>As part of the move to the Open Market, the department is reviewing and reprioritizing the EMR Program goals and all data integrations. The reprioritization will take into consideration:</i></p> <ul style="list-style-type: none"> <li>- <i>Cross-jurisdictional EMR learnings from the last 10 years pertaining to feasibility of data integrations</i></li> <li>- <i>Value of data integrations to all stakeholders given the current adoption rates</i></li> <li>- <i>Value to of data integrations to the health system and the clinician.</i></li> </ul> <p><i>Given the low adoption rates the initial Open Market phase will focus on increasing adoption of Certified EMRs, including restructuring and adoption of existing integrations (MCE Billing, Client Registry, Labs, EHR Clinical Viewer).</i></p> <p><i>Implementation of future integrations (Immunizations, Encounters, ePrescribing, etc.) will be prioritized and undertaken once proper analysis is completed, including identifying sufficient funding and resourcing from the department, clarifying responsibilities for all parties, and defining a business case and clear value to stakeholders given the levels of adoption at the time of implementation.</i></p> <p><i>Based on cross-Jurisdictional analysis it is evident that implementation of data integrations by vendors requires provincial financial support. The Department of Health is aligning its Provincial EMR Program strategy with other major jurisdictions, such as OntarioMD, to ensure that integrations align with other jurisdictions making more feasible for vendors and financially viable for the province. Funding of such integrations will follow the AG recommendations of clearly defining responsibilities, including penalties for missing timelines, and withholding final payments until all agreement terms are satisfied.</i></p>	<p><i>December 2021</i></p>



## Audit Introduction

**2.1** The Government of New Brunswick has identified dependable public healthcare as a top priority. As stated in the Provincial Health Plan 2013 - 2018, one of the Province's key objectives is to build a safe, sustainable health-care system.

**2.2** The Department of Health (the Department) stated it is committed to providing New Brunswickers with accessible and dependable public healthcare. Its mandate is *“to continuously improve the delivery of health-care services by planning, funding and monitoring the delivery of health-care services in New Brunswick.”*<sup>1</sup>

**2.3** In July 2012, the Department contracted the delivery of the Electronic Medical Record (EMR) program to the New Brunswick Medical Society (NBMS). NBMS partnered with the consulting firm, Accreon, and formed a private company (Velante) to handle the implementation and operation of a single EMR solution.

### *Why we chose this topic*

**2.4** We chose to audit the Provincial Electronic Medical Record (EMR) program for the following reasons:

- Over \$26 million of provincial and federal funds have been invested in the implementation and operation of the single EMR solution. Full implementation is not yet achieved and there are known implementation issues; and
- Our risk analysis identified digitization and integration of patient records held in the doctors' offices are key components for effective and efficient healthcare management. For example, records of vaccinations and allergies would not be readily available to a doctor treating a patient in the ER if it is kept on paper in a medical office.

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<sup>1</sup> Government of NB, Department of Health Annual Report 2018-2019.

**Audit Objective**

- 2.5** The objectives of this audit were to determine if:
- The Provincial Electronic Medical Record (EMR) program was implemented as intended and has achieved its planned outcomes.
  - The Department of Health monitored Electronic Medical Record (EMR) funding to mitigate risk to the taxpayer and to ensure compliance with funding agreements.

**Audit Scope**

**2.6** Our audit scope covered the EMR program and the related Department funding. Our audit period spanned fiscal years 2012 through 2019 with additional analysis extending to December 2020.

**2.7** We examined agreements between the Department and Canada Health Infoway Inc (Infoway), an independent not-for-profit organization funded by the Federal government. We also reviewed the agreements between the Department and NBMS. We interviewed Department staff as well as individuals from NBMS, Velante and physicians. To trace the flow of funds we:

- examined audited financial statements and other financial information of NBMS and Velante
- inspected program documentation, payments and invoices; and
- examined claims for Federal and provincial subsidies and reconciled them to invoices and payments.

**2.8** More details on the audit objectives, criteria, scope and approach can be found in Appendix I and Appendix II.

**Conclusions**

- 2.9** We concluded that after \$26 million invested and over eight years of effort:
- The provincial Electronic Medical Record program was not implemented as intended and failed to achieve its planned outcomes.
  - The Department did not effectively monitor the Electronic Medical Record funding to mitigate risk to the taxpayer and ensure compliance with funding agreements.

- The Department appeared to bear all the risk even though the program was operated by New Brunswick Medical Society.
- The complex delivery structure, which involved Velante as a middleman, weakened the Department's governance and oversight of the program and was not in the best interest of New Brunswickers.
- The Department proceeded with the single-vendor EMR knowing the business model implemented was flawed from the outset.

**2.10** If weaknesses identified in this report are not addressed for similar initiatives in the future:

- New Brunswickers will not have an integrated real-time health information system and health outcomes could be impacted;
- healthcare practitioners may not have the necessary information to provide optimal service to patients in a timely manner; and
- the Department is unlikely to realize value for money from future investments in electronic Health (eHealth) technology.

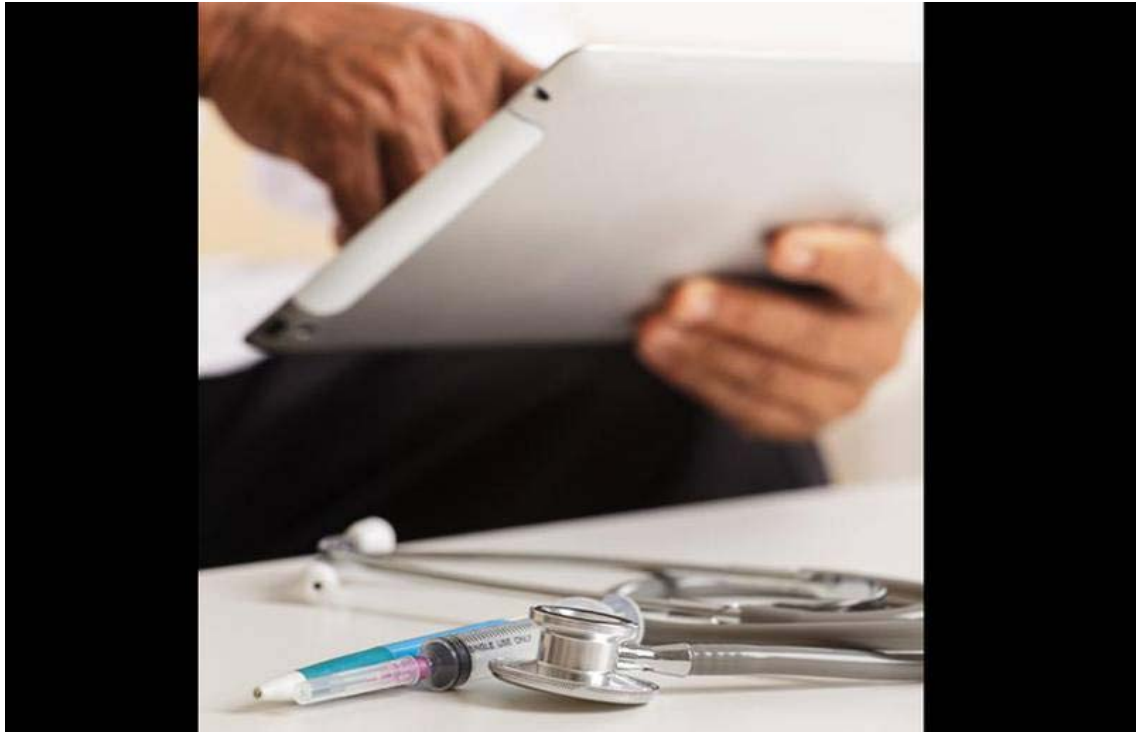
## Background Information

**2.11** The EMR program is more than just a system located in doctors' offices to record patient visits. This program was meant to allow all New Brunswickers to have easily accessible health records, including doctor's office visits, lab results and prescription details. The EMR system would allow any authorized healthcare practitioner to access patient data when needed, like in an emergency situation when the patient is unable to provide the information required. The success or failure of this program will affect all residents of New Brunswick and the healthcare system which relies on the data provided.

**2.12** The future of healthcare is in electronic delivery of records and files that can be easily obtained by any attending physician, regardless of where a patient presents in the province, to make informed decisions on a patient's health care.<sup>2</sup> EMR programs started in Canada in 2003 in Alberta. New Brunswick was one of the last provinces to start an EMR program and is the only province to approve a single-vendor solution. A jurisdictional scan of provincial EMR data can be found in Appendix III.

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<sup>2</sup> Canadian Institute for Health Information. *Better Information for Improved Health: A Vision for Health System Use of Data in Canada*. Ottawa, ON: CIHI; 2013



***Department developed  
One Patient One Record  
vision in 2005***

**2.13** In New Brunswick, the Department started working on eHealth and a One Patient One Record (OPOR) vision in 2005. The intent of this vision was to provide healthcare professionals with current, relevant health information in a standardized manner while protecting the privacy, confidentiality and security of patient information. This was to be accomplished through a single point of access which is available anytime, anywhere.

**2.14** The Innovation and eHealth branch within the Department had been tasked with the realization of the OPOR vision which was later rebranded as eHealthNB in June 2017. For the eight years that we examined, the Innovation and eHealth branch had a budget of over \$144 million.

***EHR is a network of systems to facilitate the OPOR vision***

**2.15** The OPOR vision in New Brunswick was to be facilitated through the Electronic Health Record (EHR), a network of systems that connect information from the various points of patient care such as public health, primary care offices, hospitals, community health centres, labs, pharmacies, and diagnostic imaging clinics. The Innovation and eHealth branch, in collaboration with a variety of stakeholders, is responsible for the operation and continuing development of the EHR system. The EHR started going live in 2010 with the Client Registry and EHR Viewer. Other components were added as they became functional. These components include:

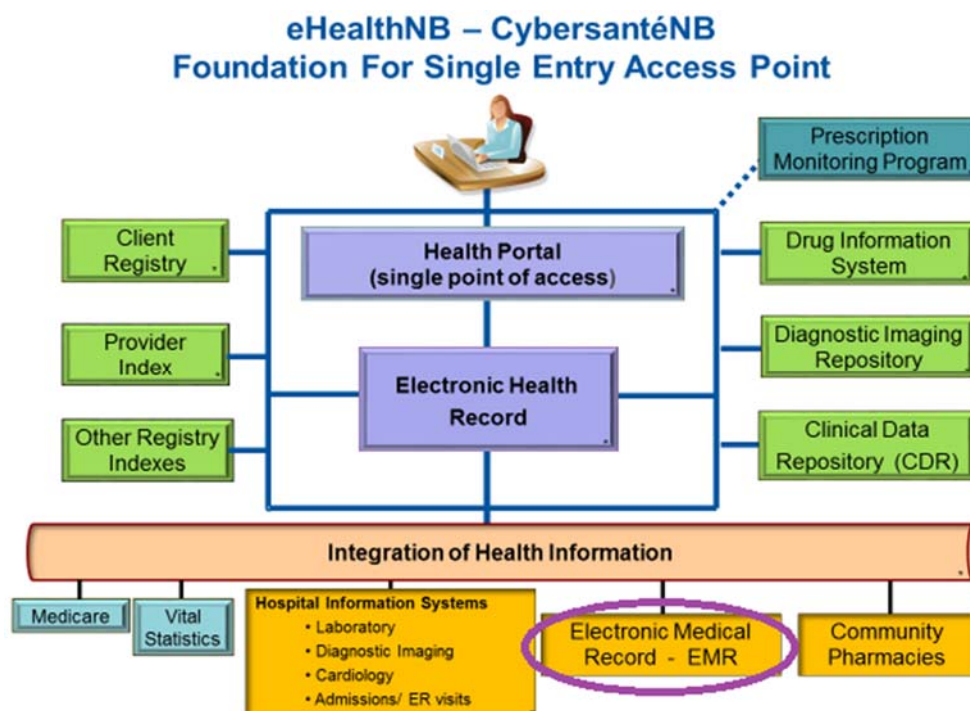
- Diagnostic Imaging (eg x-rays, CAT scan, Magnetic Resonance Images (MRI) etc.);
- Clinical Data Repository (contains laboratory, diagnostic imaging and cardiology reports, and patient visits); and
- eConsult (specialist support for primary care physicians)

***Focus of the report is the Electronic Medical Record (EMR) – one component of the Electronic Health Record (EHR)***

**2.16** EMR program is a key component of the EHR system and is the focus of this report. The EMR was meant to send patient information from the physician practices into the EHR data repository. This information can then be used to improve patient care as well as overall health system planning.

**2.17** Exhibit 2.1 shows the different components of the EHR system. These components work together to achieve a single health record for each patient in the healthcare system. This record is meant to give a full picture of a patient's healthcare history, including clinic and hospital visits and diagnostics tests performed, that is accessible to all authorized healthcare providers.

Exhibit 2.1 - eHealthNB – CybersantéNB foundation for single entry access point



Source: Department of Health

**2.18** According to the Department, information currently available on the EHR system includes:

- demographic information (name, date of birth, address, etc.);
- laboratory test results;
- diagnostic imaging reports;
- cardiology reports; and
- medication summary from the Drug Information System (DIS) used by community pharmacies.

The EHR system also enables clinicians to display the visit history for each patient and view patients currently admitted to any hospital in the province. Access to the EHR is restricted to clinicians who qualify based on their role and limited to need-to-know functions that are required to deliver care.

**2.19** According to the EMR Program Plan – Phase 1, drafted by the Department of Health and NBMS in 2011, the goal of the program “*is to improve health and health system performance through the exchange of relevant information.*”

***The EMR is an important component of the EHR***

**2.20** The Department’s program plan stated that EMRs will provide essential information to be captured in the EHR. Once fully integrated with the EHR, the EMR will draw information from the EHR and contribute important information back into the central data warehouse. Together these systems will contribute to a comprehensive data source for a patient that can be used by all relevant healthcare providers when and where it matters most.

***Expected EMR Outcomes***

**2.21** A fully integrated and widely used EMR software would benefit the patient, the provider and the health system. The importance of an EMR is in the data collected and improved clinical workflow. This data can be used to assist in the planning, design and operation of an efficient and effective healthcare system while supporting patient care. Expected outcomes of the EMR program are shown in Exhibit 2.2.



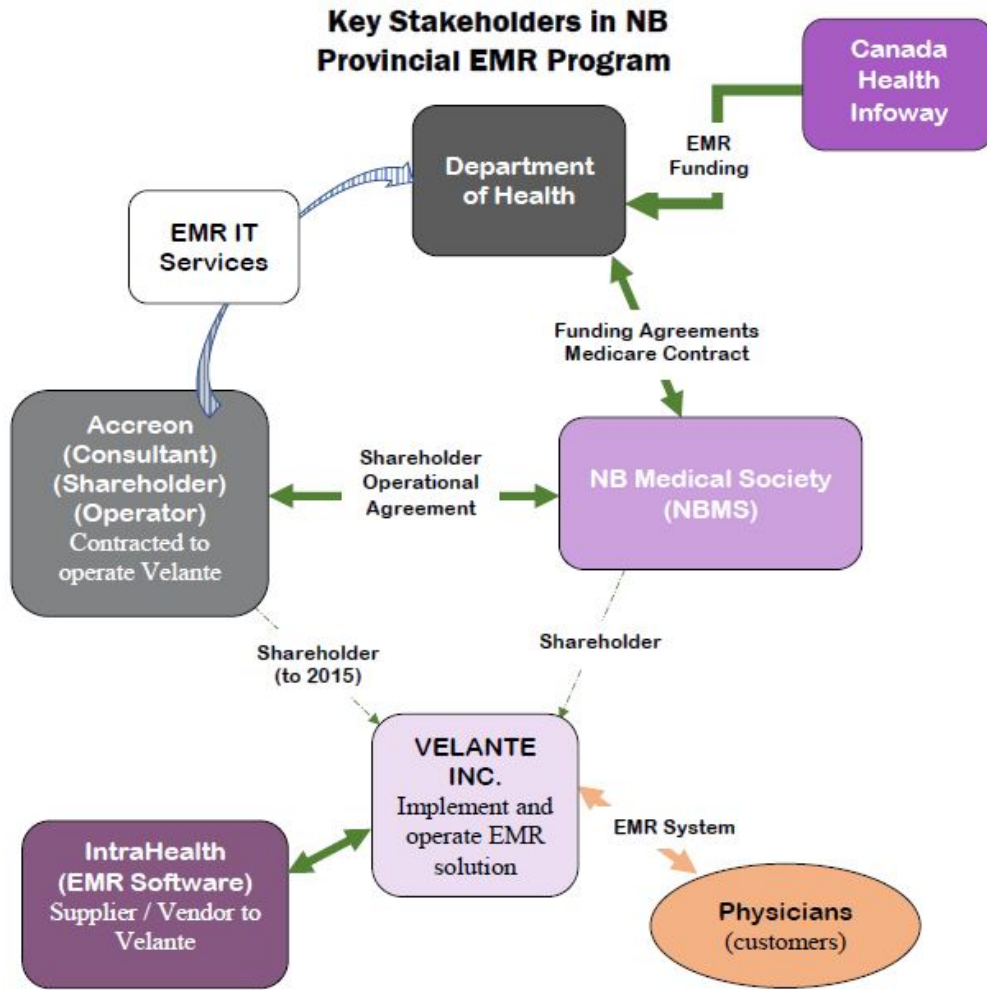
*Exhibit 2.2 – Electronic Medical Record expected outcomes*



*Source: AGNB from Department information*

**EMR Key Stakeholders** 2.22 Exhibit 2.3 depicts the various stakeholders of the EMR program and their inter-relationships and responsibility.

Exhibit 2.3 - Key stakeholders in NB Provincial EMR program



Canada Health Infoway	Provided funding to the Department based on physicians meeting targeted milestones
Department	Responsible for defining the EMR solution and joint Governance with NBMS
NBMS	Responsible for managing the implementation and operation of the EMR
Accreon	Provided implementation and project management services on behalf of Velante
Velante	Responsible for providing the implementation, technology and infrastructure services that would bring EMRs to the physicians.

Source: Prepared by AGNB from Department information

- Canada Health Infoway agreed to pay up to \$12,000 per physician***     **2.23**     Canada Health Infoway (Infoway) is an independent federally funded not for profit organization. Its purpose is to help improve the health of Canadians by promoting digital health solutions, such as EMRs throughout Canada. Beginning in 2010, Infoway focused on accelerating the adoption of EMRs. Their objective at that time was to “co-invest with the provinces and territories to support their efforts to significantly increase the number of clinicians adopting and using an EMR system.”<sup>3</sup> According to the agreement between the Department and Infoway, Infoway agreed to pay up to \$12,000 per physician (50% of implementation cost), based on implementation milestones achieved.
- Department received government approval to pursue an EMR in 2012***     **2.24**     The Department was given government approval to pursue creation of an integrated provincial EMR in 2012. This was followed by a funding agreement between the Department of Health and Infoway for Federal Government funding.
- NBMS tasked with the implementation and operation of an integrated EMR***     **2.25**     The Department signed a separate Electronic Medical Record Funding Agreement with NBMS in September 2012. In it, the Department agreed to provide funding to subsidize physicians’ EMR implementation costs and NBMS would in turn be responsible for the implementation and operation of an integrated EMR solution. The agreement laid out the terms of funding the EMR implementation for both Fee for Service (FFS) and salaried physicians. FFS physicians are self employed and bill Medicare for services performed, Salaried physicians receive a regular salary but track the services they provide. The Department agreed to match the funding of participating FFS physicians up to a maximum of \$8,000 and pay the full \$16,000 implementation price for each salaried physician.

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<sup>3</sup> Canada Health Infoway (2012). EMR Deploy Program Overview, July 18 2012 [PowerPoint Presentation].

***Velante was created by NBMS and Accreon to implement and operate the EMR***

**2.26** NBMS had partnered with Accreon, an IT consulting firm, to establish a private corporation, Velante, in 2012. Velante's role was to implement and operate the integrated EMR software solution for all physicians in New Brunswick, acting as the middleman between the software provider and the doctors. The corporation was 51% owned by NBMS through NBMS Holdings Inc. and 49% by Accreon.

***Intrahealth Canada Ltd was selected to be the single supplier of EMR software***

**2.27** Velante was responsible for providing the implementation, technology and infrastructure services that would bring EMRs to the physicians. In June 2013, Velante selected Intrahealth Canada Ltd to supply EMR software and related services in New Brunswick. This was done following a Request for Proposal (RFP) process, in line with public sector procurement practices. Intrahealth was primarily chosen because they could offer a French version quicker than competitors. As a result, Intrahealth's EMR software (Profile) became the only EMR software sanctioned to be integrated with the EHR system.

***Accreon was a co-owner of Velante and a major service provider receiving over \$9 million over the life of the program***

**2.28** Accreon provided professional and project management services to Velante. This included the technical aspects of setting up the Profile software, training physicians as well as providing staff to run Velante's day to day operations. This arrangement with Accreon accounted for over \$9 million (35%) of the total cost of the EMR program.

**2.29** In 2015, Accreon relinquished their ownership share in Velante to NBMS. Accreon originally thought Velante would be a profitable venture, expanding its operations to serve clients outside of New Brunswick. We were told Accreon was acquired by Mansa Capital, a US private equity firm, who had no interest in electronic medical records and wasn't interested in retaining Velante. After 2015, they no longer managed Velante's operations but continued to provide professional and project management services to Velante.

***EMR Program Cost***

**2.30** Over its eight year life the provincial EMR program cost taxpayers more than \$26 million, including \$4 million in Federal government funds. The net cost to the Province through the Department of Health was \$22 million, \$14 million of which was from Medicare and the balance (\$8 million) was funded from the Innovation and eHealth branch's budget. \$24 million of the program cost went to the NBMS. Exhibit 2.4 below shows the breakdown of the EMR program cost.

## Exhibit 2.4 – Department of Health’s EMR program cost (2012-2019)

	EMR Program Cost (2012-2019) (\$ millions)								
	2012	2013	2014	2015	2016	2017	2018	2019	Total
<b>Paid to NBMS:</b>									
<b>Medicare</b>	\$0.0	\$0.0	\$2.3	\$5.8	\$1.5	\$1.5	\$1.5	\$1.5	\$14.1
<b>Implementations</b>	0.0	1.8	2.2	0.5	0.2	0.8	0.2	0.0	5.7
<b>Financial Assistance</b>	0.0	0.0	0.0	0.0	0.0	0.0	2.8	0.0	2.8
<b>Transitional Funding</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
<b>Maintenance Fees</b>	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.0	0.8
<b>NBMS Total</b>	0.0	1.8	4.5	6.3	1.8	2.6	4.9	2.0	23.9
<b>Paid to Accreon</b>	0.0	0.5	0.6	0.3	0.0	0.0	0.0	0.0	1.4
<b>Paid to Velante</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.9	1.1
<b>Total EMR Funds</b>	\$0.0	\$2.3	\$5.1	\$6.6	\$1.8	\$2.6	\$5.1	\$2.9	\$26.4

Source: Prepared by AGNB with Department of Health information

**2.31** As shown in Exhibit 2.4 above, most of the funds were paid to NBMS for EMR implementations, monthly EMR maintenance fees and financial assistance to keep Velante operating. Transitional funding of \$460,000 was part of a \$3 million funding agreement to cover the costs of transitioning to open market solutions, following the termination of the single EMR model in 2019. The maintenance fees covered licensing and system upgrades.

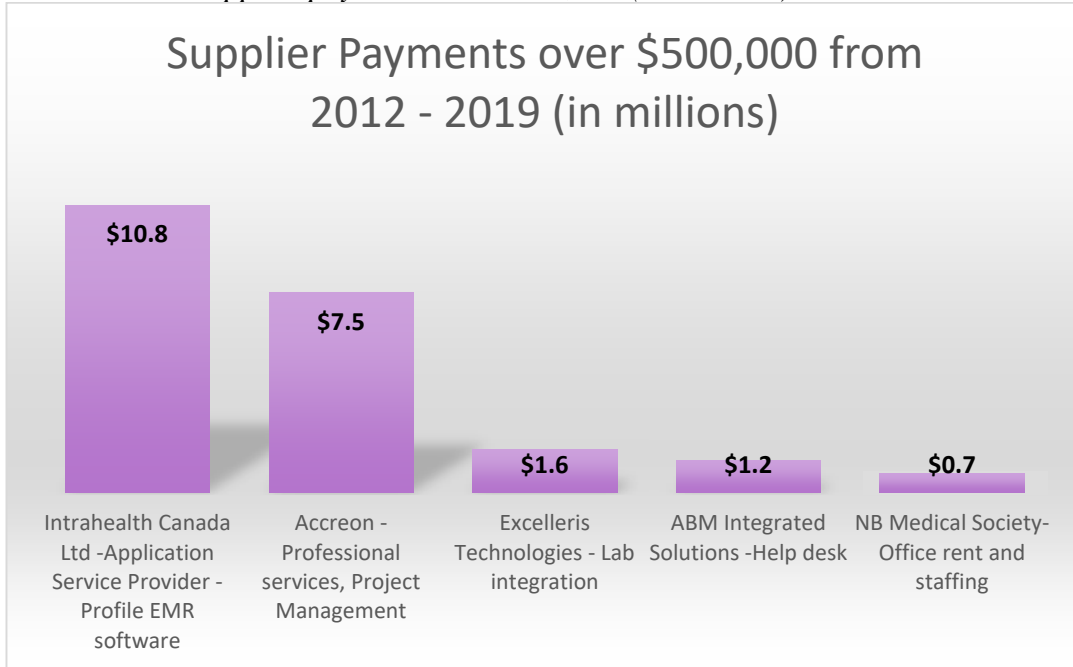
**99% of EMR funding received by NBMS went to Velante**

**2.32** NBMS paid 99% of the EMR funding they received to Velante. The balance (\$240,000) was paid directly to physicians for EMR subsidies and incentives.

**Of the funds Velante received, 91% went to five vendors**

**2.33** Velante had limited in house resources or capability. It was staffed and managed by Accreon. Velante partnered with other IT companies and professional services firms to deliver the EMR. 91% of Velante’s vendor expenditures (\$21.8 million) between 2012 and 2019 went to five vendors as shown in Exhibit 2.5.

Exhibit – 2.5 Supplier payments over \$500,000 (2012-2019)



Source: AGNB from unaudited Velante data

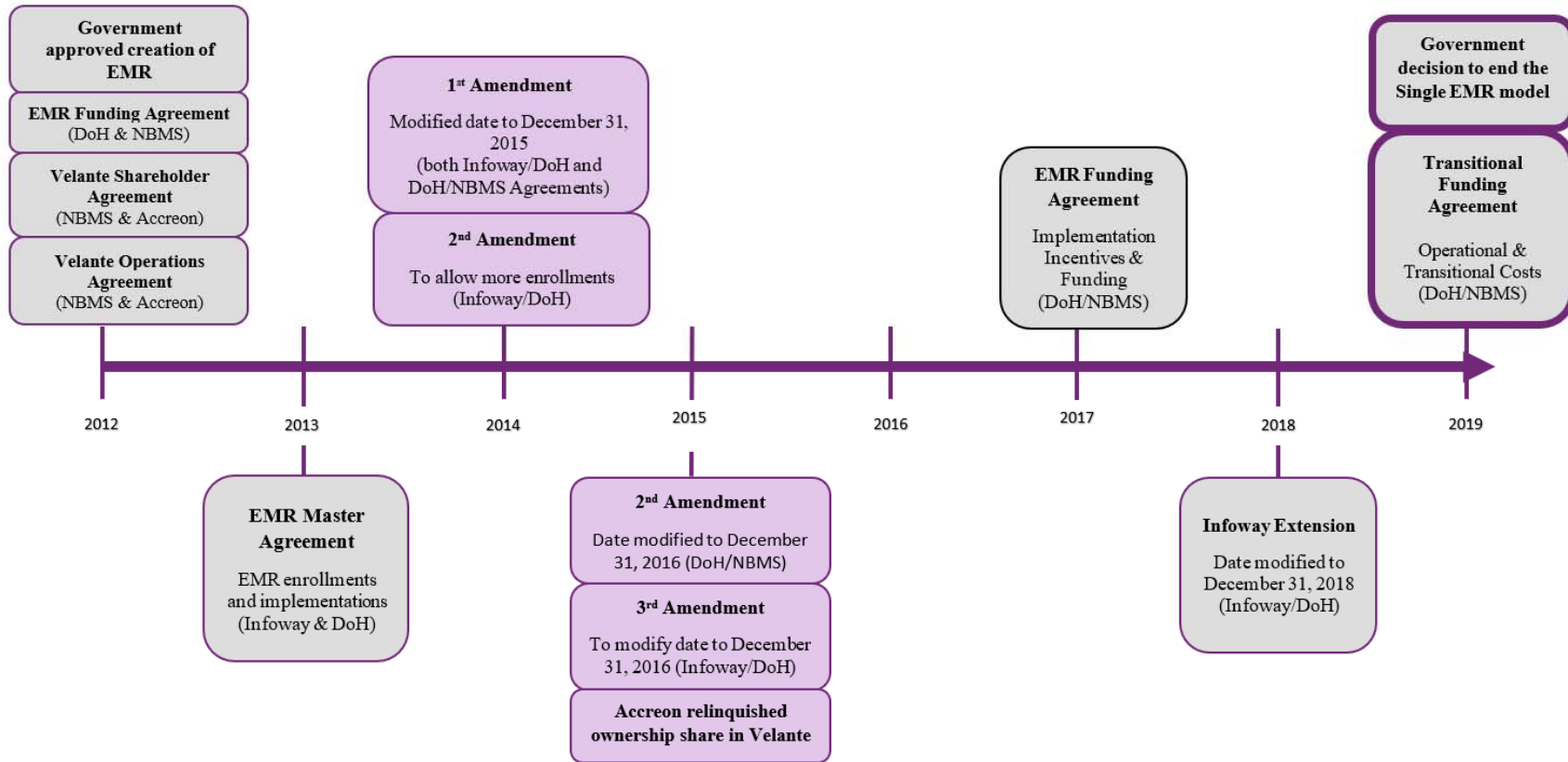
***Government terminated the single EMR model in 2019***

**2.34** In 2019, the government terminated the single EMR model and moved to an open market where physicians can select and implement their own EMR solutions. Exhibit 2.6 shows a timeline of major events since the inception of the EMR planning phase in 2011 until the single EMR solution model was abandoned in 2019.

***New funding agreement signed in 2019***

**2.35** A new funding agreement was signed in November 2019 between the Department and NBMS. This latest agreement offered NBMS funding of up to \$3 million to cover the costs of transitioning to an open market EMR model. At the end of 2019, Velante was showing a \$894,000 deficit.

Exhibit 2.6 – Timeline of Provincial EMR Program



Source: AGNB from Department documents

## Oversight Failure by Department and Weak Accountability

### *Inadequate oversight and monitoring of program implementation*

**2.36** Overall the Department took a hands-off approach to EMR funding and program implementation. They did not exercise adequate oversight over program implementation and operation by third parties. As a result, the Province did not receive the intended benefit from over \$26 million in funding of the Provincial EMR. After eight years:

- less than half of the 800 eligible physicians were implemented; and
- EMR data was not fully integrated into the eHealth system. Only three out of nine integrations were completed.

**2.37** We found the Department oversight and monitoring of the program was lacking in several areas which contributed to the failure of the program:

- there was no formal business case to support the program from the outset;
- the complex structure made it difficult for the Department to monitor the implementation process, and hold participants accountable for the delivery of outcomes;
- the Department did not request the financial information that would have pointed to project failure;
- there was no timely intervention and enforcement of funding terms;
- no performance measures or progress reporting on program implementation; and
- no evidence that audits of the program were completed, even though it was stipulated in the funding agreement.



***No formal business case*** 2.38 We found neither the Department nor NBMS prepared a comprehensive documented business case at the start of the program. There was no documentation of analysis undertaken to propose the single-vendor model over multi-vendor alternatives. While costs associated with the single EMR implementation were detailed on a workbook sent to Infoway by the Department to secure funding, there was no evidence that indicated the chosen program structure was the most beneficial.

***Complex organization structure weakened Department oversight*** 2.39 There was a lack of consistent leadership and direction over the implementation and operation of the Provincial EMR program. Stewardship over program goals and strategic priorities became diluted due to the complex organization structure which created extra layers of separation between those responsible for funding and the private companies involved in delivering the solution, as shown in Exhibit 2.3.

2.40 The structure in place reduced the Department's ability to exercise proper oversight and to hold any one party accountable. The Department did not have a direct contractual relationship with Velante. They were not involved in how Velante was set up and had limited influence on how vendor contracts for IT and professional services were awarded. We were unable to determine the need for or intended benefits of this complex structure.

***Recommendation*** 2.41 **We recommend that the Department of Health:**

- **structure contracts to maintain oversight and hold parties receiving public funds accountable; and**
- **if complex structures can not be avoided, the Department needs to build in adequate controls to manage the risks and protect public funds.**

***Department chose not to review financial records of funding recipients or ensure compliance with funding agreements*** 2.42 The Department did not obtain or review the audited financial statements of NBMS or Velante to ensure compliance with funding agreements, appropriateness of program expenditures or overall completeness of accounting records.

**2.43** Funding agreements with NBMS included clauses to allow the Department access to all financial records related to EMR funding. Regular review of such records by the Department would have shown that the actual costs incurred exceeded the funding and allowed corrective action to avoid the increased cost at no added benefit.

***Recommendation***

**2.44** We recommend the Department of Health, as part of granting program funding;

- **assess the financial health of third-party funding recipients and their ability to achieve the desired results within agreed funding levels; and**
- **exercise periodic review of records as per the terms of funding agreements.**

***In 2015, the Department failed to intervene even though there were clear signs of program failure***

**2.45** The Department did not intervene in the program in 2015 when there were clear signs the program was in jeopardy. Instead the Department kept extending the agreement deadlines and providing more funding in an effort to keep the program afloat. The signs of failure included:

- numerous implementation targets and funding deadlines were missed;
- private sector business partner (Accreon) abandoned the partnership;
- Velante solvency issues required NBMS to give it a cash injection in excess of \$980,000;
- Infoway expressed concerns about lack of progress; and
- lab integration was significantly delayed.

- Recommendation**
- 2.46** We recommend the Department of Health intervene and take timely corrective action when there are indicators of program failure such as:
- not achieving project deliverables;
  - missing key deadlines; and
  - incurring funding shortfalls.
- A further \$9 million was spent on the single-vendor EMR model before the project was terminated in 2019*
- 2.47** From 2016 to 2018 the Department (including Medicare) spent a further \$9 million supporting the implementation of the single integrated EMR model before it was finally terminated in 2019.
- In 2017, government requested a program review*
- 2.48** As part of providing supplemental funding to finance Velante’s operations for additional two years, in 2017, government requested a program review. The review was completed in 2019 and, as a result, it was decided to end support for the single-vendor EMR model in favour of an open market model for EMRs.
- Department had no plan to monitor achievement of program outcomes*
- 2.49** We found significant weaknesses in the Department’s monitoring of the implementation and operation of the EMR Program. The Department had no ability to measure to what extent program outcomes were being achieved.
- No performance measures or progress reporting on program implementation*
- 2.50** There were no performance measures and no progress reporting on program implementation. In accordance with the funding agreement, NBMS was required to provide quarterly reports detailing the status of the project plan, deliverables achieved and status of project timelines. We found no evidence such reports were provided to the Department.
- Recommendation**
- 2.51** We recommend the Department of Health, for future programs:
- develop measurable performance criteria to monitor program outcomes; and
  - use regular progress reports to monitor program implementations.

***The scramble to meet physician enrolment targets resulted in many errors and discrepancies***

**2.52** Because of the low physician enrolment experienced early on, the implementation process suffered from extensive rework and exceptions. The initial funding secured by Infoway was based on a list of 415 practitioners (411 Physicians and 4 Nurse Practitioners) who had agreed to implement the EMR in their practice. Subsequently many physicians either left the province, left their practice, retired or otherwise decided not to implement the Velante EMR software. As a result, replacement physicians were sought in order to reach the target. Between 2014 and 2018, 124 replacements were made.

**2.53** The process of keeping track of this ever-changing list and managing the implementation effort to achieve 415 implementations consumed the limited available administrative and managerial resources within the Innovation and eHealth Branch of the Department. This resulted in numerous errors and discrepancies including:

- duplicate payments;
- multiple payments per install location; and
- missed implementation deadlines.

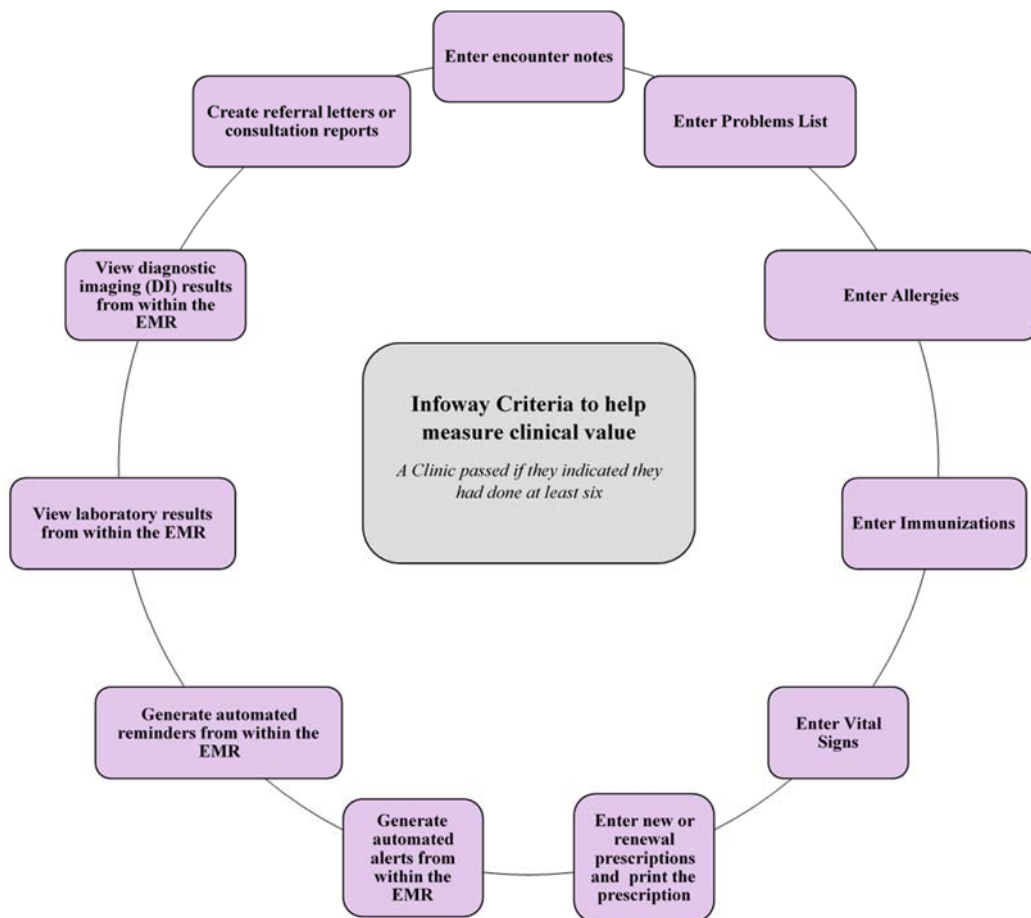


**Department did not monitor clinical value achievement**

**2.54** There was no effective process to ensure clinical value was achieved in all funded implementations and that funding deadlines were met.

**2.55** The concept of clinical value and achieving greater clinical value through integrated EMR was the basis for funding an EMR program in New Brunswick. Clinical value was defined by Infoway as the effective use of an EMR. Effective use meaning improving clinical impact rather than just number of users. Infoway developed a list of 11 functions that were used as criteria to help measure clinical value as illustrated in Exhibit 2.7 below. A clinic passed the clinical value self assessment if they indicated they had done at least six of these functions.

Exhibit 2.7 - Clinical value assessment criteria



Source: prepared by AGNB from Department data from Infoway

***Inadequate validation of clinical value survey – only negative responses were validated***

**2.56** The clinical value validation process consisted of a self-assessment survey completed by physicians within three months after the clinic's go-live date. The Department used the assessment to prove the physician is using the EMR system as intended and also as evidence for the Department to receive further funding from Infoway. A copy of this assessment form is provided in Appendix IV.

**2.57** We found the Department validated physicians' negative survey responses by checking EHR access logs for evidence that the clinic had performed the function in question. For example, a physician would say they did not access labs, but system logs showed they had. In such cases, the Department changed the physician's response to positive in accordance with survey validation procedures.

**2.58** However, the Department did not attempt to validate any of the positive responses to verify that clinical value measures had been met. If a physician indicated they had entered immunization records, no checking was done to ensure they did. This meant that any errors made in the positive responses were not detected by the validation process.

***No EMR audit was conducted***

**2.59** The Department did not conduct any audits of the EMR implementation and use in physician clinics. We found no evidence that a program audit was considered. We were told that a Project Manager within the Department conducted informal visits to clinics and had discussions with physicians who implemented the EMR about their experiences with the software program. This is not enough to evaluate the achievement of program outcomes or compliance with funding criteria.

**2.60** The EMR program plan developed by the Department in 2011 states that "*The New Brunswick Department of Health may conduct an audit of the EMR contents to ensure compliance with Clinical Value Level 1 criteria by reviewing randomly selected charts or viewing aggregate reports provided by the clinic or Application Service provider. If compliance is not confirmed, the Department of Health may choose to withhold a milestone payment until compliance is demonstrated*".

- Recommendation**
- 2.61** We recommend the Department of Health ensure regular audits are carried out on future programs to evaluate achievement of program outcomes and funding recipients' compliance with funding terms.
- Continued EMR usage was not a criteria for funding**
- 2.62** At the end of December 2018, the Department had funded 406 implementations to be completed by Velante. Out of these, only 366 implementations were completed, and only 345 Physicians had successfully demonstrated they were using at least the minimum functionality of the program.
- Physicians were able to discontinue EMR usage without having to pay back subsidies**
- 2.63** The Department did not stipulate that a physician had to keep the EMR for a specific length of time to be eligible for funding. Because of the lenient eligibility criteria, physicians who had their implementations subsidized were able to discontinue using the EMR without having to pay the Department back. We found 42 instances where physicians stopped using the EMR.
- Department paid multiple times for one EMR site**
- 2.64** When a physician stopped using the EMR, their systems were passed on to other interested physicians as if they were fresh installs. If a salaried physician left their practice and another physician took it over, the Department was billed for a completely new installation at a cost of \$16,000. As a result, there was one instance where the Department paid for two full installations for one EMR site when the physician left the province.
- 2.65** We found another instance where the Department was billed for three installations for the same EMR. This occurred due to the original physician leaving the province, the second physician also leaving the province and the EMR being taken over by a third physician.
- 2.66** The Department was aware they would be paying for a new implementation if a physician with an EMR left and was replaced. They also were responsible for the spreadsheet that tracked replacement physicians. However, there was no control in place to identify when the same EMR site was repeatedly paid for.

**Department overpaid its subsidies for Fee for Service physician implementations** **2.67** The Department did not verify that FFS physicians paid for 50% of their EMR software implementation cost. The EMR funding agreement committed the Department to match the contributions made by FFS physicians. The Department paid a total of \$1.6 million towards FFS physicians' software implementation costs during the term of the agreement. FFS physicians paid only \$671,000. This means the Department overpaid its contribution by over \$900,000. This is illustrated in Exhibit 2.8 below.

*Exhibit 2.8 - Department and Fee for Service physicians share of implementation cost (2013 – 2018)*

<i>Department and Fee for Service physician shares of implementation cost (2013-2018)</i>							
Velante Revenue	Calendar Year (000s)						
	2013	2014	2015	2016	2017	2018	Total
<b>Department Paid</b>	\$56	\$444	\$372.6	\$223.6	\$206.6	\$296	\$1,599
<b>Physician Paid</b>	\$64	\$243.5	\$165	\$88.5	\$87	\$23	\$671

*Source: AGNB from Velante audited Financial Statements*

**Funding match between the Department and physicians did not occur** **2.68** Exhibit 2.8 shows the funding match between the Department and FFS amounts did not occur. The Department paid the agreed upon amount of \$8,000 per implementation, whereas not all FFS Physicians did. We were told by NBMS that the annual \$1.5 million EMR amount in the Fee for Service Master Agreement should be considered as part of the FFS physician contribution.

**Weak enforcement of funding agreement by the Department** **2.69** Under the EMR funding agreement and subsequent amendments, the Department was to be reimbursed by NBMS for funded EMR implementations that did not meet the minimum clinical value measure or were not implemented by the respective funding deadline. We found no reimbursement to the Department occurred because the Department extended the funding deadline twice to allow NBMS time to meet the funding conditions. Exhibit 2.9 below summarizes the EMR funding agreements and amendments.



*Exhibit 2.9 - Funding Agreements between the Department of Health and New Brunswick Medical Society*

<b>Funding Agreements between the Department of Health and New Brunswick Medical Society</b>				
	<b>Date</b>	<b>Purpose</b>	<b>Funding</b>	<b>Deadline</b>
<b>Original agreement</b>	September 2012	Department to provide EMR implementation subsidy to NBMS  NBMS to implement a single-vendor EMR solution and integrate it with the EHR	\$8,000 per Fee for Service (FFS) physician implementation  \$16,000 per Salaried (SAL) physician implementation	December 2013
<b>1<sup>st</sup> Amendment</b>	August 2014	Deadlines extended  Clause added to reimburse Department for subsidized FFS implementations that do not meet the funding criteria by December 30, 2015	Funding reduced to \$6,600 per FFS physician  Number of SAL physicians covered by agreement capped at 200.	December 2015
<b>2<sup>nd</sup> Amendment</b>	May 2015	Deadlines extended  Reimbursement clause amended to account for early enrollees who's funding was \$8,000	No change	December 2016
<b>EMR Funding Agreement</b>	December 2017	New funding for EMR implementations  Further early adoption incentives and a 1% increase in Medicare Code 1 office visits to be paid from the \$1.5 million annual Medicare fund	\$1.5 million in 2017-18 \$1.3 million in 2018-19	March 2019
<b>Transitional Funding</b>	November 2019	Provided up to \$3 million in funding to NBMS for Velante's operating and transitional costs	Up to \$1.5 million in 2019-20 Up to \$1.5 million in 2020-21	March 2021

*Source: AGNB from Department data*

**2.70** After the first amendment of the original funding agreement in 2014, NBMS would have been required to pay the Department back \$1.9 million in EMR funding. This was for physician enrolments where the NBMS received advanced funding but did not meet the Department's December 2015 implementation deadline. This repayment never happened because the 2015 deadline was eventually extended until the funding paid for implementations had been used.

***Department provided financial assistance to Velante in 2017***

**2.71** In 2017, the Department agreed to provide \$2.8 million of financial assistance to NBMS. The additional funding was to allow Velante enough capital to continue operating for two years while an independent program review was conducted. The funds were provided over two fiscal years with \$1.5 million given in 2017-2018 and \$1.3 million in 2018-2019.

***Department paid an extra \$2.8 million and did not receive a reconciliation of where it was spent***

**2.72** The supplemental funding agreement stipulated that “*a reconciliation of the Provincial EMR Funding would be prepared by the Society for fiscal years 2017-18 and 2018-2019 and any unexpended amounts will be returned to the Minister*”.

**2.73** The second payment of \$1.3 million was not to be paid until NBMS provided a reconciliation showing how the first \$1.5 million had been used. The Department did not receive either reconciliation but still made the second payment to NBMS in April 2018.

**2.74** According to the funding agreement any unused funds were to be returned to the Department. We found no evidence that the Department requested or received any refund.

***New EMR funding agreement signed in November 2019***

**2.75** The Department entered into a new funding agreement with the New Brunswick Medical Society on November 29, 2019. The purpose of this funding was to “*provide the Society with Provincial EMR Funding for Operational Costs and Transitional Costs to support, promote, and encourage, continued utilization and adoption of EMR by physicians in the Province of New Brunswick, to support ongoing operation and maintenance of the Provincial Electronic Medical Record to an open market of EMR providers.*”

**2.76** This funding agreement provided up to \$1.5 million in 2019/2020 and an additional \$1.5 million in 2020/2021. It also required detailed financial documentation before financing was paid. Up to September 30, 2020, \$1 million has been paid from the \$3 million funding available.

***Recommendations***

**2.77** We recommend the Department of Health stipulate, in future funding agreements, withholding of final payment until all agreement terms are satisfied.

## Single-Vendor Provincial EMR Model Failed

**2.78** We found the provincial EMR program using a single integrated software system failed. The software was not integrated with the EHR, there was insufficient uptake by physicians and the implementation and operating business model was not sustainable from the outset.

***Overall the EMR program did not satisfy Department's expectations***

**2.79** Overall the EMR program did not satisfy the Department's expectations for a single integrated EMR software system to be used by community based medical practices in New Brunswick. According to the Project Charter, there were to be "355 doctors fully implemented with their associated three-month CV1 [Clinical Value 1] assessment successfully completed by March 31, 2015." Only 93 doctors had achieved the CV1 assessment at that point and only 155 implementations had been carried out. Eight out of nine data integrations were planned to be in place by 2014. This was not achieved.



***EMR solution has never been fully integrated with the Electronic Health Record***

**2.80** The EMR was never fully integrated with the EHR. The EHR database did not receive any clinical information from the provincial EMR system. As shown in Exhibit 2.10 below, only one of the nine planned integrations, client registry, was completed within the planned timeline. Integration of lab results and Medicare billing were significantly delayed, before they were finally completed in 2019. The remaining integrations were supposed to be completed and included in the EMR by 2014. As of September 30, 2020, none of these were completed.

*Exhibit 2.10 - Status of EMR integrations with EHR as at September 2020*

<b>Status of EMR integrations with EHR as of September 2020</b>			
<b>Integration</b>	<b>Description</b>	<b>Status as at September 2020</b>	<b>Date Completed</b>
Client Registry integration/ EHR viewer	Integration of physician and EHR patient demographics to enable unique identification of the patient and the viewing of patient data in the appropriate context within the EHR.	Completed	January 2014
Medicare Billing	Integration of billing between physician offices and Medicare and billing reconciliation reports	Completed	January 2019
Lab Results	Integration of lab data to the EMR	Completed	January 2019
Diagnostic Imaging Reports	Integration of diagnostic imaging data to the EMR	Incomplete *	
Patient Visits	Integration of encounter (visit) information from the EMR to the EHR	Incomplete *	
Allergies/ Intolerances	Integration of allergy/intolerance information from the EMR to the EHR	Incomplete *	
Immunizations	Integration of immunization information from the EMR to the EHR	Incomplete *	
eReferrals	Integration of referral information from the EMR to EHR	Incomplete *	
ePrescribe	Integration of prescription data from the Drug Information System (DIS)	Scheduled January 2021	

*\* To be determined when the transition to an open market occurs.*

*Source: Table prepared AGNB from EMR program documentation*

- 2.81** Under the revised plan, following government’s 2019 decision to go to open market, the incomplete integrations referenced above will be considered individually and implemented with the open market EMRs based on government priorities. No specific timelines were set for these implementations.
- Integration work neglected as efforts were focused on meeting enrolment targets**
- 2.82** We found integration work was given a lower priority while efforts were focused on meeting physician enrolment targets to satisfy the minimum funding criteria.
- Responsibility for integration work was not clearly defined**
- 2.83** We also found there was a disagreement as to who was responsible for parts of the integration work. It is not clear who was responsible for building the technology needed for the information to flow between the EMR and the systems it was meant to integrate with.
- Lab integration, a desired essential component, was significantly delayed**
- 2.84** We found lab integration, a desired essential component of the EMR, was significantly delayed. The ability to have lab results automatically brought into a physician’s patient records was an important selling feature of the EMR software offered by Velante. Physicians identified this as a top integration item and repeatedly asked for it to be done as a priority.
- 2.85** During the enrolment period, physicians were promised the ability to receive the results of blood tests and other diagnostic lab tests directly into their EMR software. However, this integration was not ready for the initial rollout. We were told that this delay was due to issues integrating with the hospital information system, Meditech. Lab integration was piloted in 2017 and partially put in place in 2018, a five-year delay.
- 2.86** Government’s decision in 2012 granting the Department authority to proceed with the EMR project, stipulated that the “*EMR system will be accessible to provide information for strategic management with the health system*”. The Department acknowledged, in the EMR Program Plan, that integrating it within the rest of the EHR was essential. This was to support the flow of information throughout the entire healthcare system. As shown in Exhibit 2.10, only three EMR integrations were completed as of September 2020.

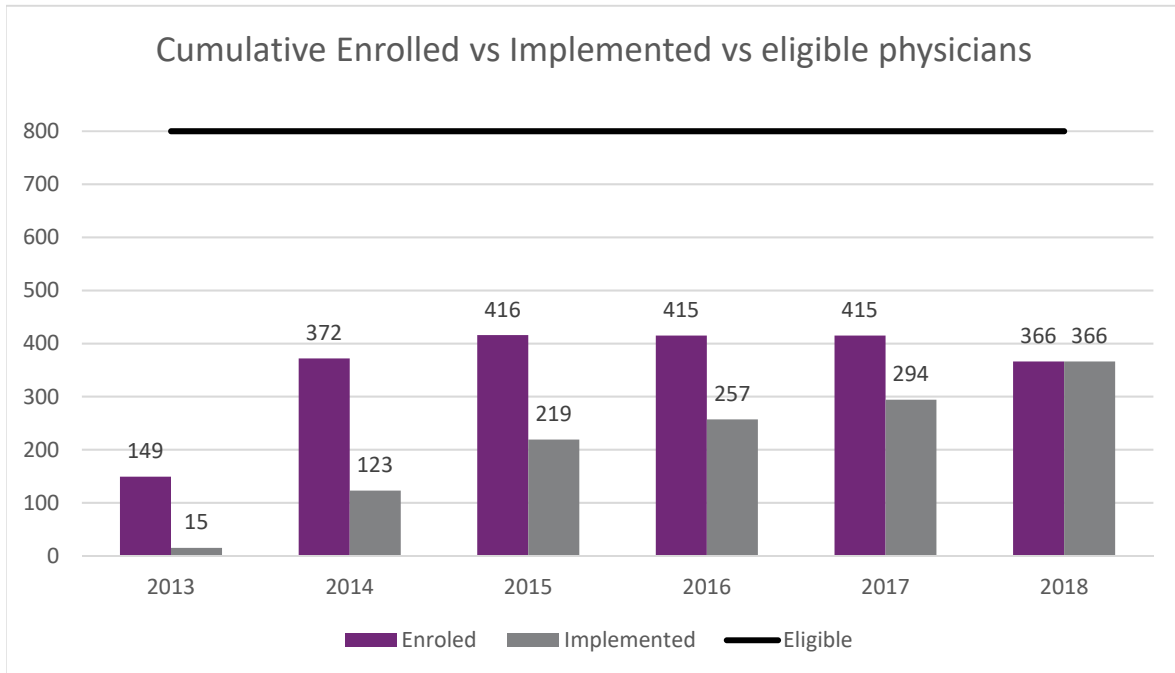
**EMR program failed to meet its intended outcomes**

**After eight years and over \$26 million, less than half of 800 eligible physicians implemented the Provincial EMR**

**2.87** Without all integrations being in place, the EMR program has failed to achieve its intended outcomes as stipulated in the 2012 decision and the EMR program plan.

**2.88** An insufficient number of physicians chose to implement the provincial EMR in their practice. After eight years of open implementation opportunities and over \$26 million in funding, less than half of the 800 eligible New Brunswick physicians are active users of the single provincial EMR system. This low enrolment was mainly due to the high initial cost of the program and lack of desired integrations. Exhibit 2.11 shows the numbers of enrolled and implemented physicians for the six-year period from 2013 to 2018. This covers the years the Department was receiving Infoway funding.

Exhibit 2.11 - Cumulative enrolled vs implemented vs eligible physicians



Source: AGNB from Velante and Department unaudited data

**2.89** The total number of eligible physicians in the province fluctuates but is typically over 800, with potential for more to be added in the future. According to project funding agreements, an eligible physician was defined as any

community based salaried or fee for service physician, working outside a hospital or other institutional setting that has its own government operated medical records system. By December 31, 2018, only 366 out of the 800 eligible physicians were active on the EMR system. As of June 30, 2020, the number of active EMRs was 382.

***Physician implementations never met Canada Health Infoway (Infoway) target***

**2.90** We found EMR implementations never met the Infoway funding target of 415 (411 physicians and 4 nurse practitioners) by the funding deadline of December 31, 2015. By that date, only 165 implementations had been done. In 2015, Infoway expressed concerns over the lack of progress being made towards meeting physician implementation targets.

***Infoway deadlines extended several times to avoid claw-back of funds***

**2.91** After the initial Infoway master funding agreement was signed, there were two amendments and an extension to the agreement that pushed the end dates out until December 31, 2018. This was to allow NBMS to bring more physicians on to the provincial EMR, so the Department would not be required to pay back Infoway funding. This was based on a claw-back clause in Infoway's funding agreement. Funds received by the Department for unimplemented EMRs were required to be paid back to Infoway by December 31, 2015. Exhibit 2.12 below shows a summary of Infoway funding agreement and amendments.



Exhibit 2.12 – Summary of Infoway EMR funding agreement and amendments

<b>Summary of Infoway EMR funding agreement and amendments</b>				
	<b>Date</b>	<b>Purpose</b>	<b>Funding</b>	<b>Deadline</b>
<b>Original agreement</b>	March 2013	EMR implementation subsidy by Infoway	\$12,000 per Physician	December 2014
<b>1<sup>st</sup> Amendment</b>	April 2014	Deadline was extended	Unchanged	December 2015
<b>2<sup>nd</sup> Amendment</b>	September 2014	Reduced per implementation subsidy amount for physicians enrolled after 2014	\$10,134 per Physician	December 2015
<b>3<sup>rd</sup> Amendment</b>	April 2015	Deadline was extended	Unchanged	December 2016
<b>Extension</b>	April 2018	Extended funding deadline from December 2016 to December 2018	Unchanged	December 2018

Source: AGNB from Infoway funding agreement and amendments

**2.92** The final extension allowed the Department to remove physicians previously enrolled who did not intend to implement by the agreement deadline. It also allowed the Department more time to achieve other implementation milestones.

**2.93** Had these extensions not been granted, the Department would not have met the deadlines to achieve the minimum funding criteria and they would have had to repay part of the funding back to Infoway.

**2.94** In order to accelerate the adoption of the provincial EMR system in 2018, the Department announced that any new physician coming into New Brunswick or joining the Family Medicine New Brunswick (FMNB) Model would be required to use the EMR. FMNB is a program funded by the Department and delivered by NBMS. This new collaborative model was intended to improve physician recruitment, provide better access to family doctors and give doctors more time for patient care.

***High initial cost of EMR was a deterrent to physician enrolment***

**2.95** The high upfront price was believed to be one of the reasons why physicians were not adopting the Velante solution. The unsubsidized upfront implementation price was set at \$16,000 by Velante. Fee for service physicians were initially expected to pay half of that amount. For salaried physicians, the Department would pay the full \$16,000.

**2.96** In response to low uptake by physicians, the Department provided additional subsidy funding to NBMS through the Medicare Physician Master Services Agreement. This reduced the upfront FFS physician fee to \$4,000 or less per implementation.

***Instances found where physicians were paid to implement the EMR system***

**2.97** When examining FFS physician payments, we found instances where physicians were paid to implement the system, effectively receiving a net benefit. For example, we found invoices showing one physician who paid \$4,000 was given an incentive credit of \$2,500 as well as an early adopter credit of \$3,000. In this case, effectively, the physician was paid \$1,500 to implement the software.

***Incomplete EMR clinical data does not benefit population health management***

**2.98** Low participation by all physicians means that even if the data was integrated, it would be incomplete and would not provide the desired benefits for population health management. Incomplete and inconsistent data also means that other users in the healthcare system could not rely on the data for analytics or to improve health system efficiencies. For the healthcare data to be useful for population health management, most physicians need to be contributing useful information back into the health system.

**2.99** While all jurisdictions in Canada provided some degree of financial assistance for the adoption of integrated EMRs, the amounts of assistance significantly declined over time as the use of EMRs (vs paper filing) gained acceptance by physicians. The EMR operational review conducted by an independent consulting firm reported in 2019 that *“Provinces with high levels of EMR adoption have for the most part ceased providing financial incentives/subsidies to physicians for their EMRs.”*<sup>4</sup>

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<sup>4</sup> New Brunswick EMR Operational Review, 4 April 2019

- New Brunswick has one of the lowest EMR adoption rates in Canada*** **2.100** Comparatively, New Brunswick is the only province that has the Medical Society financially managing and fully operating the EMR program through a wholly owned subsidiary, Velante. Appendix III shows comparative EMR status data. New Brunswick has one of the lowest adoption rates across Canada and limited integrations when compared to other Provinces. In most cases, provinces with multi-vendor EMRs have significantly higher rates of adoption by physicians.
- Provincial EMR business model was unsustainable from the outset*** **2.101** The provincial EMR business model was unsustainable from the outset. We found the delivery of the EMR software solution to FFS medical practices in New Brunswick required ongoing financial support from the Department.
- Velante had \$8,000 shortfall in planned revenue per physician implementation*** **2.102** We found both the unsubsidized EMR implementation price and the monthly maintenance fees were below actual costs. From the beginning of the program in 2012, Velante's price of \$16,000 per physician implementation was below the expected cost of \$24,000 per physician. As shown in Exhibit 2.13, Velante had an \$8,000 revenue shortfall per physician implementation before the project even started.

Exhibit 2.13 - *Planned EMR price and cost per physician implementation (2012)*

<b>Planned EMR Price and Cost per Implementation (2012)</b>		
	<b>Cost</b>	<b>Price</b>
Velante EMR implementation price charged per physician		\$16,000
<b>EMR implementation costs (per funding agreement worksheet)</b>		
EMR direct costs	\$17,200	
EMR integration costs	\$6,800	
Total EMR cost/physician	\$24,000	
Revenue shortfall per implementation		<b>(\$8,000)</b>

*Source: AGNB prepared table from EMR funding agreement worksheet and Velante business planning documents (unaudited)*

**2.103** NBMS provided a detailed breakdown of EMR implementation costs to the Department and Infoway as a requirement of the initial EMR funding agreement. The forecasted direct costs per implementation based on 500 physicians was calculated at \$17,200. An additional \$6,800 was added to cover integration development and testing costs for a total estimated EMR cost of \$24,000 per implementation.

***Project proceeded despite known funding deficit***

**2.104** It is unclear how this shortfall was going to be made up. We were told by NBMS that Velante and NBMS believed that the Department was going to provide additional direct implementation subsidies. However, we found no indication that this was planned or considered. Yet, the Department proceeded with the single-vendor EMR model knowing the proposed business logic was flawed.

***Velante was making a loss on monthly user fees***

**2.105** We found there was never a path to a sustainable operation of the EMR solution by Velante. Even at full physician implementation, monthly subscription revenue charged by Velante would be insufficient to cover the recurring monthly fees being paid to Intrahealth, the EMR software provider. There would not be enough revenue for Velante to cover overheads and other administrative costs.

**2.106** Once the EMR was implemented, FFS physicians were charged a subsidized maintenance fee of \$195 per month payable to Velante. The full fee set by Velante was \$395 per month. The difference was taken from the annual \$1.5 million EMR payment included in the Medicare Physician

Master Services agreement. The Department paid the full \$395 per physician for salaried physicians. This fee is paid yearly by the Department for all salaried physicians on the Provincial EMR and will continue to be paid as long as the physician is actively using the EMR.

**2.107** Based on correspondence from Velante in February 2019, they calculated the actual full monthly licensing cost was \$480. They would need to charge all physicians at least \$480 per month just to break even. Exhibit 2.14 shows a breakdown of the actual recurring monthly EMR maintenance cost per physician.

*Exhibit 2.14 - Monthly Loss on EMR Maintenance Cost per Physician (February 2019)*

<b>Monthly EMR Maintenance Cost per Physician (February 2019)</b>		
<b>Component</b>	<b>Description</b>	<b>Amount</b>
IntraHealth – Contract	Profile EMR software	\$336
Vigilance	Drug database for Drug Information System	17
Maestro	Communications interface	5
Excelleris	Lab interface	<u>122</u>
	<b>Actual Cost/Physician/ month</b>	<b>\$480</b>
	<b>Unsubsidized monthly maintenance fee</b>	<b>\$395</b>
	<b>Loss on monthly maintenance fee per physician</b>	<b>\$(85)</b>

*Source: AGNB prepared from unaudited Velante correspondence*

***Unfavourable pricing model for monthly user fees***

**2.108** Velante had a contract with Intrahealth for the EMR software. The contract included a tiered pricing model for recurring monthly fees. The amount due was based on the number of physician implementations, tiered in block increments of 200 users. Velante had to pay Intrahealth for the full block of users not per actual user. This means once there were 201 users they had to pay for the equivalent of 400 users. We view this as an unfavourable pricing model that indicates a poorly negotiated contract by Velante.

***Recommendation***

**2.109 For all future EMR solutions, we recommend the Department of Health:**

- **identify and prioritize all data integration requirements;**
- **clearly define responsibilities of all parties involved in integration; and**
- **ensure implementation timelines are met.**

## Appendix I – Audit Objectives and Criteria

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The objectives and criteria for our audit of the Department of Health Electronic Medical Record program are presented below. Senior management within the Department of Health reviewed and agreed with the objectives and associated criteria.

<b>Objective 1</b>	To determine if the Provincial Electronic Medical Record (EMR) program was implemented as intended and has achieved its planned outcomes.
Criterion 1	The Provincial EMR Program should be fully integrated with the Department’s electronic health record database
Criterion 2	The Provincial EMR Program should contribute “clinically relevant”, timely information to and from the Department of Health’s Electronic Health Record
Criterion 3	The Department should have a formal monitoring system in place to evaluate the degree of success achieved by the EMR program.
Criterion 4	The Department should be able to demonstrate how the provincial EMR program has facilitated: <ul style="list-style-type: none"> <li>• Individual health outcomes;</li> <li>• Population health outcomes, and;</li> <li>• Improved health system performance and efficiencies.</li> </ul>
<b>Objective 2</b>	To determine if the Department monitored Electronic Medical Record (EMR) funds to mitigate risk to the taxpayer and to ensure compliance with funding agreements.
Criterion 1	Department should have processes and controls in place to ensure recipient funding was used in accordance with the applicable agreements
Criterion 2	Department should inspect the accounts and records of funding recipients to ensure EMR-related funds were accounted for and used for eligible costs
Criterion 3	EMR-related expenditures should be made in accordance with project plan and under a funding agreement

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Source of Criteria: Developed by AGNB based on:

- the Department of Health and New Brunswick Medical Society’s Electronic Medical Record Funding Agreements & Amendments;
  - Infoway and Department of Health’s Electronic Medical Record Master Agreement and Amendments; and,
  - the NB EMR Project Charter.
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## **Appendix II – About the Audit**

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This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on the Department of Health on Electronic Medical Record Program. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of the Department of Health on its implementation and operation of the Electronic Medical Record Program.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management’s responsibility for the subject under audit;
- acknowledgement of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- confirmation that the findings in this report are factually based.

### **Period covered by the audit:**

The audit covered the period between January 1, 2012 and December 31, 2019. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the starting date of the audit.

### **Date of the report:**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on January 8, 2021, in Fredericton, New Brunswick.



### Appendix III – Jurisdictional Summary (2017)

	BC	AB	SK	MB	ON	QC	NB	NS	NL	PEI
EMR Prog Start	2006	2003	2009	2010	2009	2012	2012	2005	2014	-
Adoption Rate	91%	78%	70%	70%	75%	42%	34%	55%	9%	-
# Approved Vendors	10	2	2	3	13	10	1	3	4	-
EMR Incentives/Funding		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-
Funding Source		Gov/Med Assoc	Gov/Med Assoc	Gov/Infoway	Gov (eHealth Ont)		Med Assoc	Gov/Infoway	Gov (70), Phy (30)	-
EMR Program Governance	Joint (Gov/Med Assoc)	N/A	Joint (Gov/Med Assoc)	Gov	Joint (Gov/Med Assoc)	Gov	Med Assoc	Gov	Joint (Gov/Med Assoc)	-
Role of Medical Association	Governance	Advise	Governance Operate	Advise	Governance Operate	Advise	Governance Operate	Advise	Governance	-
Provincial Standard EMR	None	None	Med Access or QHR	None	None	None	IntraHealth (Velante)	Nightingale OnDemand	Med Access	-
Interoperability Status	Yes	Yes	Yes	Planned	Yes	Planned	Partial	Partial	Planned	

Source: AGNB based on information from the Department

## Appendix IV – Clinical Value Benefits Survey

### New Brunswick EMR Program

#### Clinical Value Benefits Survey

Clinical value is defined by Canada Health Infoway as the effective use of EMR. It is an important, and required, part of the NB EMR Program as achieving clinical value ensures that each clinic reaps the full benefits of the EMR. Achieving clinical value defines program success based on clinical impact and use rather than just the number of users.

***Clinical value is expected to be evaluated and achieved within 3 months of the clinic's Go-Live date.***

***To confirm clinical value, each physician using an EMR is required to complete the short questionnaire below:***

Criteria	Answer
<b><i>Please identify the clinical value criteria you and your staff have achieved in the 3 months since you began using the EMR.</i></b>	Place an "X" beside each function used
1. Enter encounter notes	
2. Enter problem lists	
3. Enter allergies	
4. Enter immunizations	
5. Enter vital signs	
6. Enter new or renewal prescriptions and print the prescription	
7. Generate automated alerts from within the EMR	
8. Generate automated reminders from within the EMR	
9. View laboratory results from within the EMR	
10. View diagnostic imaging (DI) reports from within the EMR	
11. Create referral letters or consultation reports	
Comments or Feedback	

*Source: Information from the Department*

# Chapter 3

## NB Power Debt Challenges

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# NB Power Debt Challenges

Report of the Auditor General – Volume II, Chapter 3 - 2020

## Why Is This Important?

- NB Power debt is \$4.9 billion as of 2020;
- NB Power's debt has increased \$2 billion since 2002;
- Planned major capital projects estimated to cost \$3 to \$4 billion; and
- All NB Power debt is issued by the Province of New Brunswick.

## Key Findings

- NB Power has not been able to make significant progress toward achieving the legislated debt to equity target;
- NB Power would need to reduce debt on average, \$65 million per year to achieve 2027 target;
- NB Power has reduced debt, on average, \$20 million annually since the Point Lepreau refurbishment project was completed in 2013;
- NB Power is not achieving debt reduction as outlined in its 10 Year Plan; and
- NB Power's 10 Year Plan forecasting methodology needs to change.

## What We Found

### High Debt to Equity Compared to Peers

- NB Power has the highest debt to equity ratio at 94% and worst 10-year average interest coverage ratio compared to peer utilities in Canada.
- No other peer utility has reached a debt to equity ratio as high as 90%. All peer utilities except NB Power and Manitoba Hydro have achieved their debt to equity target over the past decade.
- NB Power has lower rate increases compared to peer utilities with high debt level.

### Impact on Province of New Brunswick

- Rating agencies signal:
  - NB Power is the Province's largest contingent risk; and
  - Debt to equity remains very high in relation to other provincial utilities.
- There is an impact to all New Brunswickers when NB Power financial targets are not met.
- Significant concerns of sustainability exist, given:
  - NB Power's net income did not meet the Province's expectations by \$195 million over the last four years; and
  - Planned major capital projects.

### Debt Reduction Not a Top Priority Inaccurate forecasting leads to lack of debt reduction

- 10 Year Plans constantly move the debt to equity target date into the future.
- Optimistic forecast leads to inaccurate projected net income.
  - Actual net earnings off base year projections by an average of \$50 million a year.
  - Fuel and purchased power expense \$87 million higher than projected, on average.
  - Major risks and uncertainties not quantified such as Point Lepreau capacity factor, hydro flow, and major weather events.
- 2020 capital expenditures \$126 million higher than projected in 10 Year Plan 2017-26.

## Key Findings and Observations Table

### NB Power Debt Challenges

Paragraph	Key Observations
	<b>NB Power's Debt History</b>
3.11	<i>NB Power will require high levels of capital spending in the future to maintain and extend the useful life of their assets</i>
3.14	<i>\$48 million spent to date on the Mactaquac Life Achievement project</i>
3.15	<i>Future capital spend for the Mactaquac Life Achievement project is estimated at \$2.7 to \$3.7 billion</i>
3.16	<i>Estimated future capital spend is \$84 million for Belledune and \$93 million for Coleson Cove</i>
3.18	<i>In 2020, NB Power was financed 94% by debt totalling \$4.9 billion</i>
	<b>The Effect of NB Power's Debt on the Province of New Brunswick</b>
3.20	<i>All borrowing of NB Power is conducted through the Province of New Brunswick</i>
3.22	<i>NB Power has never been denied financing in recent history by the Province of New Brunswick</i>
3.23	<i>NB Power's financial performance impacts the rating agencies' decision on the Province of New Brunswick's credit rating</i>
3.25	<i>S&amp;P Global's opinion is that NB Power is the Province of New Brunswick's largest contingent risk</i>
3.26	<i>DBRS treats the debt of NB Power as self-supported but notes that leverage remains very high in relation to other provincial utilities</i>
	<b>NB Power's Regulatory Environment</b>
3.28	<i>Challenging element exists in New Brunswick's regulatory environment</i>
3.29	<i>All peer utilities have corporate debt to equity targets however, no other Canadian jurisdiction imposes in their legislation a targeted debt to equity as a factor in determining electricity rates</i>
3.31	<i>Per section 68(a) of the Electricity Act, NB Power's objective is to earn a just and reasonable return to achieve a capital structure of at least 20% equity</i>
3.33	<i>Per section 68(c) of the Electricity Act, rates charged shall be maintained as low as possible and changes in rates shall be stable and predictable from year to year</i>
3.39	<i>Less consistency exists across provinces on whether and how utilities are required to get approval for capital expenditures</i>

## Key Findings and Observations Table (Continued)

Paragraph	Key Observations
3.40	<i>NB Power is required to obtain the New Brunswick Energy and Utilities Board approval for all capital projects in excess of \$50 million</i>
3.41	<i>The New Brunswick Energy and Utilities Board must consider the 20% equity requirement when approving capital projects</i>
	<b>Government Owned Power Utilities in Canada</b>
3.43	<i>Each peer utility is a government owned utility however, subject to different regulatory and accounting frameworks</i>
	<b>Financial Metrics</b>
3.49	<i>NB Power has the highest debt to equity ratio from 2010 to 2019 when compared to other peer utilities in Canada</i>
3.50	<i>In the past decade no other peer utility has reached a debt to equity ratio as high as 90%</i>
3.51	<i>Over the past decade NB Power's debt to equity ratio has averaged 94%</i>
3.52	<i>NB Power has failed to meet the 2013 legislated 20% equity target</i>
3.53	<i>Over the past decade all peer utilities except NB Power and MB Hydro have achieved their debt to equity target</i>
3.54	<i>To achieve the 80/20 debt to equity target by 2027, NB Power requires a total debt reduction of \$457 million or an annual average debt reduction of \$65 million</i>
3.56	<i>In December 2019, NB Power stated no definitive date to meet 20% equity target and achieving low and stable rates will be much more difficult once Mactaquac project starts</i>
3.61	<i>NB Power's earnings over the past 11 years on average can only cover a single fiscal year of interest payments</i>
3.62	<i>NB Power has the worst 10-year average interest coverage ratio compared to peer utilities in Canada</i>
3.65	<i>NB Power acquires interest rates based on the Province of New Brunswick's credit rating</i>
3.67	<i>The combination of highest debt to equity and worst 10-year average interest coverage across comparable jurisdictions represents an elevated liquidity risk to NB Power</i>
3.69	<i>NB Power's debt to equity and interest coverage ratios could be worse, if they were to issue debt independently</i>

## Key Findings and Observations Table (Continued)

<b>Paragraph</b>	<b>Key Observations</b>
	<b>NB Power's 10 Year Plan</b>
3.73	<i>Key assumptions vary significantly year to year and are largely outside the control of NB Power</i>
3.74	<i>Experts of New Brunswick Energy and Utilities Board and Public Intervener noted NB Power's financial forecasting approach is unique</i>
3.76	<i>The financial forecast in the 10 Year Plans are not accurate, based on comparison between forecast and actuals</i>
3.77	<i>NB Power's actual net earnings were off base year projections by an average of \$50 million a year</i>
3.77	<i>NB Power's actual net earnings were on average off \$124 million the 10 Year Plan 2017-26 projections</i>
3.78	<i>NB Power's financial position impacts the Province and all New Brunswickers</i>
3.81	<i>The average variance of \$87 million for fuel and purchased power is NB Power's largest expenditure and most significant variance from forecast to actuals</i>
3.82	<i>Optimistic expense forecast could be confusing to regulator assessing NB Power's rate application</i>
3.83	<i>Major risks and uncertainties are not quantified and included in NB Power's forecasted revenue requirement</i>
3.85	<i>NB Power has difficulty forecasting future year capital expenditures</i>
3.86	<i>NB Power's 10 Year Plans constantly change date that 20% equity target will be met</i>
	<b>NB Power's Annual Rate Increase</b>
3.90	<i>The Electricity Act does not clearly define stable and predictable rates</i>
3.92	<i>NB Power's annual rate request for 2017, 2018, and 2019 were not approved by the New Brunswick Energy and Utilities Board</i>
3.96	<i>NB Power debt reduction potentially impacted by proceeding with the NBEUB rejected projects</i>
3.98	<i>NB Power has lower rate increases compared to peer utilities with high debt levels</i>
3.99	<i>DBRS's states NB Power rates remain competitive within the Atlantic region</i>

## Recommendations and Responses

Recommendation	NB Power's response	Target date for implementation
<p><b>3.59 We recommend NB Power prioritize debt reduction by developing a firm and well-defined debt management plan to achieve the mandated debt to equity target by 2027. The plan should comprise:</b></p> <ul style="list-style-type: none"> <li>• <b>achievable annual key performance indicators (KPI) including a debt reduction amount and debt to equity ratio; and</b></li> <li>• <b>a requirement to report annually within NB Power's annual report:</b> <ol style="list-style-type: none"> <li>i. <b>any deviation from the annual KPIs;</b></li> <li>ii. <b>reasons if KPIs are not met; and</b></li> <li>iii. <b>an adjusted action plan to reach 2027 target date.</b></li> </ol> </li> </ul>	<p><i>NB Power takes very seriously its responsibility to manage and operate its facilities in a safe, reliable and economically sustainable manner. NB Power remains committed to meeting its mandated debt to equity target by 2027. As part of its planning process, NB Power will adjust annually its debt management plan to meet these targets using the best information available to achieve the key performance indicators that include debt reduction amount and debt-to-equity ratio.</i></p> <p><i>NB Power agrees to report annually in its Annual Report on its progress against the key performance indicators including reasons for any variances from the annual key performance indicators.</i></p> <p><i>Significant portions of NB Power's future costs remain outside management's control, including generation fuel and electricity market prices, foreign exchange and interest rates and weather patterns. NB Power will evaluate progress against the plan regularly and reflect in its Annual Plan any future adjustments, including those due to uncontrollable factors, to meet its debt to equity targets.</i></p>	<p><i>NB Power will begin to include this information in the 2021/22 Annual Plan and the 2021/22 Annual Report.</i></p>
<p><b>3.84 We recommend NB Power, to improve its forecasting process, quantify the impact of likely uncertainties in the 10 Year Plan, such as fuel prices, hydro flow, Point Lepreau capacity factor, weather events, etc.</b></p>	<p><i>NB Power uses industry standard data sources and third-party experts to quantify the value of certain future costs such as generation fuel and electricity market prices, foreign exchange and interest rates. NB Power agrees to evaluate additional means to quantify the impact of significant future cost uncertainties outside management's control and to include this information in its planning process.</i></p>	<p><i>NB Power will include these considerations in the 2021/22 planning cycle.</i></p>



## Introduction

**3.1** Access to reliable and affordable electricity is an essential service to the citizens of New Brunswick. The New Brunswick Power Corporation (NB Power) is the largest electric utility in Atlantic Canada, responsible for the generation, transmission, and distribution of electricity throughout New Brunswick. NB Power has a responsibility to provide all 410,000 direct and indirect customers within the Province of New Brunswick (Province) safe, reliable, and reasonably priced electricity.

**3.2** NB Power is a Crown corporation, reporting to the Province through the Minister of Natural Resources and Energy Development. The Province is the owner and sole shareholder of NB Power.

**3.3** NB Power is authorized under the “*Electricity Act*” of New Brunswick (2013) (*Electricity Act*) to sell electricity, as well as “*manage and operate NB Power’s resources and facilities for the supply, transmission, and distribution of electricity within New Brunswick*”<sup>1</sup>. Rates charged by NB Power for the sale of electricity within the Province are regulated by the New Brunswick Energy and Utilities Board (NBEUB).

***2020-21 mandate letter requires NB Power to achieve a capital structure of at least 20% equity by 2027, which should come first and foremost in utility planning***

**3.4** NB Power is instructed through a government mandate letter (mandate) for 2020-21, stating the corporation shall “*achieve a capital structure of at least 20% equity by 2027 through cost reductions and other appropriate mechanisms that will maintain low and stable rates for New Brunswickers. This target should come first and foremost in utility planning and may require eliminating investments in other endeavours such as research and business development opportunities until the equity target is met*”.

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<sup>1</sup> NB Power – 2019/20 Annual Report

**Why we chose this topic**

**94% debt structure  
totalling \$4.9 billion in  
2020**

**3.5** We chose to examine NB Power's debt challenges for the following reasons:

- NB Power is a Crown corporation primarily financed by debt (2020 capital structure is 94% debt or \$4.9 billion in debt);
- per the *Electricity Act* and mandate, NB Power must achieve a capital structure of at least 20% equity (by 2027 per the 2020-21 mandate); and
- NB Power has four major capital projects commencing within the next 10 years that will significantly increase the corporation's debt load by an additional \$3 to \$4 billion. The estimated capital costs for the projects are as follows:
  - i. Mactaquac - \$2.7 to \$3.7 billion;
  - ii. Belledune - \$84 million;
  - iii. Coleson Cove - \$93 million; and
  - iv. Advanced Metering Infrastructure - \$73 million.

**Work performed**

**3.6** We performed:

- a review of annual reports and other key strategic documents for NB Power and peer utilities in Canada;
- a 10-year trend analysis on NB Power's key financial ratios related to debt;
- a ratio comparison between NB Power and its peer utilities in Canada;
- a review of NB Power's regulatory environment;
- a review of NB Power's 10 Year Plans (2017-26, 2018-27, 2019-28, 2020-29, and 2021-2030); and
- key interviews regarding NB Power's debt landscape.

**3.7** All analysis completed was based on publicly available information and we did not attempt to validate the data presented in this chapter.

**Scope and approach**

**3.8** The scope included a 10-year trend analysis on NB Power's key financial ratios related to debt. Furthermore, we compared these NB Power ratios to relevant peer utilities in Canada. Finally, we reviewed New Brunswick's regulatory environment and NB Power's 10 Year Plans.

**3.9** Our findings and observations apply to the period between April 1, 2009 and March 31, 2019. However, to gain a more complete understanding of the subject, we examined certain matters that preceded and succeeded the start and end dates of the review.

**Chapter Summary**

**3.10** A summary of this chapter follows:

- all debt issued for NB Power is under the name of the Province;
- NB Power's financial performance impacts rating agencies' decision on the Province's credit rating;
  - i. S&P Global's opinion is that NB Power is the Province's largest contingent risk; and
  - ii. "DBRS treats NB Power debt as self-supported but notes that leverage remains very high in relation to other provincial utilities."
- challenging element exists in New Brunswick's regulatory environment such as the requirement to decrease debt load while maintain low and stable rates. The *Electricity Act* states NB Power must achieve a capital structure of at least 20% equity and maintain low, stable and predictable rates;
- since the proclamation of the *Electricity Act* on October 1, 2013, NB Power has not been able to make significant progress toward achieving equity of at least 20% and has averaged a debt structure of 94% rather than 80%. Further, NB Power has the highest debt to equity ratio compared to its peer utilities in Canada;

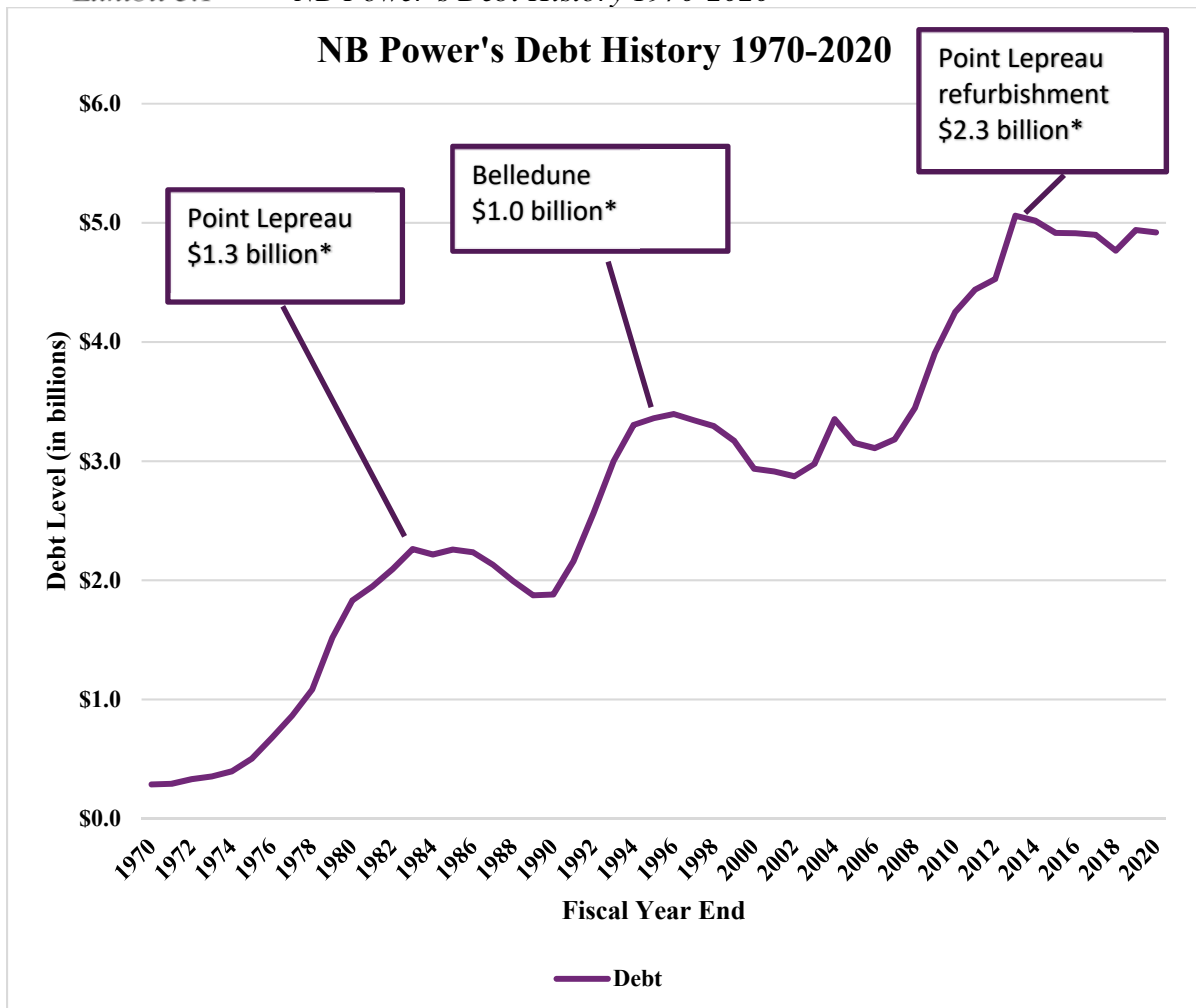
- NB Power has the worst 10- year average interest coverage ratio compared to its peer utilities in Canada;
- the combination of the highest debt to equity and worst 10-year average interest coverage across peer utilities in Canada represents an elevated liquidity risk to NB Power and to the Province of New Brunswick who ultimately owns NB Power's debt. This is particularly concerning given nearly \$4 billion in capital projects on the horizon which will require significantly more debt financing;
- NB Power's 10 Year Plans constantly move the date of achieving equity target of 20% into the future;
- based on NB Power's 10 Year Plan 2021-30, NB Power plans to achieve the debt to equity ratio of 80/20 by reducing debt to \$4.5 billion by 2027, representing an average \$65 million in annual debt reduction. However, this appears to be an unrealistic expectation as NB Power has reduced debt, on average, by only \$20 million annually since the Point Lepreau refurbishment project was completed in 2013;
- the financial forecast in the 10 Year Plans reviewed have consistently underestimated expenditures, based on the results of our comparison of forecast to actuals;
- key assumptions (such as fuel prices, and foreign exchange rate) vary significantly year to year and are largely outside the control of NB Power; and
- major risks and uncertainties are not quantified in the forecasted revenue requirement of the 10 Year Plans reviewed such as the Point Lepreau capacity factor, hydro flow, and major weather events.

# NB Power's Debt History

***NB Power will require high levels of capital spending in the future to maintain and extend the useful life of their assets***

**3.11** Exhibit 3.1 illustrates NB Power's debt history since 1970. The major debt driver is large capital projects such as Point Lepreau and Belledune. NB Power has the legislative obligation to serve all New Brunswick customers with electricity. In carrying out this obligation, NB Power must make investments in long-term assets to generate, transmit and distribute electricity to customers in a safe and reliable manner. NB Power also notes the utility industry is capital-intensive and many of their assets over the past 50 years will require high levels of capital spending in the future to maintain and extend their useful life.

Exhibit 3.1 - NB Power's Debt History 1970-2020



Source: AGNB based on information provided by NB Power (unaudited)

\*Major drivers of NB Power's debt history

**1920 – 1970:**  
**\$286.8 million debt**

**1970 – 1983:**  
**\$2.0 billion debt**  
**increase**

**3.12** From NB Power’s inception in 1920 to 1970, NB Power accumulated a debt load of \$286.8 million. From 1970 to 1983 NB Power’s debt increased by \$2 billion to a total debt of \$2.3 billion in 1983. The construction of the following capital assets drove the increase in debt:

- Point Lepreau (\$1.3 billion);
- Coleson Cove (\$255 million);
- Dalhousie Unit 2 (\$130 million);
- Eel River High Voltage Direct Current Station; and
- Mactaquac Unit 4, 5 & 6.

*Point Lepreau Generating Station*



*Source: Nuclearsafety.gc.ca*

**1990 –1996:**

***\$1.5 billion debt  
increase***

**3.13** As illustrated in Exhibit 3.1, NB Power experienced a second wave of capital spending between 1990 and 1996, resulting in a debt increase of \$1.5 billion and raising the total debt to \$3.4 billion by 1996. The construction or conversion of the following capital projects were the driving factors for this increase in debt:

- Belledune (\$1 billion);
- Dalhousie Fuel Conversion (\$260 million); and
- Millbank/Ste. Rose (\$216 million).

*Belledune Generating Station*



*Source: Telegraph Journal*

**2002 – 2020:**

***\$2.0 billion debt increase***

***\$48 million spent to date on the Mactaquac Life Achievement project***

**3.14** NB Power’s third spike in capital spending occurred from 2002 to 2020 (see Exhibit 3.1) resulting in an increase to debt of \$2 billion, driving total debt to \$4.9 billion by 2020. In 2011, NB Power committed to reducing \$1 billion in debt by fiscal year end 2021 after the completion of Point Lepreau refurbishment in 2013. While this target has not been met, NB Power has lowered its debt by \$142 million as of fiscal year end 2020. The construction or refurbishment of the following capital projects were the driving factors for the increase in debt:

- Point Lepreau refurbishment (\$1.3 billion) and replacement power (\$1 billion);
- Coleson Cove refurbishment (\$700 million);
- Eel River High Voltage Direct Current Station refurbishment (\$85 million);
- International Power Line (\$66 million);
- Mactaquac Life Achievement project (\$48 million to date);
- Fundy Isle Undersea Cable replacement (\$47 million);
- Bayside Generation Station purchase (\$46 million); and
- Nepisiguit Falls Generation Station purchase (\$38 million).

*Mactaquac Generating Station*



*Source: NB Power*



***Future capital spend for the Mactaquac Life Achievement project is estimated at \$2.7 to \$3.7 billion***

***Estimated future capital spend is \$84 million for Belledune and \$93 million for Coleson Cove***

**3.15** NB Power estimates that the Mactaquac Life Achievement project, which is intended to extend the lifespan of the Mactaquac generating station to its original life expectancy of 2068 will have an estimated capital costs of \$2.7 to \$3.7 billion.

**3.16** In addition to the Mactaquac Life Achievement project, NB Power has plans for two additional life achievement projects commencing within the next 10 years Belledune, and Coleson Cove. NB Power states that the estimated capital costs for the projects are very preliminary and are subject to change based on alternatives explored and a defined project scope. Currently, NB Power estimates that the capital costs are \$84 million for Belledune and \$93 million for Coleson Cove. These project costs are high level estimates for two generating stations to reach their original planned end of life.

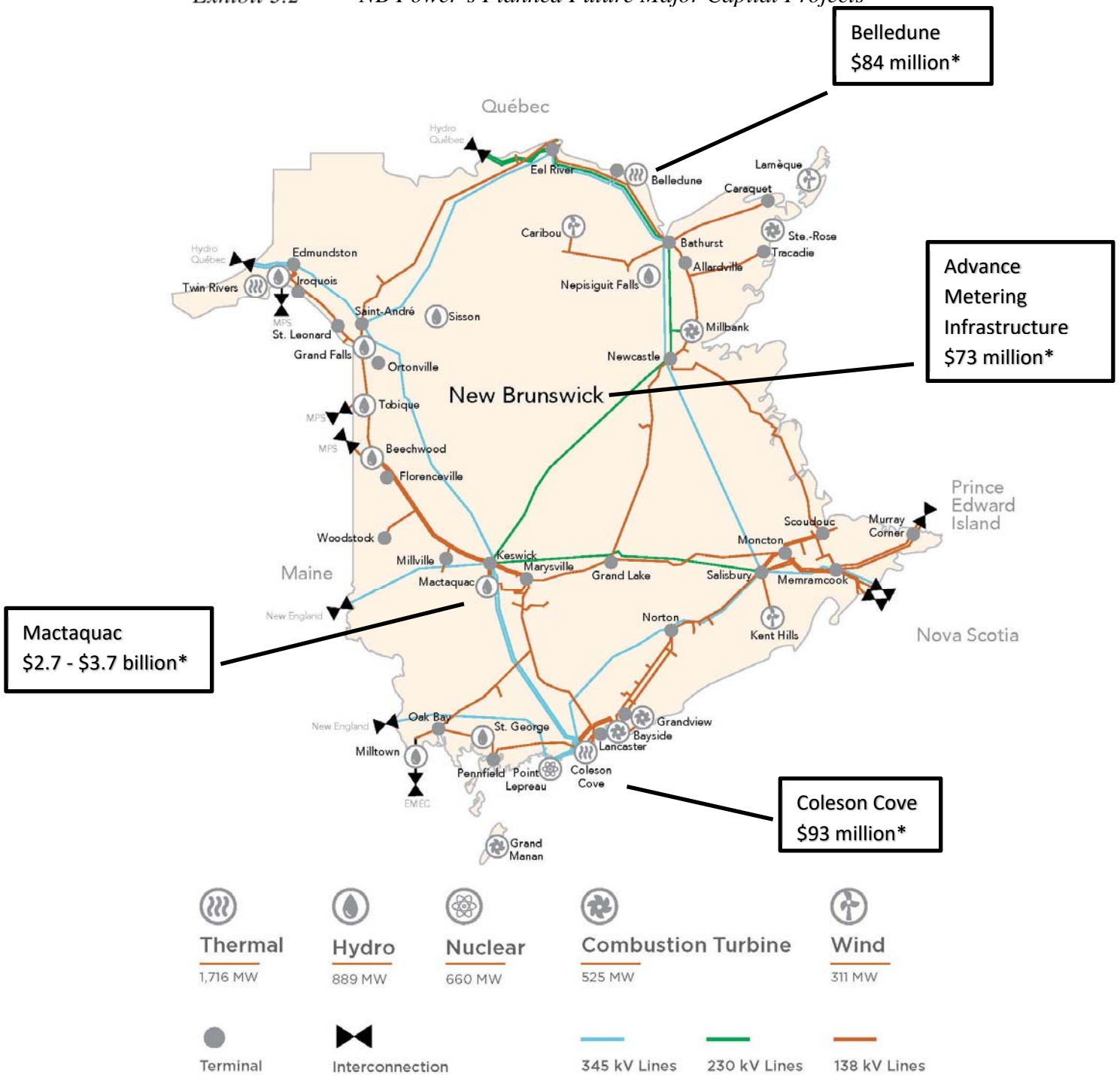
**3.17** NB Power states that Belledune may need to be taken out of service in 2030 if the Province is unable to negotiate an equivalency agreement with the federal government that would allow the station to operate to its planned end of life in 2040. That situation may require investment in a replacement source of generation. Coleson Cove's capital project is intended to bring the generation station to its planned end of life in 2040. Exhibit 3.2 illustrates the location of the major capital projects within the Province of New Brunswick. NB Power indicates these three major capital projects are the lowest cost options as outlined in its Integrated Resource Plan.

*Coleson Cove Generating Station*



*Source: NB Power*

Exhibit 3.2 - NB Power's Planned Future Major Capital Projects

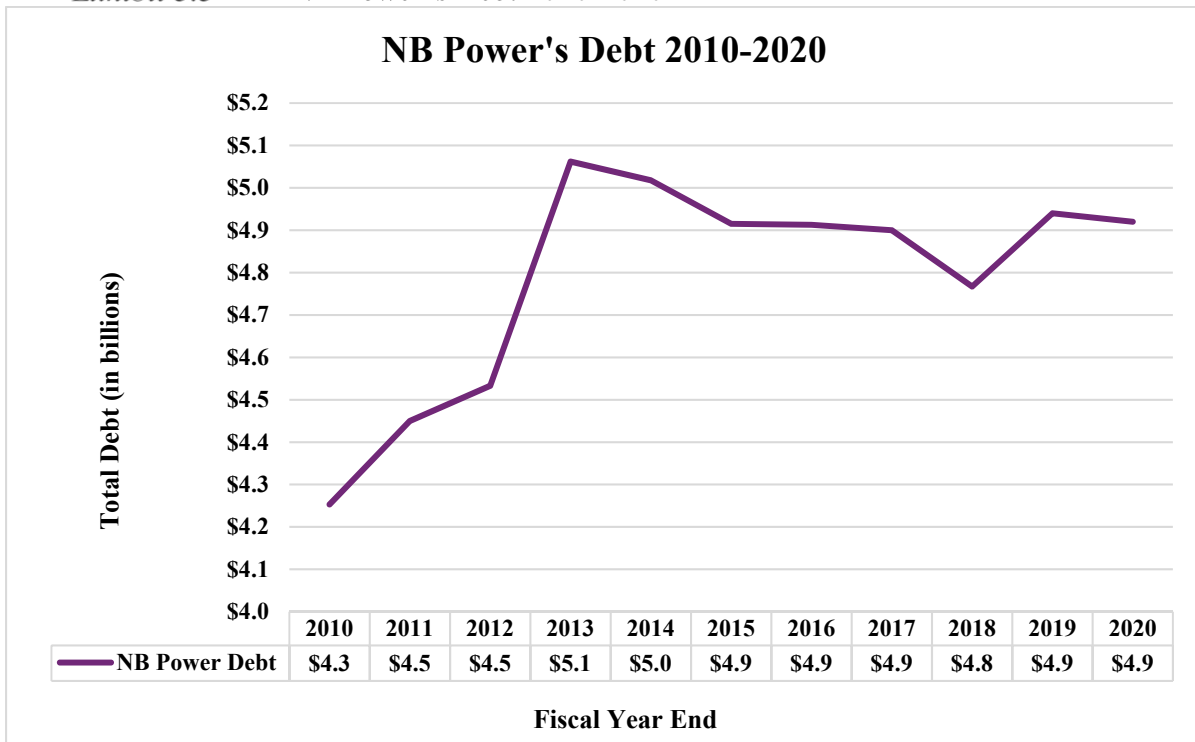


Source: <https://www.nbpower.com/en/about-us/our-energy/system-map>  
 \*Estimated Future Capital Project Cost

***In 2020, NB Power was financed 94% by debt totalling \$4.9 billion***

**3.18** NB Power was financed 94% by debt (\$4.9 billion) in 2020 and has not been able to reduce debt below the 2010 level of \$4.3 billion. The Point Lepreau refurbishment project, one of the largest capital projects in NB Power’s history, was completed in 2013. It caused debt to significantly increase from 2010 to 2013. However, NB Power has reduced debt by a total of \$142 million since 2013. Exhibit 3.3 illustrates NB Power’s increasing debt load over the past decade.

Exhibit 3.3 - NB Power’s Debt 2010-2020



Source: AGNB based on review of the NB Power’s Annual Reports (*unaudited*)

## The Effect of NB Power’s Debt on the Province of New Brunswick

**3.19** NB Power primarily relies on debt for external financing, since it does not have access to share capital as a source of funds from its owner - the Province.

*All borrowing of NB Power is conducted through bonds issued under the Province of New Brunswick*

**3.20** All borrowing of NB Power is conducted through the Province who acts as NB Power’s fiscal agent. The Department of Finance and Treasury Board of the Province “*is responsible for the overall debt and cash management of NB Power*”<sup>2</sup>. The Province completes borrowings, in accordance with the *Provincial Loans Act* to meet NB Power’s financing requirements. As a result, all bonds issued for NB Power are under the name of the Province. NB Power indicates that their Treasury Department interacts with the Province’s Finance and Treasury Board daily.

**3.21** NB Power develops an annual financing plan. After the approval of the annual financing plan by NB Power’s Board of Directors, NB Power sends the planned debt issuances to the Province to incorporate into the Province’s overall borrowing plan, which is then submitted to the Lieutenant-Governor in Council for approval.

*NB Power has never been denied financing in recent history by the Province of New Brunswick*

**3.22** NB Power indicated the Province has never denied the requested financing in recent history. However, the timing and actual amount of certain borrowings may differ from what is reflected in NB Power’s in-year borrowing plan due to the timing of when the Province goes to market.

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<sup>2</sup> New Brunswick Power Corporation – Debt Management Strategy 2020/21 Budget

***NB Power’s financial performance impacts the rating agencies’ decision on the Province of New Brunswick’s credit rating***

**3.23** NB Power must cover the interest payments and pay down the debt on its maturity with its own earnings and re-financing. It is NB Power’s responsibility to demonstrate that debt associated with NB Power is self-sustaining and supported by the rates charged to customers. Any changes to the credit rating of the Province impacts the financing costs incurred by NB Power. On the other hand, NB Power’s financial performance impacts the rating agencies’ decision on the Province’s credit rating.

**3.24** S&P Global and DBRS are two of the worlds leading credit rating agencies. “*Credit ratings are forward-looking opinions on the credit risk and creditworthiness of an entity.*”<sup>3</sup> Each agency uses a rating scale to assign and monitor an entity’s credit rating. Investors rely heavily on ratings given by agencies for decision making purpose. These two third-party rating agencies have expressed concerns regarding NB Power’s financial condition and its impact on the Province. Based on their individual rating scales and data analysis they have stated the following concerning NB Power.

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<sup>3</sup> <https://www.dbrsmorningstar.com/understanding-ratings/#ratings-overview>

***S&P Global’s opinion is that NB Power is the Province of New Brunswick’s largest contingent risk***

**3.25** S&P Global’s opinion as of June 15, 2018, states that “the Province’s largest contingent risk relates to its wholly owned, vertically integrated electric utility, NB Power. This risk stems from the significant operating risks associated with its nuclear generation asset, its exposure to fossil fuel prices, and possible large associated costs related to its power-generating assets, which could produce a large liability for the Province. In our view, the Province would likely support the utility in the event of financial distress. We assess the maximum estimated loss that NB Power could represent for the Province under a stress scenario to be between 10% and 15% of operating revenues.”

***DBRS treats the debt of NB Power as self-supported but notes that leverage remains very high in relation to other provincial utilities***

**3.26** DBRS’s opinion as of March 7, 2018 states that:

- “DBRS treats the debt of NB Power as self-supported but notes that leverage remains very high in relation to other provincial utilities;”
- “An aging Mactaquac Generating Station presents the next big challenge for the utility, which could entail significant debt financing and increase pressure on electricity rates;” and
- “Any decision to explicitly subsidize a portion of rates through the tax base could cause DBRS to reclassify a portion of NB Power’s debt as tax supported debt.”

## NB Power's Regulatory Environment

***Challenging element exists in New Brunswick's regulatory environment***

***All peer utilities have corporate debt to equity targets however, no other Canadian jurisdiction imposes in their legislation a targeted debt to equity as a factor in determining electricity rates***

**3.27** The *Electricity Act* was proclaimed on October 1, 2013, integrating NB Power into a single Crown corporation and revising the New Brunswick regulatory framework.

**3.28** Challenging element exists in New Brunswick's regulatory environment due to section 68 of the *Electricity Act* which requires NB Power to achieve a capital structure of at least 20% equity while maintaining low and stable rates.

**3.29** We performed a jurisdictional comparison across Canada and found that all peer utilities have corporate debt to equity targets; however, no other Canadian jurisdiction imposes in their legislation a targeted debt to equity as a factor in determining electricity rates. More details of this comparison can be found in paragraph 1.35 to 1.41.

**3.30** According to the regulatory and financial reporting expert engaged by the NBEUB, for most other utilities, the required net earnings are only based on an approved total equity (\$) and return on equity (%). In order to determine these amounts, normally the regulator would review evidence on the overall fair return on equity that a utility should earn based on comparator information and assumptions.

***Per section 68(a) of the Electricity Act, NB Power’s objective is to earn a just and reasonable return to achieve a capital structure of at least 20% equity***

**3.31** Section 68(a) of the *Electricity Act* states:

- “that the rates charged by the Corporation for sales of electricity within the Province:
  - i. should be established on the basis of annually forecasted costs for the supply, transmission and distribution of the electricity; and
  - ii. should provide sufficient revenue to the Corporation to permit it to earn a just and reasonable return, in the context of the Corporation’s objective to earn sufficient income to achieve a capital structure of at least 20% equity”

**3.32** Section 68(b) of the *Electricity Act* states:

- “that all the Corporation’s sources and facilities for the supply, transmission and distribution of electricity within the Province should be managed and operated in a manner that is consistent with reliable, safe and economically sustainable service and that will:
  - i. result in the most efficient supply, transmission, and distribution of electricity;
  - ii. result in consumers in the Province having equitable access to a secure supply of electricity; and
  - iii. result in the lowest cost of service to consumers in New Brunswick.”

***Per section 68(c) of the Electricity Act, rates charged shall be maintained as low as possible and changes in rates shall be stable and predictable from year to year***

**3.33** Section 68(c) of the *Electricity Act* states:

- “that, consistent with the policy objectives set out in paragraph (a) and (b) and to the extent practicable, rates charged for sales of electricity within the province shall be maintained as low as possible and changes in rates shall be stable and predictable from year to year.”



**3.34** Other elements of the *Electricity Act* include:

- at least once every three years, NB Power is required to file an Integrated Resource Plan<sup>4</sup> approved by Executive Council with the NBEUB;
- each year, NB Power is required to file a 10 Year Plan. The 10 Year Plan is an annual rolling plan which covers a forecasting period of 10 years. As such, targets, objectives, and goals can change each year, when a new year is added, an old year drops off; and
- starting in 2015-16, NB Power is required to apply annually to the NBEUB for approval of any rate increases the utility proposes to charge for that year.

## Rate Setting Factors in Other Jurisdictions

**3.35** We compared the rate setting processes across Canada to determine if:

- section 68(a)(ii) of the *Electricity Act* that requires both a just and reasonable return while achieving capital structure of at least 20% equity, is a challenging provision affecting only the New Brunswick regulatory environment; and
- capital expenditure approvals are required by an administrative board.

### *All provinces have a regulator*

**3.36** Electricity rates are reviewed by a regulatory board or commission in all the provinces across Canada. In Saskatchewan, the decision on rates is made by Cabinet after undergoing a regulatory process unlike the rest of the provinces, where the regulatory body makes the rate setting decision.

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<sup>4</sup> *Integrated Resource Plan: covers a planning period of not less than 20 years and includes NB Power's load forecast for the planning period; demand-side management, energy efficiency plans, and supply-side options considered by NB Power and those chosen for implementation; the anticipated impact on load of demand-side management and energy efficiency plans chosen for implementation; cost implications of the demand-side management, energy efficiency plans, and supply-side options chosen for implementation as projected for the initial 10-year period; any key assumptions relied on developing the integrated resource plan; a description of the stakeholder consultations carried out in the development of the plan; and any other information NB Power considers relevant or that is ordered by the NBEUB.*

*In most provinces the regulator considers costs*

**3.37** In all but two provinces (British Columbia and Saskatchewan), legislation requires the regulatory body to consider costs the utility incurs to provide electricity. British Columbia and Saskatchewan are not explicit about considering costs, however they have an expansive scope that would include having regard to costs of production.

*In eight provinces rates must be just and reasonable*

**3.38** In eight provinces (British Columbia, Alberta, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador), the rate must be just and reasonable. In Ontario and Manitoba, there are several policy considerations that are imposed on the regulatory body. All have features of just and reasonable rates but are not as explicit in legislation as New Brunswick.

## **Approval of Capital Expenditures**

*Less consistency exists across provinces on whether and how utilities are required to get approval for capital expenditures*

**3.39** Less consistency exists across provinces on whether and how utilities are required to get approval for capital expenditures. Most provinces require some type of approval for capital expenditures, either through approval of projects or a schedule of projects by the regulatory body.

- Manitoba requires approval by the Minister if the project reaches a specific cost threshold;
- Saskatchewan, for transactions where the purchase or sale price of real property is over \$150,000, approval of the Lieutenant Governor in Council is required; and
- Alberta has no approval requirements for capital expenditures.

*NB Power is required to obtain the New Brunswick Energy and Board approval for all capital projects in excess of \$50 million*

**3.40** Section 107(1) of the *Electricity Act* states “*if the total projected capital cost to the Corporation of a capital project is \$50 million or more, the Corporation shall not incur, in relation to the capital project, capital expenditures in excess of an amount equal to 10% of the total projected capital cost of the capital project before the capital project has been approved by the NBEUB.*”

*The New Brunswick Energy and Utilities Board must consider the 20% equity requirement when approving capital projects*

**3.41** Additionally, section 107(11)(a) states that “*the NBEUB shall take into consideration the policy set out in section 68.*” In other words, the NBEUB must consider the 20% equity requirement when approving capital projects over \$50 million.

## Government Owned Power Utilities in Canada

**3.42** To gain a better understanding of NB Power’s financial position, we compiled financial information for the following government owned power utilities (peer utilities) in Canada for benchmarking analysis:

- British Columbia Hydro and Power Authority (BC Hydro);
- SaskPower;
- Manitoba Hydro (MB Hydro);
- Newfoundland and Labrador Hydro (NL Hydro);
- Hydro-Québec; and
- Ontario Power Generation (OPG).

*Each peer utility is a government owned utility however, subject to different regulatory and accounting frameworks*

**3.43** We believe the selected utilities are the appropriate peer utilities for benchmarking as they are all government owned utilities. However, each peer utility is subject to different regulatory and accounting frameworks. Additionally, the size, generation capacity, and mix of generation assets of each peer utility is quite different. For example, Hydro-Québec and BC Hydro primarily rely on hydroelectric generation, while NB Power uses a mix of hydroelectric, nuclear, fossil-fuel, and other generating assets.

**3.44** Exhibit 3.4 provides a high level comparison of NB Power to the other peer utilities in Canada for fiscal year 2019. For additional details on each peer utility please see Appendix I.

Exhibit 3.4 - NB Power and the Peer Utilities in Canada – Fiscal Year End 2019

NB Power and the Peer Utilities in Canada - Fiscal Year End 2019							
	NB Power	BC Hydro	SaskPower	MB Hydro	NL Hydro	Hydro-Québec	OPG
# of Customers	405,466	2,049,322	537,714	871,791	38,000**	4,356,542	NA*
Total Megawatt Capacity	3,790	12,109	4,531	5,600	1,763	37,243	17, 017
Rate Increase	0.9%	3.0%	0.0%	3.6%	NA	0.9%	NA
Net Income (Loss) - billions	\$0.02	(\$0.43)	\$0.20	\$0.12	\$0.06	\$2.92	\$1.14
Debt - billions	\$4.9	\$22.1	\$7.3	\$20.7	\$1.8	\$46.3	\$8.2
Debt to Equity Ratio	93%	82%	74%	86%	64%	68%	37%
Interest Coverage Ratio	0.95	NA	NA	1.57	NA	2.07	NA
Fiscal Year End	Mar 31	Mar 31	Mar 31, 2015 - 2019 Dec 31, 2010 - 2014	Mar 31	Dec 31	Dec 31	Dec 31
Accounting Framework	IFRS	IFRS	IFRS	IFRS	IFRS	US GAAP	US GAAP
Financing Provided by: See Appendix I for additional details	The Province of New Brunswick	The Province of British Columbia	The Government of Saskatchewan	The Province of Manitoba	Directly and indirectly by the Province of Newfoundland	Unconditional guarantee by the Quebec government on most debt	Long-term debt is sourced from the Ontario Electricity Financial Corporation, however, OPG also accesses the capital markets for private placement project financing
Credit Rating:							
DBRS - 2019	A (high) Stable	AA (high) Stable	AA Stable	A (high) Stable	A (low) Stable	AA (low) Stable	A (low) Stable
Moody's - most recently published	Aa2	Aaa	Aaa	Aa2	NA	Aa2	A3
Standard's and Poor - 2019	A+ Stable	AAA Stable	AA Stable	A+ Positive	NA	AA- Stable	BBB+ Stable

Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

NA: Information is not available in the associated annual reports

\*OPG is an electricity generation company whose principal business is the generation and sale of electricity (not to end users, to transmitters then to local distributors within the Province.)

\*\* NL Hydro's primary customer group consists of Newfoundland Power, industrial customers and the 38,800 residential and commercial customers in rural Newfoundland and Labrador.

IFRS: International Financial Reporting Standards

US GAAP: United States Generally Accepted Accounting Principles

## Financial Metrics

**3.45** Capital structure is “*the particular combination of debt and equity used by a company to finance its overall operations and growth.*”<sup>5</sup>

***NB Power’s debt management strategy***

**3.46** NB Power’s Debt Management Strategy (2020/21 Budget) states “*Building equity will reduce NB Power’s potential risk to rising interest rates and help ensure there is financial flexibility to deal with unplanned events or capital-intensive periods.*”

**Debt to Equity**

**3.47** NB Power and peer utilities in Canada measure the capital structure of their corporation using the debt to equity ratio. Debt to equity is an indicator of the risk associated with the corporations borrowing activities and a higher debt to equity ratio results in a greater risk to stakeholders.

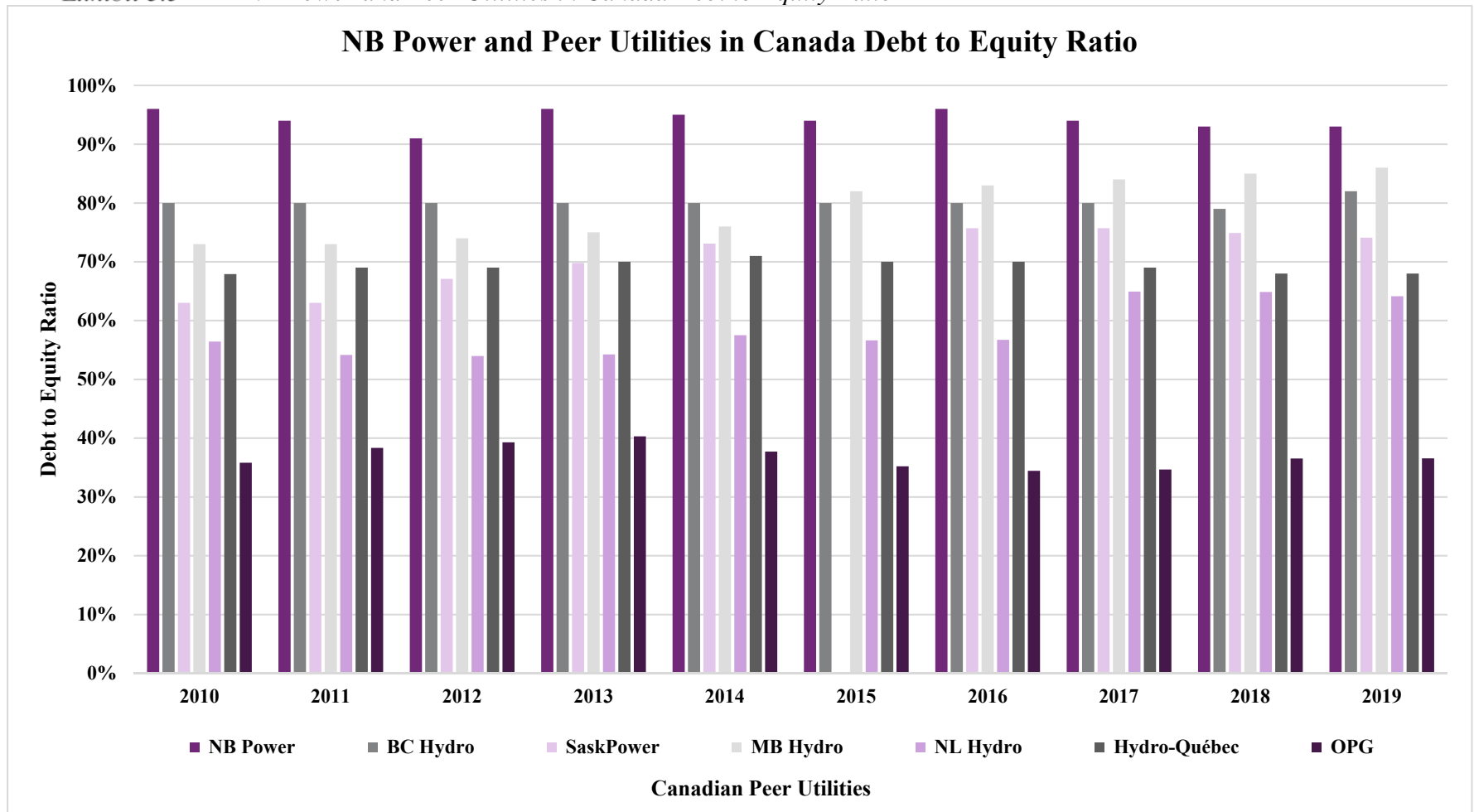
**3.48** As previously noted, NB Power is required under the *Electricity Act* and its mandate to achieve a capital structure of 80% debt to 20% equity.

***NB Power has the highest debt to equity ratio from 2010 to 2019 when compared to other peer utilities in Canada***

**3.49** Exhibit 3.5 illustrates the debt to equity ratio from fiscal years 2010 to 2019 for all peer utilities in Canada. NB Power has the highest debt to equity year over year ranging between 91% and 96% compared to the other peer utilities in Canada. The analysis completed was based on the debt to equity ratios as reported in the peer utilities’ annual reports. The equity portion may include different components for each peer utility. The degree to which the peer utilities utilize regulatory deferral accounts will also affect their level of equity. These factors may potentially impact the comparability.

<sup>5</sup> <https://www.investopedia.com/terms/c/capitalstructure.asp>

Exhibit 3.5 - NB Power and Peer Utilities in Canada Debt to Equity Ratio



Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

\*In 2015, SaskPower was directed by the provincial government to change its fiscal year-end to March 31 from December 31 to coincide with that of the Province of Saskatchewan. The first completed fiscal period consisted of the 15 months ending March 31, 2016. Therefore, SaskPower does not have a debt to equity ratio for 2015.

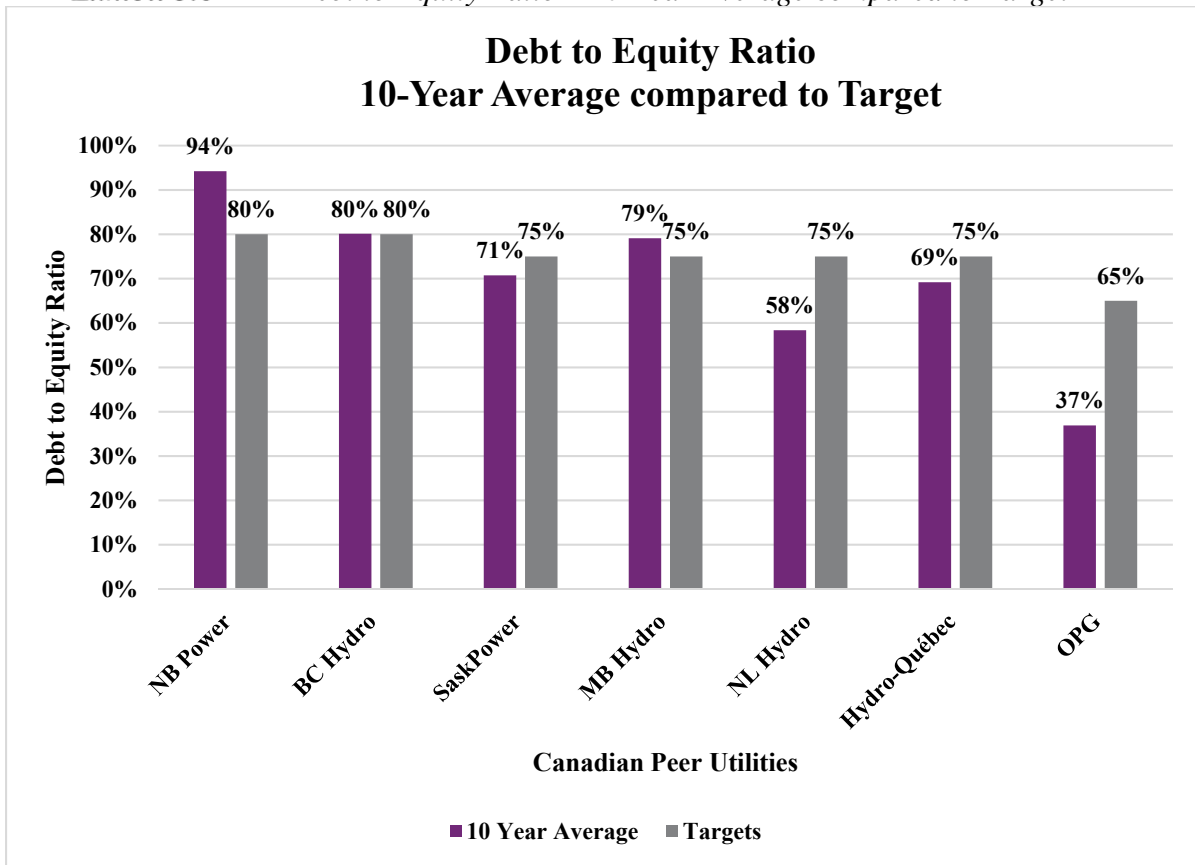
***In the past decade no other peer utility has reached a debt to equity ratio as high as 90%***

**3.50** We observed that NB Power has not been able to make significant progress toward achieving the targeted debt to equity ratio of 80/20 as required by the *Electricity Act* since the proclamation on October 1, 2013. In fact, NB Power has not been able to lower the debt to equity ratio below 90% and has only come close once in fiscal year 2012 at 91%. Additionally, no other peer utility has ever climbed to a debt to equity ratio as high as 90%. MB Hydro would be closest when it reached an 86% debt to equity ratio in 2019.

***Over the past decade NB Power’s debt to equity ratio has averaged 94%***

**3.51** Over the past 10 years (fiscal year ends 2010 to 2019) NB Power’s debt to equity ratio has averaged 94%, higher than any other peer utility in Canada and far offside the requirement of the *Electricity Act* and mandate. Exhibit 3.6 illustrates the 10-year average compared to the targeted debt to equity ratio for NB Power and the peer utilities in Canada.

Exhibit 3.6 - Debt to Equity Ratio – 10-Year Average compared to Target

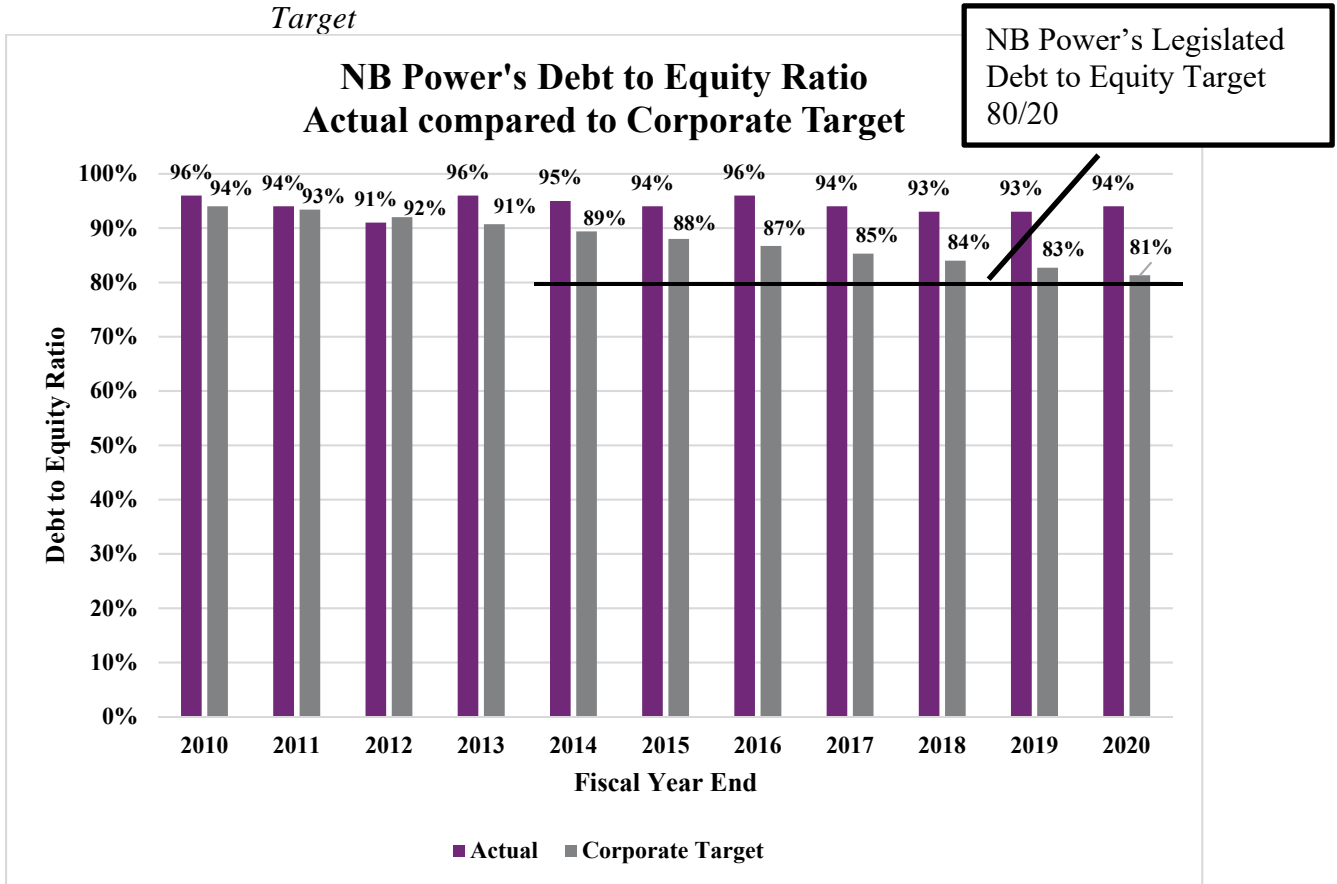


Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

**NB Power has failed to meet the 2013 legislated 20% equity target**

**3.52** Exhibit 3.7 illustrates NB Power’s actual debt to equity compared to the corporate target between 2010 and 2020. The exhibit further highlights NB Power’s failure to achieve the *Electricity Act* and mandate 20% equity target.

*Exhibit 3.7 - NB Power’s Debt to Equity Ratio – Actual compared to Corporate Target*



Source: AGNB based on review of NB Power’s Annual Report and internal documents (unaudited)



***Over the past decade all peer utilities except NB Power and MB Hydro have achieved their debt to equity target***

**3.53** Exhibit 3.8 illustrates the debt to equity ratio 10-year average and targets for NB Power and each peer utility in Canada. We observed that over the past 10 years all peer utilities except for NB Power and MB Hydro have achieved their debt to equity target. For additional details on each peer utilities' debt to equity ratio please see Appendix II.

*Exhibit 3.8 - NB Power and the Peer Utilities Targeted Debt to Equity Ratio*

Peer utility	Debt to Equity Target	Debt to Equity 10-year average	Debt to Equity Target Achieved
<b>NB Power</b>	89/12*	94/6	No
<b>BC Hydro</b>	80/20	80/20	Yes
<b>MB Hydro</b>	75/25	79/21	No
<b>SaskPower</b>	60/40 to 75/25	71/29	Yes
<b>Hydro-Québec</b>	75/25	69/31	Yes
<b>NL Hydro</b>	75/25	58/42	Yes
<b>OPG</b>	65/35	37/63	Yes

Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

\*NB Power's debt to equity ratio target is based on the 10-year average corporate target (per the Electricity Act and mandate the target is 80/20).

***To achieve the 80/20 debt to equity target by 2027, NB Power requires a total debt reduction of \$457 million or an annual average debt reduction of \$65 million***

***Public Intervener questions NB Power's debt reduction plan***

***In December 2019, NB Power stated no definitive date to meet 20% equity target and achieving low and stable rates will be much more difficult once Mactaquac project starts***

**3.54** Based on NB Power's 10 Year Plan 2021-30, NB Power plans to achieve the debt to equity ratio of 80/20 in 2027 by reducing debt by \$457 million to \$4.5 billion. We estimated this to represent an average annual reduction in debt of \$65 million. However, this appears to be an unrealistic expectation as NB Power has reduced debt, on average, by only \$20 million annually since the Point Lepreau refurbishment project was completed in 2013.

**3.55** In December 2019, the Public Intervener asked NB Power during Matter 458 (NB Power 2020-2021 General Rate Application), if it had any specific plans for when it believed it needed to achieve the target debt to equity ratio of 80/20 to be able to finance major capital expenditures in a responsible manner.

**3.56** NB Power's response to the Public Intervener:

- *“NB Power does not have a definitive date established as to when it must achieve the minimum equity target of 20% or whether the target should be exceeded.”; and*
- *“NB Power does believe that if the target is not achieved before or near the start of the Mactaquac project, then it will be much more difficult to meet and ultimately sustain the target while also attempting to keep rates low and stable.”*

**3.57** Additionally, NB Power's 10 Year Plan 2020-29 (December 2018) states that *“NB Power was very clear that the forecast presented was not a recommended and finite plan and that it was not recommending that the achievement of the equity target be delayed until 2029.”*

**3.58** Without a well-defined plan to achieve the legislative equity target of 20%, NB Power's ability to finance large scale capital projects in the future, such as the Mactaquac Life Achievement project will be significantly limited.

- Recommendation**
- 3.59** We recommend NB Power prioritize debt reduction by developing a firm and well-defined debt management plan to achieve the mandated debt to equity target by 2027. The plan should comprise:
- achievable annual key performance indicators (KPI) including a debt reduction amount and debt to equity ratio; and
  - a requirement to report annually within NB Power’s annual report:
    - i. any deviation from the annual KPIs;
    - ii. reasons if KPIs are not met; and
    - iii. an adjusted action plan to reach 2027 target date.

- Interest Coverage Ratio**
- 3.60** Interest coverage ratio is “used to determine how easily a company can pay interest on its outstanding debt.”<sup>6</sup> Interest coverage ratio is considered an important element of financial targets as a corporation cannot grow or survive if the organization cannot pay the interest on its outstanding obligations. A low interest coverage ratio is generally not appealing to investors as it can represent a lack of potential growth.
- Coverage represents “the number of fiscal years for which interest payments can be made with the company’s currently available earnings.”<sup>7</sup>

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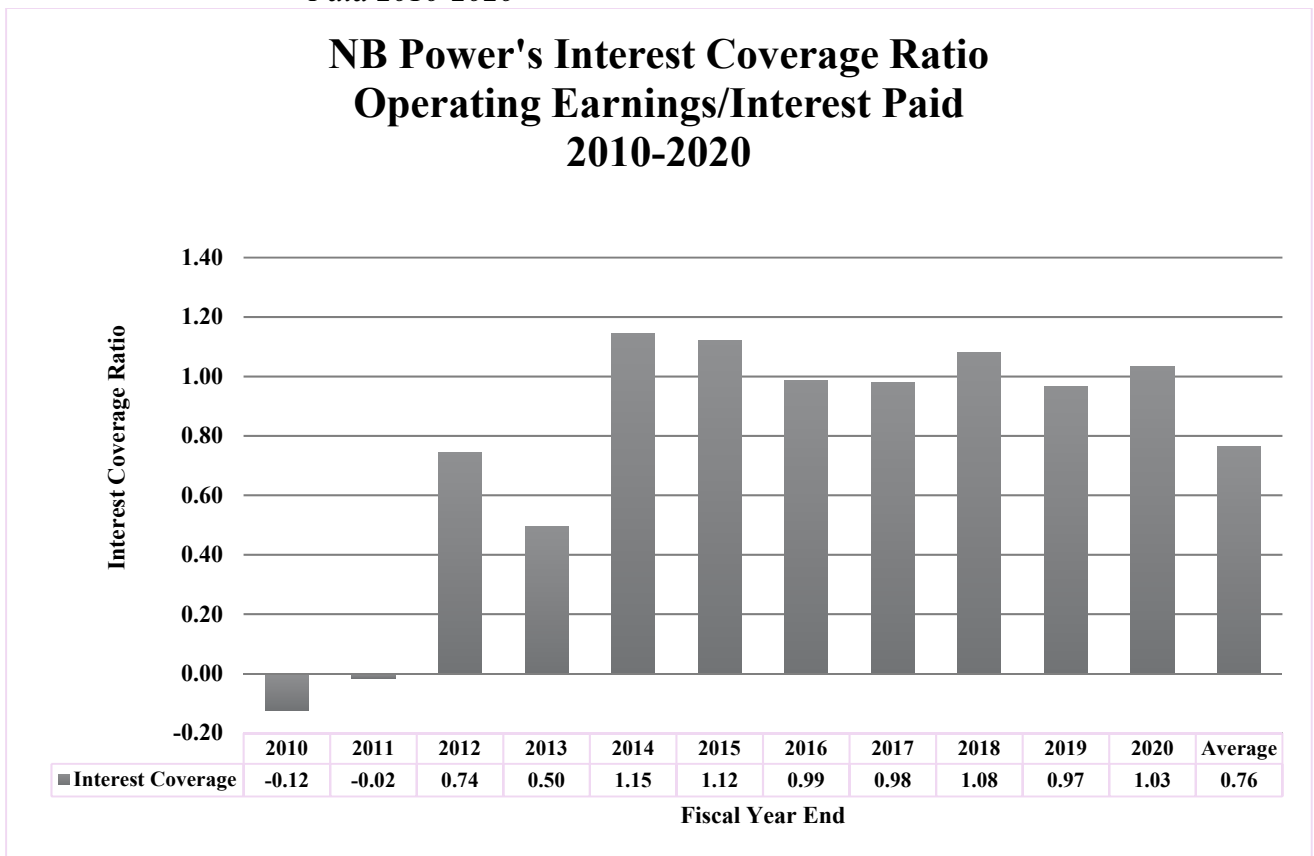
<sup>6</sup> <https://www.investopedia.com/terms/i/interestcoverageratio.asp>

<sup>7</sup> <https://www.investopedia.com/ask/answers/121814/what-good-interest-coverage-ratio.asp>

***NB Power’s earnings over the past 11 years on average can only cover a single fiscal year of interest payments***

**3.61** Exhibit 3.9 illustrates NB Power’s interest coverage ratio for the period of 2010 to 2020. Only two of NB Power’s peer utilities calculate the interest coverage ratio in their annual reports. Therefore, to provide an equal comparison of the interest coverage ratio across all peer utilities in Canada, we calculated the ratio based on operating earnings (revenue – expenses) divided by interest paid. NB Power’s interest coverage highlights an inability to cover interest payments beyond a single fiscal year showcasing NB Power’s increasing financial struggles. NB Power’s 2020 interest coverage ratio was 1.03 up from 0.97 in 2019 and beyond the average of 0.76.

*Exhibit 3.9 - NB Power’s Interest Coverage Ratio Operating Earnings/Interest Paid 2010-2020*

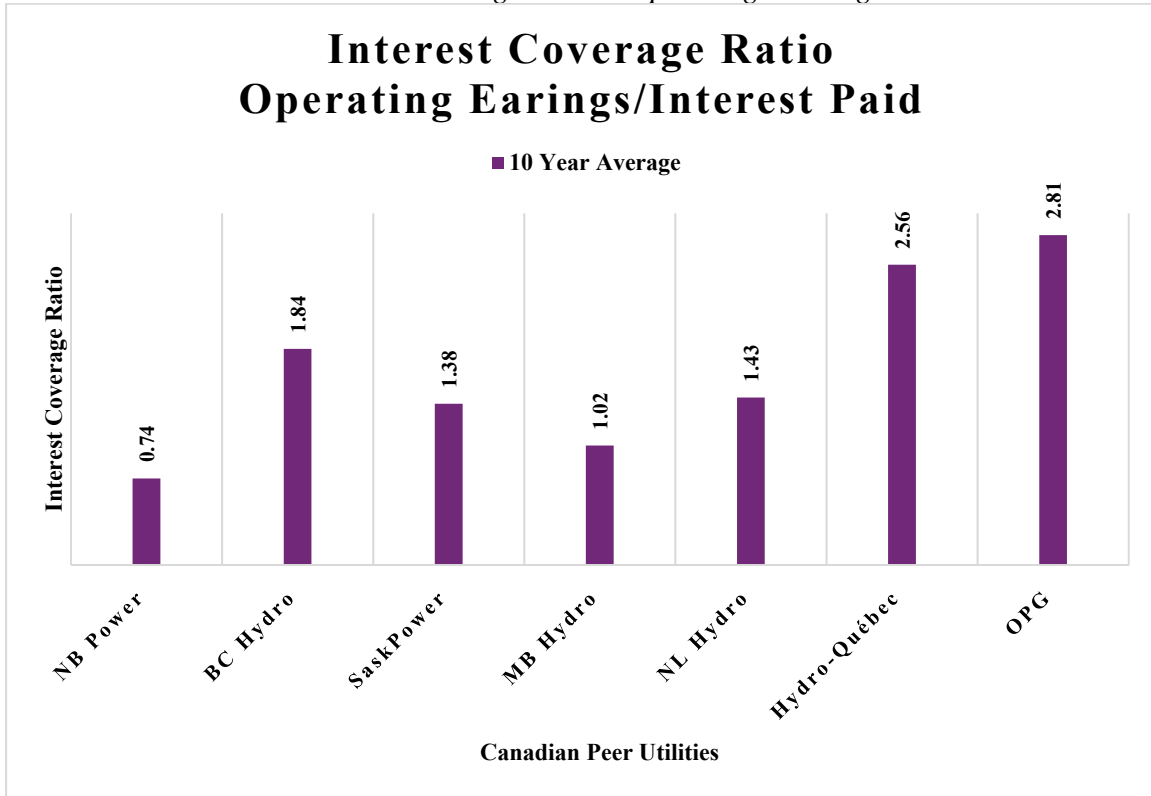


Source: AGNB based on review of NB Power’s Annual Reports (unaudited)

**NB Power has the worst 10-year average interest coverage ratio compared to peer utilities in Canada**

**3.62** Exhibit 3.10 provides a comparison across all peer utilities in Canada. The exhibit highlights that NB Power has the worst 10-year average interest coverage ratio (0.74) compared to the other peer utilities in Canada based on 10-year averages.

Exhibit 3.10 - Interest Coverage Ratio - Operating Earnings/Interest Paid



Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

**3.63** NB Power completed a benchmarking analysis in 2016 based on 2010 to 2014 data. The benchmarking report presented interest coverage ratio results that showed “NB Power remains in the worst quartile for all shareholder metrics” including interest coverage.

## Credit Rating Analysis

*NB Power acquires interest rates based on the Province of New Brunswick's credit rating*

**3.64** NB Power's debt, as discussed in paragraph 1.19 and 1.20, is issued through the Province. Therefore, NB Power acquires interest rates based on the Province's credit rating. NB Power pays a 0.65% debt portfolio management fee to the Province, based on NB Power's loan balance at the beginning of the fiscal year.

**3.65** NB Power engaged a consultant to conduct a financing strategy review in October 2019. The consultant estimated NB Power's theoretical stand alone credit rating based on the rating methodologies published by the credit rating agencies DBRS and Moody's. The results are highlighted in Exhibit 3.11.

*Exhibit 3.11 - NB Power's Estimated Credit Rating compared to the Province of New Brunswick*

Rating Agency	NB Power	Province of New Brunswick
DBRS	BBB-	A(high)
Moody's	Baa3	Aa2

*Source: NB Power's Financing Strategy Review (October 2019) (unaudited)*

**3.66** The accounting firm noted NB Power's weighted average coupon rate on long-term debt issuances has been competitive compared to its peers (4.23% as of March 31, 2019 vs. 4.50% peer average).

*The combination of highest debt to equity and worst 10-year average interest coverage across comparable jurisdictions represents an elevated liquidity risk to NB Power*

**3.67** The combination of highest debt to equity and worst 10-year average interest coverage across comparable jurisdictions represents an elevated liquidity risk to NB Power.

**3.68** Exhibit 3.12 shows the results of a theoretical interest rate differential comparison we completed between the Province and a Canadian utility company with a credit rating of BBB- (DRBS) or Baa3 (Moody's).

*Exhibit 3.12 - Theoretical Interest Rate Differential Comparison between the Province and a Canadian Utility with a credit rating of BBB- or Baa3 (As of September 1)*

	3 Year	5 Year	10 Year	30 Year	Average
<b>2018</b>	0.72%	0.67%	0.79%	1.02%	0.80%
<b>2019</b>	0.72%	0.68%	0.83%	1.10%	0.83%
<b>2020</b>	0.81%	0.87%	1.09%	1.65%	1.11%
<b>Year Average</b>	0.75%	0.74%	0.90%	1.26%	0.91%

Source: Finance and Treasury Board (unaudited)

***NB Power's debt to equity and interest coverage ratios could be worse, if they were to issue debt independently***

**3.69** The overall average of all the differentials is 0.91%. Therefore, if NB Power were to issue its own debt, it would pay interest at an average rate 0.26% higher than its currently does (0.91% – 0.65% debt portfolio management fee). In other words, the debt to equity and interest coverage ratios could be worse, if NB Power were to issue debt independently.

## **Additional Financial Ratio Analysis**

**3.70** Furthermore, we conducted an analysis of four additional financial ratios.

- Cash Flow from Operations to Capital Expenditures (CF/CapEX);
- Cash Flow from Operations to Debt (CF/Debt);
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Assets; and
- EBITDA to Total Revenue.

**3.71** The analysis is summarized below. The detailed results are listed in Appendix III.

- NB Power's CF/CapEx ratio is in the middle range compared to the peer utilities. This ratio would suggest NB Power is investing cash from operations in capital expenditures at a similar level compared to the peer utilities. A high CF/CapEx ratio is indicative of a company with sufficient capital to fund operations.
- NB Power's CF/Debt ratio is aligned with other high leverage utilities such as BC Hydro and MB Hydro. Given there are significant capital expenditures forecasted after 2027, NB Power believes it must lower the debt level before 2027 to reduce financial risks.
- NB Power's EBITDA to Total Assets ratio is in the middle compared to other peer utilities. This ratio suggests NB Power is relatively effective using its assets to generate cash earnings.
- NB Power's EBITDA to Total Revenue is the lowest, however close to OPG and NL Hydro, both of whom have achieved their targeted debt to equity ratios.



## NB Power's 10 Year Plan

*10 Year Plan intended to allow New Brunswick Energy and Utilities Board to assess NB Power's ability to achieve long term legislated goals*

*Key assumptions vary significantly year to year and are largely outside the control of NB Power*

*Experts of New Brunswick Energy and Utilities Board and Public Intervener noted NB Power's financial forecasting approach is unique*

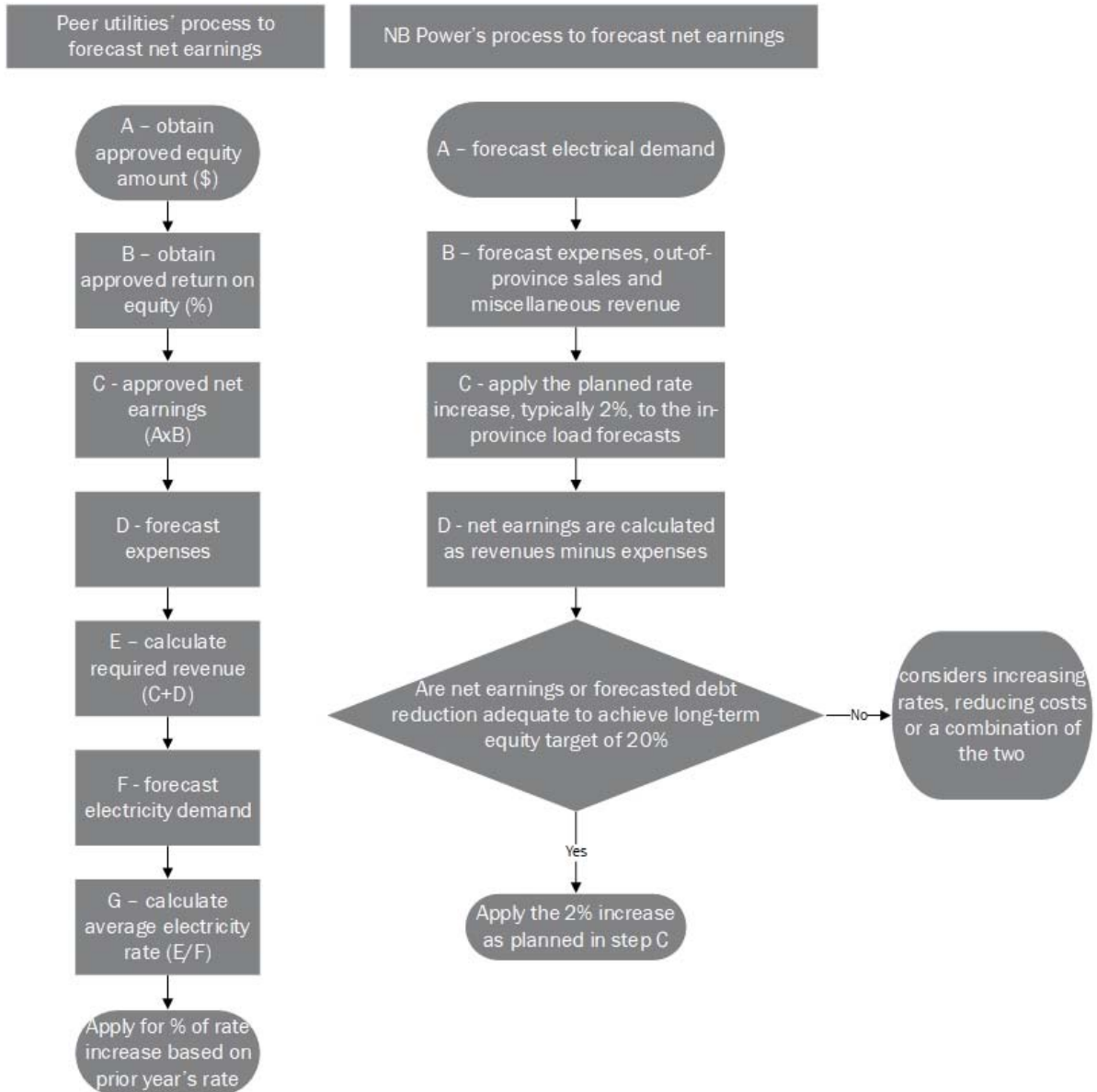
**3.72** Section 101(1) of the *Electricity Act* specifies NB Power must file for information purposes a strategic, financial, and capital investment plan annually with the NBEUB covering the next 10 fiscal years. The “10 Year Plan” is a key document included in NB Power’s annual general rate application. It allows the NBEUB to assess NB Power’s progress and forecasting ability to achieve long-term legislated goals and objectives.

**3.73** The financial forecast included in the 10 Year Plans is based on several key assumptions, such as rate increases, fuel prices, interest rates, hydro flows and the capacity of Point Lepreau. These factors can vary significantly from year to year and are largely outside of NB Power’s control. As a result, it would be challenging to present a firm and accurate financial forecast for such a long period.

**3.74** We reviewed two expert reports engaged by the NBEUB and Public Intervener. Both experts identified NB Power generally followed an approach of first establishing a specific increase in rates, and then calculating the resulting net income for year one of the forecast.

**3.75** The NBEUB expert noted this approach is somewhat unique to NB Power compared to the other peer utilities in Canada. Exhibit 3.13 illustrates the two different rate application processes. For most other peer utilities, the net earnings are derived based on an approved equity amount and approved return on equity. For NB Power, the resulting net income is derived from forecasted rate levels needed to meet the longer-term capital structure objective of NB Power. This is because there is no legislated, deemed capital structure or return on equity, and the NBEUB is required to consider the annual revenue requirement in the context of achieving the 80% debt target.

*Exhibit 3.13 - Process to forecast net income adopted by NB Power and Peer Utilities*



*Source: Created by AGNB based on information provided by NB Power and NBEUB's expert report.*

***The financial forecast in the 10 Year Plans are not accurate, based on comparison between forecast and actuals***

***NB Power's actual net earnings were off base year projections by an average of \$50 million a year***

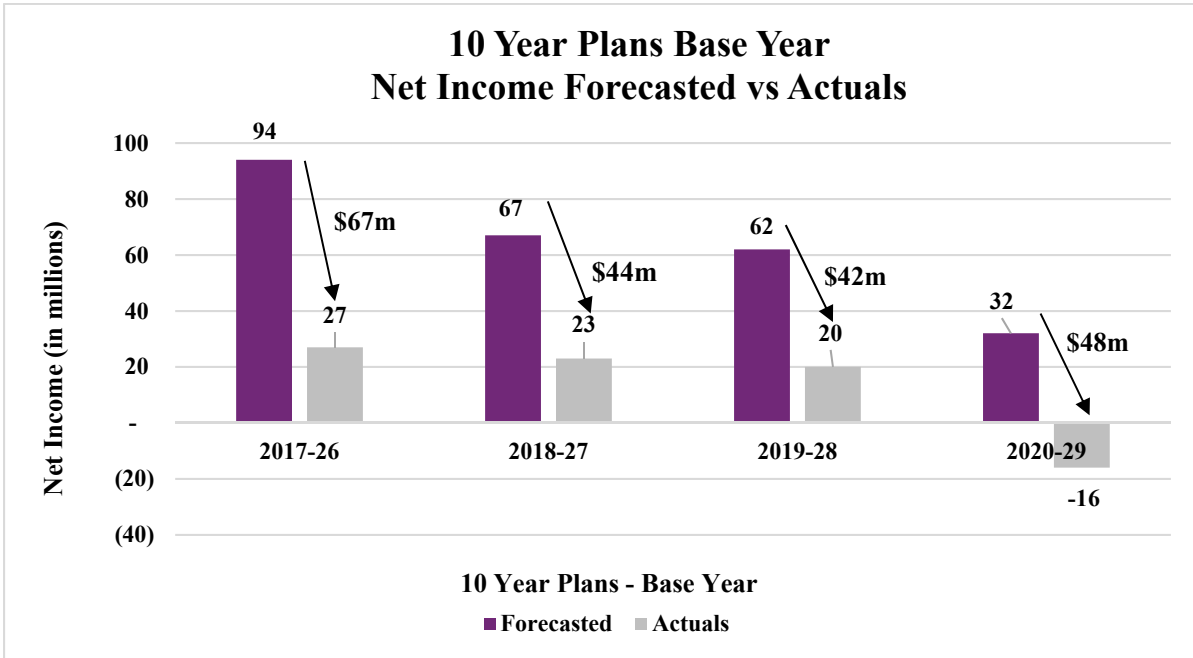
***NB Power's actual net earnings were on average off \$124 million the 10 Year Plan 2017-26 projections***

**3.76** To assess the reasonableness and accuracy of the financial forecasts outlined in the 10 Year Plans, we compared the projections in the 10 Year Plans against NB Power's annual reports for fiscal year ends 2017, 2018, 2019, and 2020. Despite achieving higher operating earnings in fiscal 2019/20 than 2018/19, a net loss of \$16 million occurred. NB Power states that it was the instability of the financial markets in February and March 2020, largely as a result of the pandemic, that drove this reduction.

**3.77** NB Power has not been able to accurately forecast its net earnings using its current approach. As illustrated:

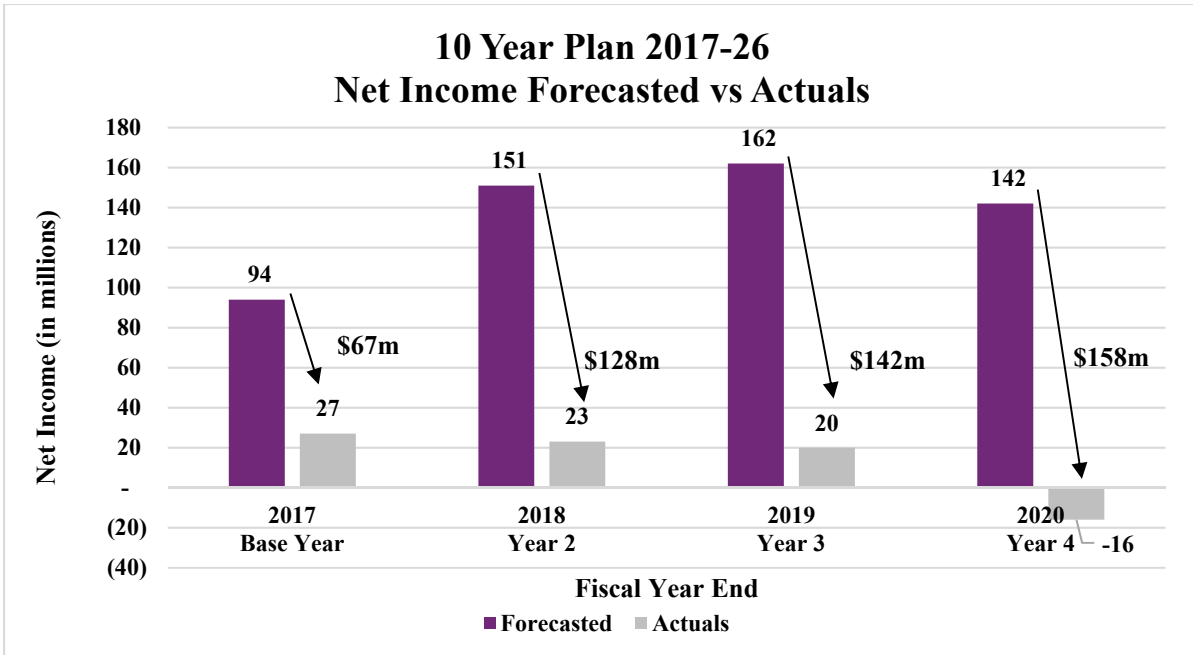
- Exhibit 3.14 shows NB Power's actual net earnings from annual reports were, on average, \$50 million off base year (year one) projections as noted in the 10 Year Plans reviewed; and
- Exhibit 3.15 further illustrates NB Power's inability to accurately forecast its net earnings into the future. We determined NB Power's actual net earnings from annual reports were, on average, \$124 million off projections noted in the 10 Year Plan 2017-26.

Exhibit 3.14 - 10 Year Plans Base Year- Net Income Forecasted vs Actuals



Source: AGNB based on review of NB Power’s 10 Year Plans and Annual Reports (unaudited)

Exhibit 3.15 - 10 Year Plan 2017-26 Net Income Forecasted vs Actuals



Source: AGNB based on review of NB Power’s 10 Year Plan 2017-26 and Annual Reports (unaudited)

***NB Power's financial position impacts the Province and all New Brunswickers***

**3.78** NB Power's inability to accurately forecast its net earnings impacts the Province's financial position and all New Brunswickers. As Exhibit 3.16 highlights the exact amount of NB Power's forecasted net income in its 10 Year Plan is included in the Province's Main Estimates. In the last four years NB Power under performed compared to expectations by \$195 million. This is significantly concerning and raises questions of sustainability given the future major capital projects on the horizon. The Province's ability to meet its budgeted net income is negatively affected, when NB Power is not able to achieve its targeted net income.

*Exhibit 3.16 - NB Power's Forecasted Net Income compared to the Province's Main Estimates and Actuals in Financial Statements*

<b>in millions</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Total</b>
<b>NB Power's 10 Year Plan</b>	\$ 94.0	\$ 67.0	\$ 62.0	\$ 32.0	\$ 255.0
<b>Province's Main Estimates (A)</b>	\$ 94.0	\$ 72.7	\$ 67.7	\$ 37.7	\$ 272.1
<b>Actuals in Province's Financials (B)</b>	\$ 32.7	\$ 28.7	\$ 25.7	-\$ 10.3	\$ 76.8
<b>Unfavourable Variance (B-A)</b>	-\$ 61.3	-\$ 44.0	-\$ 42.0	-\$ 48.0	-\$ 195.3

*Source: AGNB based on review of NB Power's 10 Year Plans and the Province's Main Estimates and Financial Statements (unaudited)*

**3.79** NB Power, in general, has been able to forecast its revenues with reasonable accuracy on an averaged basis. The variability in NB Power's net earnings is driven mainly by its expenses. Fuel and purchased power is the largest expenditure line item. We found it had the most significant unfavourable variance from forecast to actuals, except for 2017.

**3.80** Exhibit 3.17 illustrates NB Power's 10 Year Plans forecasted fuel and purchased power compared to the actuals as reported in its annual reports.

*Exhibit 3.17 - NB Power's Gross Margin and Fuel & Purchased Power Variance Analysis (fiscal year 2016/17 to 2019/20)*

(in millions \$)	2016/17			2017/18			2018/19			2019/20			4-Year Total	4-Year Average
	Actual	Forecasted	Variance	Actual	Forecasted	Variance	Actual	Forecasted	Variance	Actual	Forecasted	Variance		
In-Province Sales Revenue	1,369	1,426	(57)	1,402	1,429	(27)	1,416	1,453	(37)	1,420	1,496	(76)	(197)	(49)
Out-of-Province Sales Revenue	251	337	(86)	265	223	42	293	178	115	428	166	262	333	83
Total Sales Revenue	1,620	1,763	(143)	1,667	1,652	15	1,709	1,631	78	1,848	1,662	186	136	34
In-Province Fuel & Purchased Power	525	532	(7)	529	484	45	560	498	62	470	510	(40)	60	15
Out-of-Province Fuel & Purchased Power	177	240	(63)	198	152	46	201	99	102	307	105	202	287	72
Total Fuel & Purchased Power	702	772	(70)	727	636	91	761	597	164	777	615	162	347	87
In-Province Gross Margin	844	894	(50)	873	945	(72)	856	955	(99)	950	986	(36)	(257)	(64)
Out-of-Province Gross Margin	74	97	(23)	67	71	(4)	92	79	13	121	61	60	46	12
Total Gross Margin	918	991	(73)	940	1,016	(76)	948	1,034	(86)	1,071	1,047	24	(211)	(53)
In-Province Sales (millions of kWh)	13,039	13,458	(419)	13,170	13,270	(100)	13,186	12,945	241	13,097	13,505	(408)	(686)	(172)
Out-of-Province Sales (millions of kWh)	3,360	3,840	(480)	3,491	2,855	636	3,373	1,970	1,403	5,049	2,018	3,031	4,590	1,148
Total Sales	16,399	17,298	(899)	16,661	16,125	536	16,559	14,915	1,644	18,146	15,523	2,623	3,904	976
<b>Fuel &amp; Purchased Power Variance:</b>														
Out-of-Province			(63)			46			102			202	287	72
In-Province			(7)			45			97			(5)	130	33
Accounting change *									(35)			(35)	(70)	
Total Fuel & Purchased Power			(70)			91			164			162	347	87

\* In 2018/19 an accounting change was made to net the cost of certain power purchases from in-province customers against in-province revenue. The change was not made in the budget until 2020/21 and therefore resulted in an actual to plan variance of approximately \$35 million in 2018/19 and 2019/20 in both revenue and fuel & purchased power expense.

Source: NB Power (unaudited)

**The average variance of \$87 million for fuel and purchased power is NB Power's largest expenditure and most significant variance from forecast to actuals**

**3.81** The variance is \$347 million in total or \$87 million on average. According to NB Power, "although out-of-province fuel & purchased power expense is higher than planned by \$287 million for the 4-years, gross margin is \$46 million higher. NB Power takes advantage of opportunities to make export sales at a profit. It is difficult to forecast these opportunities due to changing market conditions and the uncertainty of customer bid events."<sup>8</sup> We realize the accuracy of the expense forecast depends on significant assumptions associated with fuel prices, hydro flow and Point Lepreau capacity factor and the inherent uncertainties around these assumptions make it challenging to predict the costs. However, it is problematic to see the actual fuel and purchased power costs have been \$33 million higher than forecasted, on average, while sales revenue was \$49 million lower than forecasted. This resulted a \$64 million reduction in gross margin from in-Province sales.

<sup>8</sup> NB Power

*Optimistic expense forecast could be confusing to regulator assessing NB Power's rate application*

**3.82** However, the fact that the expense forecast is constantly and significantly lower than actuals indicates the forecasting method adopted by NB Power needs to change. The optimistic expense forecasted expenditure amounts could be confusing to the regulator in assessing NB Power's rate application.

*Major risks and uncertainties are not quantified and included in NB Power's forecasted revenue requirement*

**3.83** NB Power discusses major risks and uncertainties in its 10 Year Plans. The 10 Year Plans provide sensitivity and scenario analyses to demonstrate changes to certain assumptions impacting the financial forecast. NB Power indicates it includes a storm contingency in its operation, maintenance and administration budget based on a five-year rolling average of historical storm costs. However, NB Power forecasts revenues and expenditures using only what NB Power believes the most likely scenario. For example, NB Power predicts heavy fuel price would be US\$58.51 and US\$60.68 in 2021 and 2022 respectively. Only these prices were used in its forecast without considering the likelihood of oil price fluctuation. Changes in key assumptions can significantly impact financial results. NB Power's operating environment is complex with many inherent variabilities. Without considering the likelihood and quantitative impact of these variations, NB Power is facing the risk of not only underestimating its expenditures and applying insufficient revenue, but also, it is overstating its ability to pay down debt and reach the legislated equity target by 2027.

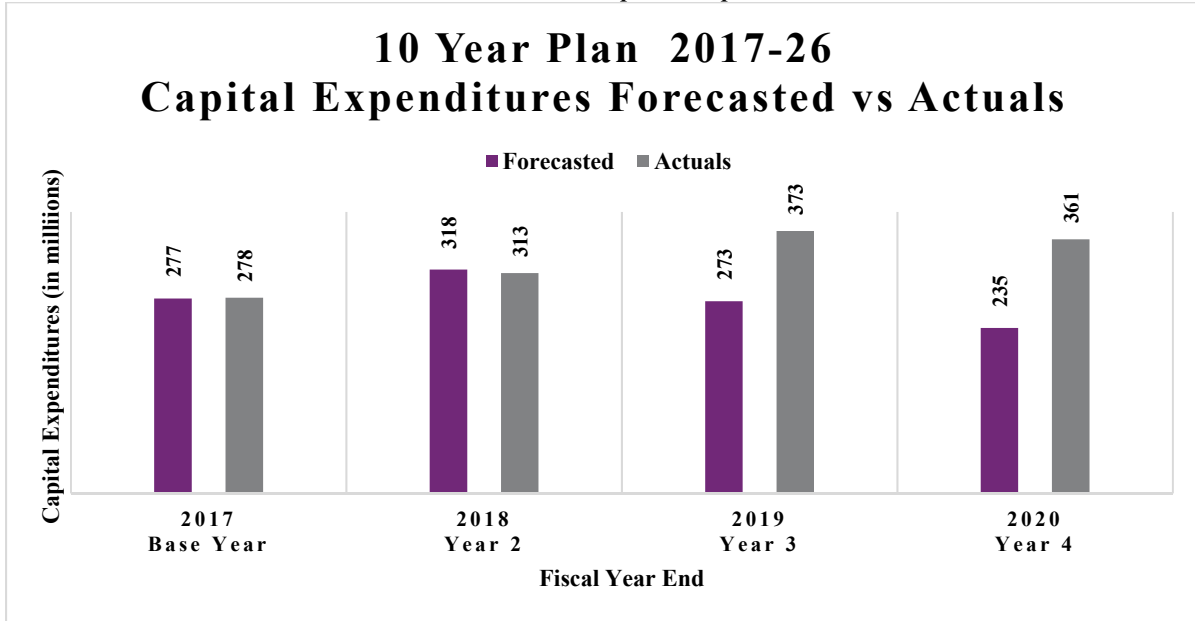
**Recommendation**

**3.84** We recommend NB Power, to improve its forecasting process, quantify the impact of likely uncertainties in the 10 Year Plan, such as fuel prices, hydro flow, Point Lepreau capacity factor, weather events, etc.

**NB Power has difficulty forecasting future year capital expenditures**

**3.85** Exhibit 3.18 illustrates NB Power’s difficulty at forecasting future year capital expenditures. For example, actuals reported in 2020 were 154% or \$126 million higher than projected in the 10 Year Plan 2017-26. However, we observed that most of the annual capital expenditures forecasted in the base year were very close (on average 102%) to actuals report in the annual reports.

*Exhibit 3.18 - 10 Year Plan 2017-26 Capital Expenditures Forecasted vs Actuals*



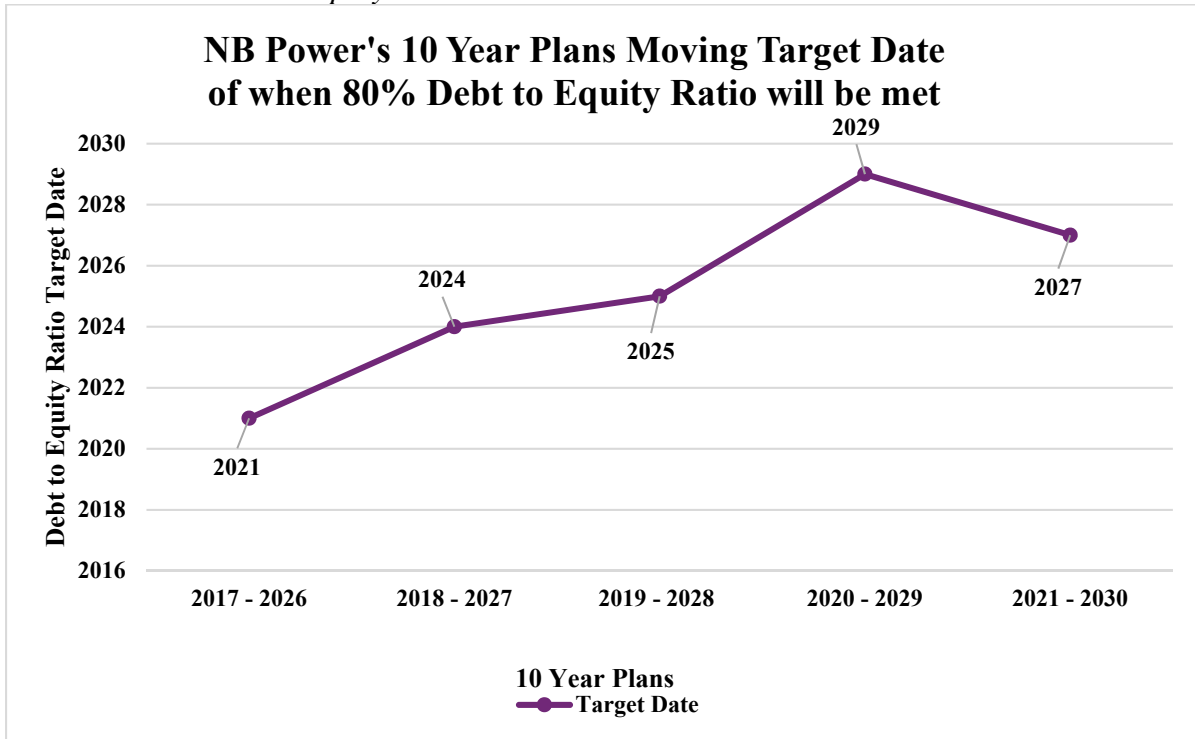
*Source: AGNB based on review of NB Power’s 10 Year Plan 2017-26 and Annual Reports (unaudited)*



***NB Power’s 10 Year Plans constantly change date that 20% equity target will be met***

**3.86** Exhibit 3.19 illustrates NB Power’s debt to equity ratio across the last five, 10 Year Plans. The exhibit highlights NB Power’s changing target date to achieve the 20% equity as required by the *Electricity Act* and the NB Power mandate.

*Exhibit 3.19 - NB Power’s 10 Year Plans Moving Target Date of when 80% Debt to Equity Ratio will be met*



Source: AGNB based on review of NB Power’s 10 Year Plans (unaudited)

***NB Power has not achieved the 20% debt to equity ratio target and has adjusted the target date in each of the 10 Year Plans reviewed***

**3.87** NB Power has not achieved the debt to equity ratio and has adjusted the target date in each of the 10 Year Plans reviewed. The 10 Year Plan 2017-26 was the only 10 Year Plan reviewed which aligned with the original target date of 2021. Changes to the equity target were made in the following 10 Year Plans:

- 2018-27: pushed target date to 2024;
- 2019-28: sets the date at 2025;
- 2020-29: the date is further adjusted to 2029; and
- 2021-30: based on the new mandate, NB Power adjusts the date to 2027.

## NB Power's Annual Rate Increase

**3.88** As previously mentioned, under NB Power's regulatory environment, NB Power rates are regulated by the *Electricity Act* and by the NBEUB.

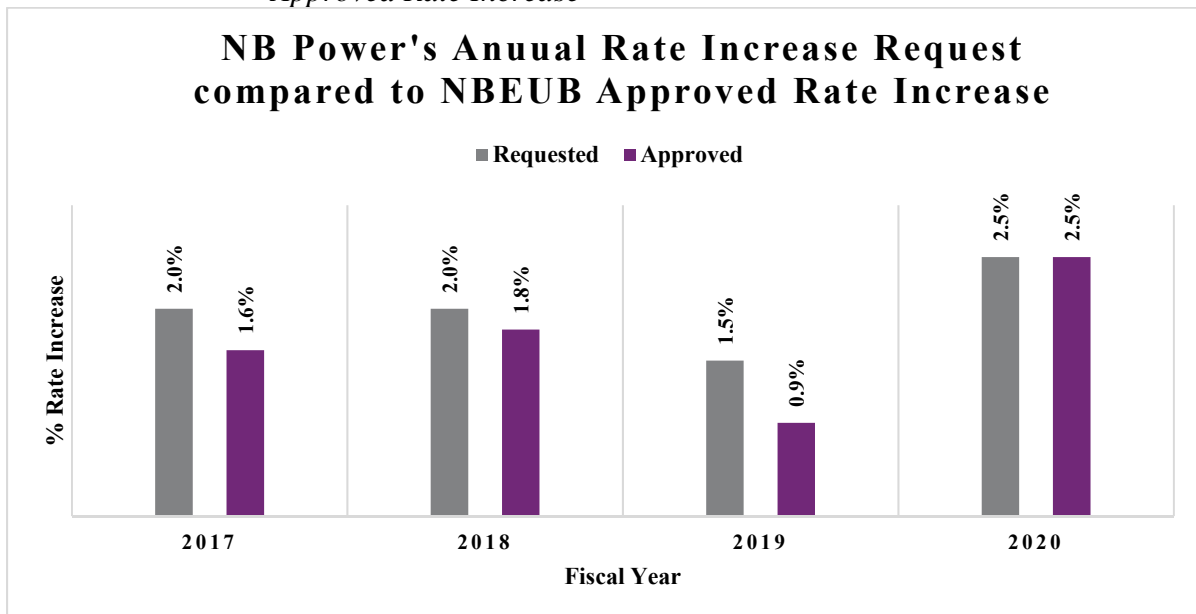
**3.89** Section 68(a)(ii) of the *Electricity Act* states that rates charged by NB Power for the sale of electricity within the Province "should provide sufficient revenue to the Corporation to permit it to earn a just and reasonable return, in the context of the Corporation's objective to earn sufficient income to achieve a capital structure of at least 20% equity."

**The Electricity Act does not clearly define stable and predictable rates**

**3.90** Section 68 (c) of the *Electricity Act* requires that NB Power "to the extent practicable, rates charged by the Corporation for sales of electricity within the Province shall be maintained as low as possible and changes in rates shall be stable and predictable from year to year."

**3.91** Exhibit 3.20 illustrates NB Power's requested annual rate increase outlined in the 10 Year Plans compared to the NBEUB approved annual rate increase.

*Exhibit 3.20 - NB Power's Annual Rate Increase Request compared to NBEUB Approved Rate Increase*



Source: AGNB based on review of NB Power's Annual Reports and 10 Year Plans (unaudited)

***NB Power's annual rate request for 2017, 2018, and 2019 were not approved by the New Brunswick Energy and Utilities Board***

**3.92** We observed that the annual rate increases requested by NB Power were not approved by the NBEUB. NB Power estimates a 1% rate increase is equal to approximately \$14 million in annual revenue.

**3.93** The percentage of the annual rate increase proposed by NB Power but rejected by the NBEUB should not have a significant impact on NB Power's projected net earnings. The expense amounts disallowed are reflected in the reduction of the requested average rate increase having a net zero effect on net income. Additionally, the NBEUB does not have the authority to reject a proposed project by NB Power, they can only reject the related impact on the annual rate increase.

**3.94** Exhibit 3.21 illustrates NB Power's annual rate request disallowed expenses by the NBEUB.

*Exhibit 3.21 - NB Power's Annual Rate Request Disallowed Expenses by the NBEUB*

<b>Fiscal Year Ending March 31</b>	<b>NB Power's Rate Increase Requested</b>	<b>EUB Approved Rate Increase</b>	<b>Disallowed Expenses by NBEUB (in millions)</b>
2017	2.0%	1.6%	\$4.7
2018	2.0%	1.8%	\$4.7
2019*	1.5%	0.90%	\$8.7
2020	2.5%	2.5%	\$0.3

\* For the fiscal year end 2019, NB Power originally requested a 2.0% rate increase for 2018-2019 and subsequently revised the rate request to 1.5% as a result of receiving the proceeds of a lawsuit settlement.

Source: AGNB based on review of NB Power's 10 Year Plans and Annual Reports (unaudited)

**3.95** For example, in 2019 the NBEUB disallowed a total of \$8.7 million in projected costs and lowered the requested rate by an equivalent amount in NB Power's general rate application. The disallowed expenses are as follows:

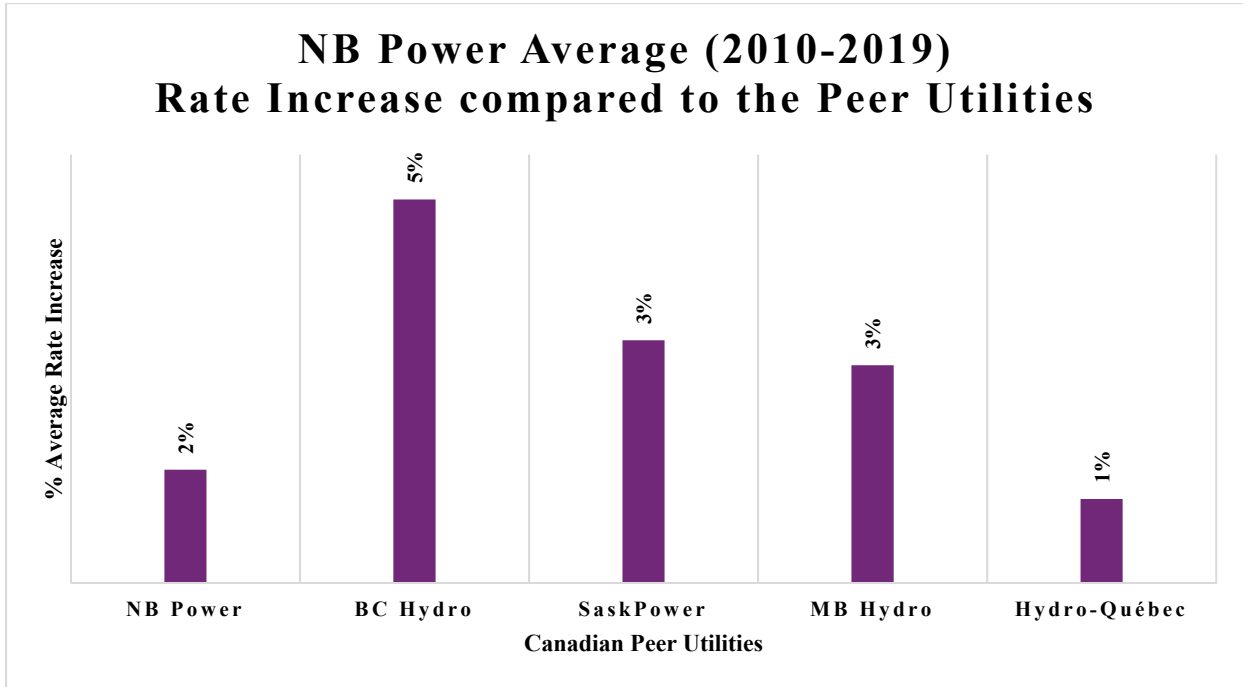
- Advanced Metering Infrastructure project (\$100,000);
- Home energy report (\$600,000);
- Low income efficiency spending (\$2 million);
- Residential & commercial demand response (\$1.6 million);
- Enabling (\$300,000);
- Solar & storage (\$2 million);
- Electric vehicle chargers (\$1.3 million); and
- Smart homes (\$800,000).

***NB Power debt reduction potentially impacted by proceeding with the NBEUB rejected projects***

**3.96** Nevertheless, NB Power can still move ahead with the projects that have been disallowed by the NBEUB during the general rate application (NBEUB does not reject the projects, programs, and initiatives; they only evaluate impact on the rate increases). However, if NB Power does not reallocate funds from other expenditures to cover the costs of these projects NB Power's net income will be affected and its ability to pay down debt could be potentially reduced.

**3.97** Exhibit 3.22 illustrates NB Power’s 10-year average rate increase compared to the other peer utilities in Canada.

*Exhibit 3.22 - NB Power Average Rate Increase (2010 – 2019) compared to the Peer Utilities*



Source: AGNB based on review of Peer Utilities Annual Reports (unaudited)

\*OPG is an electricity generation company whose principle business is the generation and sale of electricity (not to end users, to transmitters then to local distributors within the Province.

\*\* NL Hydro annual rate increase information is not available in the annual reports

\*\*\* MB Hydro reported in the 2018 Annual Report changes to rate increase for fiscal year end 2014, 2015, and 2016 as original stated in the corresponding annual reports which resulted in an average increase of 2.5%.

***NB Power has lower rate increases compared to peer utilities with high debt levels***

**3.98** NB Power’s average annual rate increase over the past 10 years is 2%, compared to BC Hydro (5%) and MB Hydro (3%), both of which have relatively high debt levels. Additionally, NB Power states that their rates are the lowest in Atlantic Canada.<sup>9</sup>

<sup>9</sup> <https://www.nbpower.com/en/accounts-billing/understanding-your-bill/rate-schedules-and-policies#:~:text=NB%20Power%20has%20the%20lowest,rate%20information%20for%20your%20business%3F>

***DBRS's states NB Power rates remain competitive within the Atlantic region***

**3.99** DBRS's opinion as of March 7, 2018 states that: "*NB Power rates remain competitive within the Atlantic region, providing flexibility to increase rates if necessary to address capital needs or reduce debt.*"

**3.100** While maintaining a consistently low annual rate may be advantageous to NB Power consumers, it is likely contributing to its failure to meet the debt to equity target and ever increasing debt levels.

## Appendix I – Peer Utilities in Canada

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### BC Hydro<sup>10</sup>

BC Hydro is one of the largest suppliers of electricity in Canada operating an integrated system of 30 hydroelectric plants and two thermal generation stations and providing 97.8% clean energy.

BC Hydro:

- is a Crown corporation and as such the Province of British Columbia is the owner and sole shareholder;
- is regulated by the British Columbia Utilities Commission and rates are set on a cost of service basis;
- government’s expectations are outlined in the annual mandate letter and two separate acts:
  - *Hydro and Power Authority Act* which provides BC Hydro with the “mandate to generate, manufacture, conserve, supply, acquire, and dispose of power and related products”;
  - *Budget Transparency and Accountability Act* which, “sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the *Budget Transparency and Accountability Act*, the Crown Corporation’s Board is required to report on the actual results of the Crown’s performance related to the forecasted targets documented in the previous year’s *Service Plan*”; and
- long-term debt comprises bonds and revolving borrowings obtained under an agreement with the Province.

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<sup>10</sup> British Columbia Hydro and Power Authority – 2018/19 Annual Service Plan Report – July 2019

## SaskPower<sup>11</sup>

SaskPower is Saskatchewan's leading energy supplier operating seven natural gas stations, three coal-fired power stations, seven hydroelectric stations, and two wind facilities generating a combined 4,121 megawatts of electricity in 2019-20.

SaskPower:

- in 1929 was founded as the Saskatchewan Power Commission and in 1949 was incorporated as a Crown corporation under the authority and mandate of The *Power Corporation Act*; and
- obtains most of its capital through internal operating activities and through borrowings obtained from the Government of Saskatchewan Ministry of Finance. The *Power Corporation Act* provides SaskPower the authority to have outstanding borrowings of up to \$10 billion.

## Manitoba Hydro<sup>12</sup>

MB Hydro provides renewable energy and clean-burning natural gas as one of the largest electricity and natural gas distribution utilities in Canada. In 2019, MB Hydro had a total generating capacity of 5,561 megawatts.

MB Hydro:

- is a Crown corporation governed by the Manitoba Hydro-Electricity Board and the *Manitoba Hydro Act*; and
- authority to issue debt is provided through the *Loan Act*. The majority of MB Hydro's long-term debt is issued through the Province of Manitoba. The *Manitoba Hydro Act* grants MB Hydro the authority to issue short-term notes in the name of the Manitoba Hydro Electric Board up to an aggregate of \$500 million of principle outstanding at any one time. As of March 31, 2019, MB Hydro had no outstanding short-term notes.

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<sup>11</sup> SaskPower – Annual Report 2019-20

<sup>12</sup> Manitoba Hydro-Electric Board 68<sup>th</sup> Annual Report – For the year ended March 31, 2019



## Newfoundland and Labrador Hydro

NL Hydro is a wholly-owned subsidiary of Nalcor Energy (Nalcor). In 2016, Nalcor completed a corporate restructuring that divided the regulated (NL Hydro) from unregulated operations.<sup>13</sup> NL Hydro generating capacity is produced using nine hydroelectric plants, one oil-fired plant, four gas turbines, and 24 diesel plants. In addition, NL Hydro owns 65.8% of Churchill Falls (Labrador) Corporation Limited which is operationally managed by Nalcor.

NL Hydro:

- is a Crown corporation regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities;
- is mandated by the *Hydro Corporation Act*; and
- in 2017-19 financing methods for long term debt issuances changed. In 2017, long term debt was issued directly in capital markets with a provincial guarantee. Hydro then changed the way debt was issued and now the Province issues debt specifically on their behalf and then lends the proceeds directly to NL Hydro.

The Muskrat Falls Corporation (Muskrat Falls) is a wholly-owned subsidiary to Nalcor. Muskrat Falls is currently allocated to Nalcor's Power Development segment. Once the construction of Muskrat Falls is complete, the asset will be moved to Nalcor's Power Supply business segment.<sup>14</sup> Muskrat Falls is financed by debt issued by Nalcor (with a Federal loan guarantee) and with equity investments made by the Province of Newfoundland.<sup>15</sup>

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<sup>13</sup> Newfoundland and Labrador Hydro – 2018 Annual Performance Report – Transparency and Accountability – June 2019

<sup>14</sup> Newfoundland and Labrador Hydro – 2019 Annual Performance Report – Transparency and Accountability – September 2020

<sup>15</sup> Office of the Auditor General – Newfoundland and Labrador

## Hydro-Québec<sup>16</sup>

Hydro-Québec celebrated its 75<sup>th</sup> year in 2019 contributing \$20.4 billion to the provincial gross domestic product issuing \$2,192 million (\$11 billion in last five years) in dividends to its shareholder benefiting all residents of Québec.

Hydro-Québec:

- is mandated by the *Hydro-Québec Act*;
- is regulated by the *Régie de l'énergie* (economic regulatory body) which has the “*exclusive authority to determine or modify the rates and conditions under which electricity is transmitted and distributed by Hydro-Québec.*”; and
- debt is mostly based on an unconditional guarantee by the Québec government (debentures, medium-term notes, and commercial paper).<sup>17</sup>

## Ontario Power Generation<sup>18</sup>

OPG is one of the largest and most diverse producers of clean power in North America generating 17,017 megawatts of electricity in 2019. OPG and its wholly-owned subsidiaries (Eagle Creek Renewable Energy in the United States) own and operate two nuclear generating stations, 66 hydroelectric generation stations, two thermal generating stations, one solar facility, and four Atura Power (gas-fired) stations in Ontario. Two other nuclear stations are leased and operated in Ontario. In addition, OPG and Eagle Creek Renewable Energy own and operate 85 hydroelectric stations in the United States.<sup>19</sup>

OPG:

- is wholly owned by the Province of Ontario;
- is established under the *Business Corporations Act*; and
- utilizes a number of funding sources to finance debt beyond funds generated from operations such as:
  - commercial paper;
  - securitization of assets;
  - letters of credit;
  - credit facilities;
  - long-term debt sourced from the Ontario Electricity Financial Corporation;
  - public debt offerings; and
  - capital markets for private placement project financing.

<sup>16</sup> Hydro Québec – 2019 Annual Report

<sup>17</sup> Hydro Québec – Cue Card 2018-2019

<sup>18</sup> [www.opg.com/about-us](http://www.opg.com/about-us) and Ontario Power Generation Inc’s 2019 Financial Results

<sup>19</sup> [www.opg.com/about-us](http://www.opg.com/about-us)

## Appendix II – Peer Utilities Debt to Equity

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<b>BC Hydro:</b> <i>Target 80/20</i> <i>Average 80/20</i>	BC Hydro has the second highest debt to equity ratio of all the peer utilities in Canada averaging 80% over the past 10 years. However, BC Hydro achieved the target debt to equity of 80/20 for all fiscal years 2010 to 2017. For fiscal 2018 and subsequent years, a new debt to equity target was set at 60/40. BC Hydro by Order in Council No. 095/2014, will reduce its payment to the Province by \$100 million per year until it reaches zero and will remain at zero until BC Hydro has reached the debt to equity of 60/40.
<b>MB Hydro:</b> <i>Target 75/25</i> <i>Average 79/21</i>	MB Hydro ranks as the third highest debt to equity ratio among other peer utilities in Canada, averaging 79% over the period. However, MB Hydro achieved the target debt to equity of 75/25 for fiscal years 2010-2013. In the 2014 annual report, MB Hydro acknowledged that the 75/25 target “ <i>may not be achieved during years of major investment in the generation and transmission system</i> ” which is evidenced by the annual increases in capital expenditures, especially in fiscal years 2015 to 2019 (ranging from \$1.8 to \$2.4 billion a year).
<b>SaskPower:</b> <i>Target 60/40 – 75/25</i> <i>Average 71/29</i>	SaskPower has set a long-term debt to equity ratio target range of 60% to 75%. Over the past decade SaskPower has been able to maintain an average debt to equity ratio of 71% within the target range. Fiscal 2016 and 2017 saw a slight increase above the target range at 76% however, SaskPower has reduced its debt to equity within the target range for 2018 (75%) and 2019 (74%).
<b>Hydro QC:</b> <i>Target 75/25</i> <i>Average 69/31</i>	Hydro-Québec has a minimum debt to equity ratio of 75/25. Hydro-Québec has exceeded the target each of the past 10 years with an average ratio of 69% debt to 31% equity.
<b>NL Hydro:</b> <i>Target 75/25</i> <i>Average 58/42</i>	NL Hydro has established a target ratio of 75% debt to 25% equity. Furthermore, NL Hydro’s committed lending facility requires that for the issuance of additional debt, current debt cannot exceed 85% of total capital. NL Hydro has not exceeded the target over the past decade with an average ratio of 58% debt to 42% equity.
<b>OPG:</b> <i>Target 65/35</i> <i>Average 37/63</i>	OPG ranks as the top peer utility in Canada with an average debt to equity ratio of 37% over the past decade and never exceeding 40%.

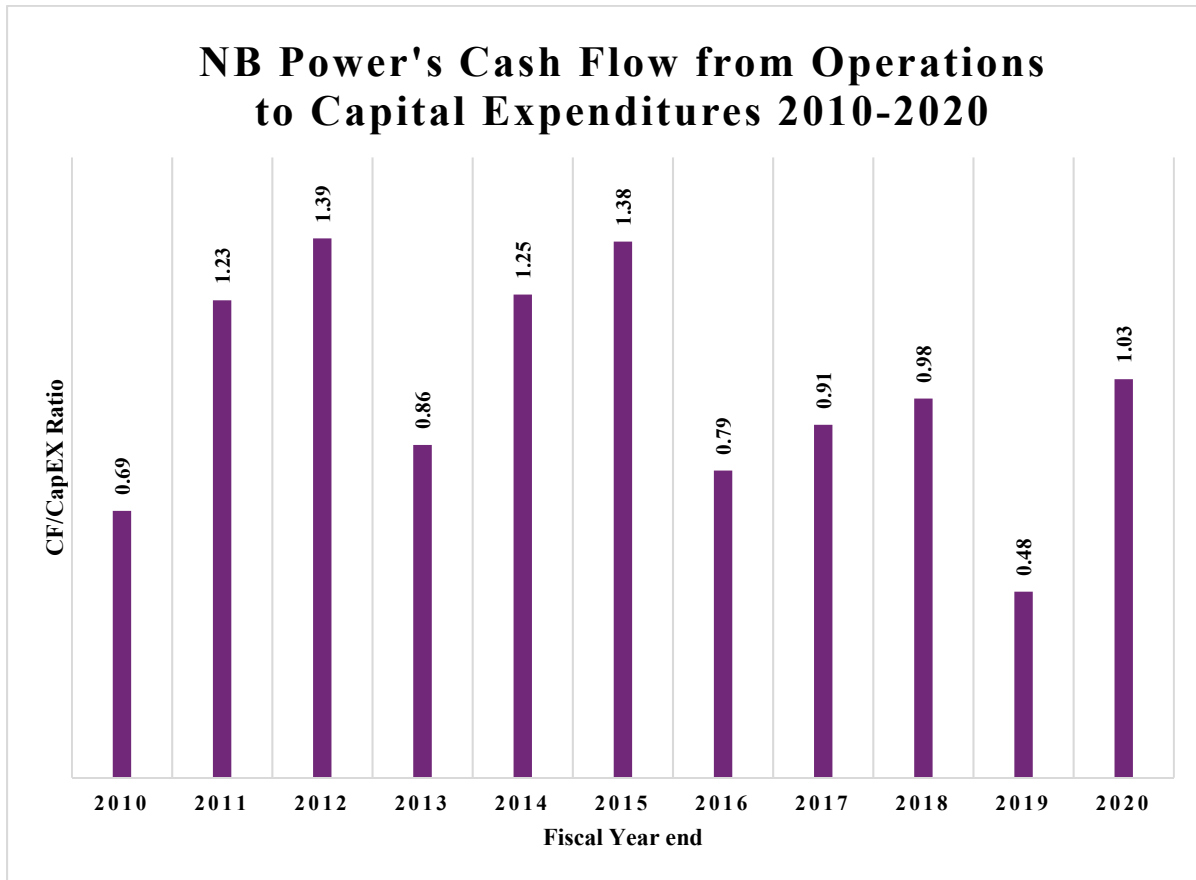
## Appendix III –Additional Ratio Analysis

### Cash Flow from Operations to Capital Expenditures

Cash flow from operations to capital expenditures (CF/CapEX) ratio “*measures a company’s ability to acquire long-term assets using free cash flow. A higher CF/CapEX ratio is indicative of a company with sufficient capital to fund operations.*”<sup>20</sup>

Exhibit 3.23 illustrates NB Power’s fluctuating CF/CapEX for the period of 2010 to 2020. It should be noted that CF/CapEX is subject to wide variations from year-to-year depending on the timing of major capital expenditures.

*Exhibit 3.23 - NB Power’s Cash flow from Operations to Capital Expenditures 2010-2020*

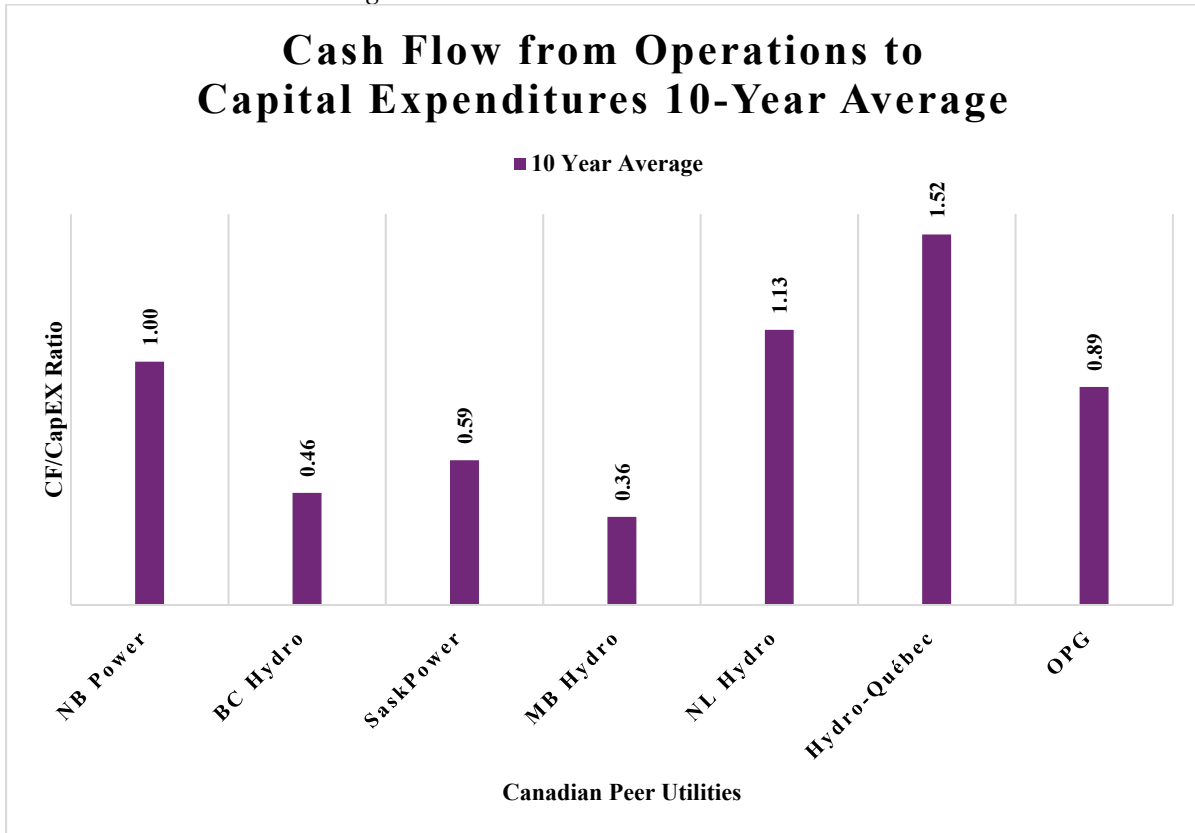


Source: AGNB based on review of NB Power’s Annual Reports (unaudited)

<sup>20</sup>[https://www.investopedia.com/terms/c/cashflow\\_capex.asp#:~:text=The%20CF%2FCapEX%20ratio%20is,an%20investment%20in%20future%20years.](https://www.investopedia.com/terms/c/cashflow_capex.asp#:~:text=The%20CF%2FCapEX%20ratio%20is,an%20investment%20in%20future%20years.)

Exhibit 3.24 illustrates the 10-year average CF/CapEX ratio for all peer utilities in Canada. We calculated the CF/CapEX ratio based on NB Power’s annual report calculation of cash flow from operations to total capital expenditures to ensure a comparable analysis across all peer utilities in Canada. NB Power is the only utility that reports on CF/CapEX in the relevant annual reports.

*Exhibit 3.24 - Cash flow from Operations to Capital Expenditures 10-Year Average*



*Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)*

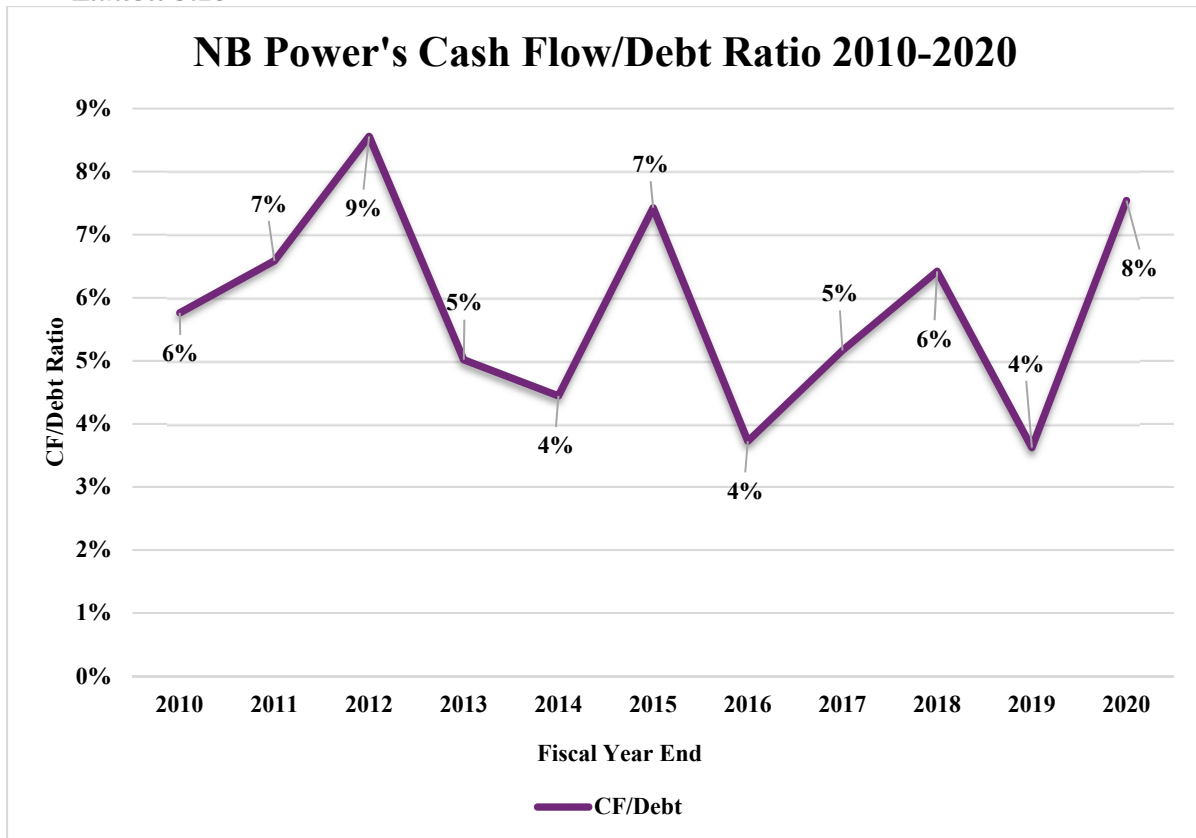
We observed, based on NB Power’s 10-year average, that NB Power is spending a dollar on capital expenditures for every dollar of cash flow from operations generated. This aligned with NL Hydro (1.13) and OPG (0.89). Hydro-Québec is far beyond the other peer utilities with an average CF/CapEX ratio of 1.52 indicating its financial position to fund future capital investments with free cash flows.

## Cash Flow from Operations to Debt

Cash flow from operations to debt (CF/Debt) ratio is “used to determine how long it would take a company to repay its debt if it devoted all of its cash flow from operations to debt repayment.”<sup>21</sup>

Exhibit 3.25 illustrates NB Power’s fluctuating CF/Debt ratio for the period of 2010 to 2020. NB Power’s CF/Debt ratio increased to 8% in 2020 up from 4% in 2019 and higher than the 10-year average of 6% (see Exhibit 3.25).

Exhibit 3.25 - NB Power’s Cash Flow/Debt Ratio 2010-2020

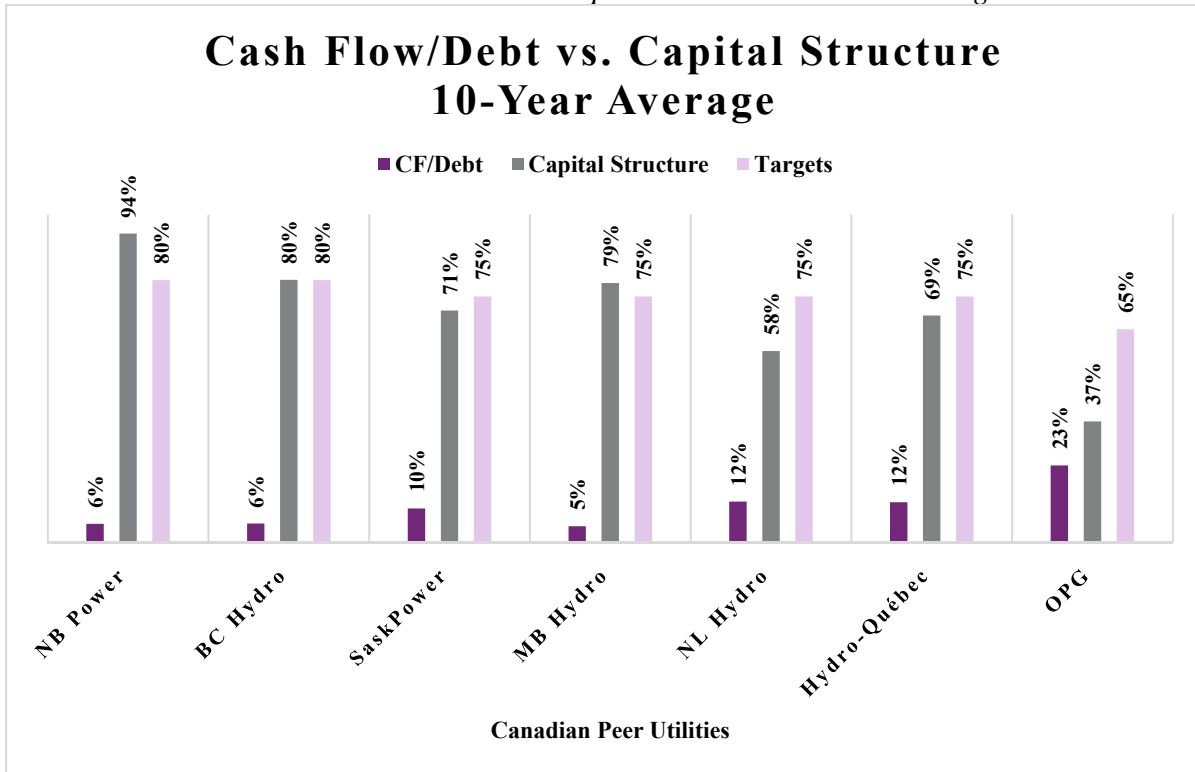


Source: AGNB based on review of the NB Power’s Annual Reports (unaudited)

<sup>21</sup> <https://www.investopedia.com/terms/c/cash-flowto debt-ratio.asp#:~:text=The%20cash%20flow%2Dto%2Ddebt%20ratio%20is%20the%20ratio%20of,operations%20to%20its%20total%20debt.&text=Cash%20flow%20is%20used%20rather,ability%20to%20pay%20its%20obligations.>

Exhibit 3.26 illustrates the 10-year average CF/Debt ratio compared to capital structure. We calculated the CF/Debt ratio based on NB Power’s annual report calculation of cash flow from operations to debt to ensure a comparable analysis across all peer utilities. NB Power is the only peer utility that reports on CF/Debt in the relevant annual reports.

Exhibit 3.26 - Cash Flow/Debt vs. Capital Structure 10-Year Average



Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

We observed that NB Power’s CF/Debt ratio 10-year average (6%) is aligned with BC Hydro (6%) and MB Hydro (5%) all of which have high capital structures (as shown in Exhibit 3.26). Based on NB Power’s CF/Debt ratio it would take approximately 18 years to pay off all its outstanding debt if all cash flow were utilized. The ability to use all cash to pay off debt is highly unlikely.

We observed that the peer utilities who exceeded their targeted debt to equity ratio on a 10-year average, were the peer utilities which had higher CF/Debt (as shown in Exhibit 3.26). Peer utilities who achieved their targeted capital structure could pay off outstanding debt as follows:

- OPG – 4 years;
- Hydro-Québec – 8 years;
- NL Hydro – 8 years; and
- SaskPower – 10 years.

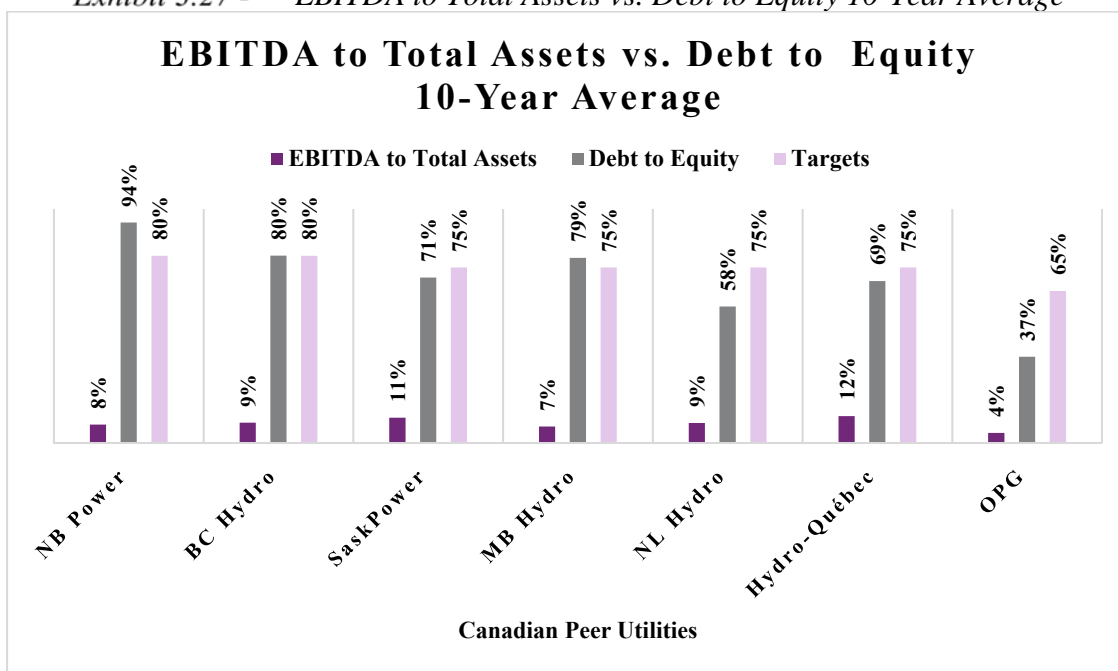
## EBITDA to Total Assets

EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) to total assets measures “how effectively a company is using its assets to generate earnings.”<sup>22</sup>

A limitation of EBITDA to total assets is “if a debt was used to buy an asset, the EBITDA to total assets could look favorable, while the company may actually be having trouble making its interest expense payments.”<sup>23</sup>

Exhibit 3.27 illustrates the 10-year average EBITDA to total assets compared to the debt to equity ratio for all peer utilities in Canada. None of the peer utilities reported on EBITDA to total assets in the relevant annual reports. Therefore, we calculated the EBITDA to total assets for all peer utilities reviewed to ensure a comparable analysis.

Exhibit 3.27 - EBITDA to Total Assets vs. Debt to Equity 10-Year Average



Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

We observed NB Power’s EBITA to total assets 10-year average (8%) is aligned with BC Hydro (9%) and NL Hydro (9%) who unlike NB Power, have achieved their targeted debt to equity.

<sup>22</sup> [https://www.investopedia.com/terms/r/return\\_on\\_total\\_assets.asp](https://www.investopedia.com/terms/r/return_on_total_assets.asp)

<sup>23</sup> [https://www.investopedia.com/terms/r/return\\_on\\_total\\_assets.asp](https://www.investopedia.com/terms/r/return_on_total_assets.asp)

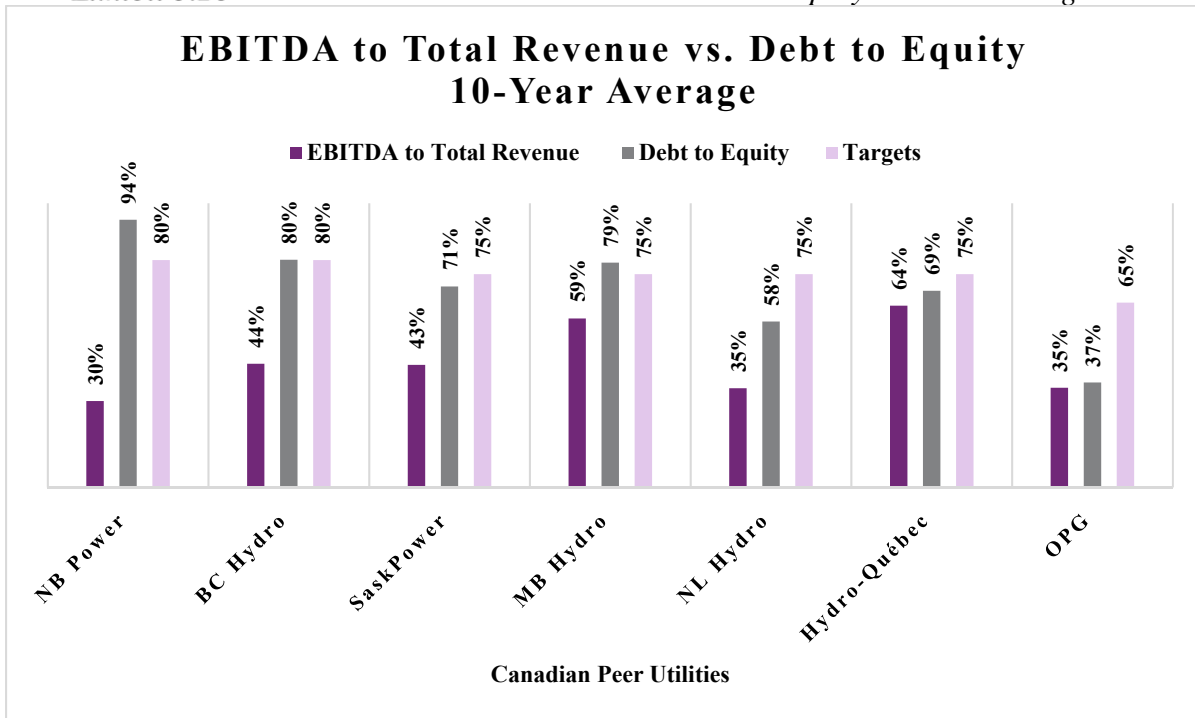


## EBITDA to Total Revenue

EBITDA to total revenue measures “how much cash profit a company made in a given year.” A limitation of the EBITDA to total revenue is “for companies with high levels of debt or for companies that consistently purchase expensive equipment for their operations.”<sup>24</sup>

Exhibit 3.28 illustrates the 10-year average EBITDA to total revenue compared to the debt to equity for all peer utilities in Canada. We calculated the EBITDA to total revenue for all peer utilities reviewed to ensure a comparable analysis, as no peer utility reports in annual reports.

*Exhibit 3.28 - EBITDA to Total Revenue vs. Debt to Equity 10-Year Average*



Source: AGNB based on review of the Peer Utilities Annual Reports (unaudited)

<sup>24</sup> <https://www.investopedia.com/ask/answers/032715/why-ebitda-margin-considered-be-good-indicator-companys-financial-health.asp#:~:text=The%20EBITDA%20margin%20measures%20a,of%20the%20company's%20total%20revenue.&text=Because%20EBITDA%20is%20calculated%20before,made%20in%20a%20given%20year.>

We observed that NB Power's EBITDA to total revenue 10-year average (30%) is aligned with OPG (35%) and NL Hydro (35%).

As previously indicated, NB Power uses debt to finance the corporation's capital projects and operations. The EBITDA to total revenue financial metric has its limitations when comparing to peer utilities who are not primarily financed by debt and have achieved their targeted debt to equity ratio.

**Chapter 4**

**Department of Social  
Development –  
Update on Nursing Home  
Planning and Aging Strategy**

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# Update on Nursing Home Planning and Aging Strategy – Department of Social Development

Report of the Auditor General – Volume II, Chapter 4 - 2020

## Why This Update?

- Our 2016 report noted the proportion of New Brunswick seniors aged 75 and older will double by 2036.
- Failing to implement nursing home plans and obtain needed services for seniors will result in a crisis, specifically:
  - severe shortage of available placements;
  - growing pressure on hospitals and related costs; and
  - inadequate care for growing number of vulnerable seniors.
- This update is to inform New Brunswickers on progress on our 2016 recommendations and is unrelated to COVID-19.

## Overall Conclusions

- We were disappointed to find significant delays in the implementation of two 5-year Nursing Home Plans with limited progress on the 2018-2023 plan.
- Nursing home beds are only one important component to address the influx in demand, however, significant ongoing delays mean the Province is failing to address nursing home capacity demand.
- The Province is not ready for the increase in seniors requiring placement in a residential facility.
- Although a 10-year Aging Strategy containing valuable ideas has been developed in collaboration with Department of Health, it lacks an implementation plan.
- A comparison of actual costs and quality of service of for-profit and not-for-profit operated nursing homes needs to be done.
- The Department of Social Development did not publicly report pertinent information on its progress against the Aging Strategy and the Nursing Home Plans.

## What We Found

### Significant delays in implementing nursing home plans

- Target dates for new nursing home beds either not set or not being met in two 5-year nursing home plans
- System is failing to address nursing home capacity demand
- 2018-2023 Nursing Home Plan behind schedule by at least two years
- After 10 years and over \$11 million spent on repairs and financial assistance, two homes replaced in Miramichi, with 28 additional beds

### Government needs to evaluate actual costs and quality of service of different nursing home models

- Government completed analysis projecting nursing home model selected for 240 new beds scenario in Miramichi would be less costly
- However, 2016 AG recommendation to evaluate the economic benefit from for-profit operated nursing homes has not been done

### Lack of implementation plan for Aging Strategy

- Aging Strategy contains valuable ideas
- Inadequate monitoring and evaluation of Aging Strategy's implementation
- Department began setting targets in August 2020 for certain initiatives aligned with Strategy

### Limited and inaccurate public reporting on progress

- Department reported 35% of Aging Strategy action items implemented at June 2019, however:
  - many action items are not measurable
  - completion status of some action items inaccurate
- Lack of reporting on progress of 2018-2023 Nursing Home Plan
- Reporting on alternate level of care (ALC) patients initiatives inadequate

## Key Findings and Observations Table

### Nursing Homes Update – Department of Social Development

Paragraph	Key Findings and Observations
4.13	<i>Growing number of seniors</i>
4.14	<i>Nursing home waitlist continues to grow, and about half of seniors on waitlist waiting in hospital</i>
4.15	<i>Millions of dollars in additional costs every year due to individuals waiting in hospital for a nursing home bed</i>
4.18	<i>Percentage of acute care hospital days used by ALC patients higher than national average</i>
4.19	<i>Most nursing home facility condition ratings have improved since last assessment</i>
	<b>Significant delays in implementing nursing home plans</b>
4.23	<i>Nursing Home Plans revised multiple times over the years</i>
4.24	<i>New nursing home beds under 2011-2016 plan completed in 2020</i>
4.25	<i>Only 428 of 704 new memory care beds under 2011-2016 plan completed</i>
4.26	<i>Lack of completion targets for 2011-2016 plan</i>
4.28	<i>Significant delays and potential additional costs in relation to Miramichi nursing homes</i>
4.29	<i>After 10 years and \$11 million spent on repairs and financial assistance, two homes replaced in Miramichi, with 28 additional beds</i>
4.30	<i>2018-2023 Nursing Home Plan announced in February 2018</i>
4.31	<i>2018-2023 Nursing Home Plan behind in adding new beds by at least two years</i>
4.32	<i>60-bed Upper River Valley nursing home on hold</i>
4.33	<i>According to Department, tendering delays due to staff turnover and competing priorities</i>
4.34	<i>Significant ongoing delays – system is failing to address nursing home capacity demand</i>
	<b>Government needs to compare actual costs and quality of service of different nursing home models</b>
4.36	<i>We recommended the Department evaluate economic benefit of public-private nursing home model</i>
4.39	<i>Comparison of actual costs and quality of service needed of different nursing home models needed</i>
4.40	<i>Finance and Treasury Board (FTB) analysis projected nursing home model selected for Miramichi would be less costly</i>

Key Findings and Observations Table (Continued)

Paragraph	Key Findings and Observations
4.41	<i>FTB's methodology and key assumptions and inputs appeared reasonable</i>
4.42	<i>FTB hired industry experts and involved key stakeholders</i>
4.43	<i>Inadequate documentation of process followed</i>
	<b>Lack of implementation plan for Aging Strategy</b>
4.47	<i>In 2016, we recommended the Department develop a long-term plan for sustainable services to seniors</i>
4.50	<i>Aging Secretariat established to track actions under Aging Strategy</i>
4.51	<i>Council on Aging created to guide development of Aging Strategy</i>
4.52	<i>Department of Social Development collaborated with Department of Health in development of Aging Strategy, fulfilling components of our recommendation</i>
4.56	<i>Aging Strategy is multi-faceted</i>
4.58	<i>No targets to address services to growing numbers of seniors</i>
4.59	<i>No implementation plan for Aging Strategy</i>
4.60	<i>High-level goals lack specific objectives</i>
4.61	<i>Aging Strategy governance structure on hold, Secretariat staff reassigned to COVID-19 programs</i>
4.62	<i>Inadequate monitoring and evaluation of the Aging Strategy's implementation</i>
4.63	<i>Department's reporting on strategy implementation is inaccurate</i>
4.64	<i>Partially implemented action items reported as "complete"</i>
4.69	<i>Lack of measures to assess progress</i>
4.70	<i>No supporting documentation for reported completion of action item</i>
	<b>Limited public reporting on progress</b>
4.75	<i>We recommended improved public reporting in our 2016 Report</i>
4.79	<i>Department's annual report contains only a percentage of Aging Strategy action items completed and fails to list the specific items completed</i>
4.80	<i>Performance information related to Aging Strategy was presented in broad, unmeasurable terms</i>
4.81	<i>Information reported was insufficient for reader to assess performance</i>
4.82	<i>Lack of reporting on progress of 2018-2023 Nursing Home Plan</i>

*Key Findings and Observations Table (Continued)*

<b>Paragraph</b>	<b>Key Findings and Observations</b>
4.83	<i>Reporting on ALC initiatives inadequate</i>
4.85	<i>Annual reporting fails to state why performance improved from prior year</i>
4.86	<i>Future initiatives are vaguely reported</i>

## Recommendations and Responses

Recommendation	Department's response	Target date for implementation
<p><b>4.35 We recommend the Department of Social Development review the 2018-2023 Nursing Home Plan to ensure targets are clear, realistic, achievable and properly resourced to meet the planned outcomes in a timely manner.</b></p>	<p><i>The department agrees with the recommendation to review the existing plan. As reported, challenges such as staff turnover, competing priorities, and responding to the COVID-19 pandemic have resulted in delays.</i></p> <p><i>The department will review the 2018-2023 NH Plan, and with approval, will provide an updated plan to work towards. The plan will include each project as announced with status of projects underway and estimated timelines for the remaining projects.</i></p>	<p><i>September 30, 2021</i></p>



Recommendations and Responses (continued)

Recommendation	Department’s response	Target date for implementation
<p><b>4.45 We recommend the Department of Finance and Treasury Board revise the ASD Advisory Services unit’s Standard Operating Procedures to include formal documentation standards for financial models and other analyses completed by the unit. The standards should, at a minimum, require retaining documentation of:</b></p> <ul style="list-style-type: none"> <li>• <b>roles and responsibilities of individuals involved;</b></li> <li>• <b>all sources of inputs and assumptions used;</b></li> <li>• <b>the review of financial models; and</b></li> <li>• <b>adherence to the Standard Operating Procedures.</b></li> </ul>	<p><i>The ASD Advisory Services Standard Operating Procedures have been revised to include documentation for the following:</i></p> <ul style="list-style-type: none"> <li>• <i>additional details on the roles and responsibilities of individuals involved;</i></li> <li>• <i>additional details for sources of inputs and assumptions used;</i></li> <li>• <i>the review process for verifying financial models; and</i></li> <li>• <i>a post-project checklist and process to verify that the Standard Operating Procedures were adhered to.</i></li> </ul>	<p><i>Complete</i></p>

*Recommendations and Responses (continued)*

Recommendation	Department's response	Target date for implementation
<p><b>4.46 We continue to recommend the Department of Social Development evaluate whether there is an economic benefit to providing nursing home beds under the for-profit operated model versus the traditional model. This should include a comparison of actual costs and quality of service.</b></p>	<p><i>The department analyzed and developed an RFQ/RFP model approach for nursing home services. This RFQ/RFP model was rolled out in 2014/15 for the procurement of 60 nursing home beds, and the contract was awarded during 2015/16. This approach was found to be more cost effective for a 60-bed nursing home than the traditional model. The approach (model) used to evaluate the options was supported by the AG auditors.</i></p> <p><i>The department monitors the cost of services of each nursing home annually and a model will be developed to measure the financial performance of the homes as part of this analysis. With respect to the quality of care, indicators will be developed based on inspections and data from the LTCF tool that is being reported to CIHI. Although homes have begun to report data to CIHI to be leveraged for this exercise, work is necessary to interpret and validate the quality of that data for this purpose.</i></p> <p><i>The department recognizes there is a need to provide a long-term comparison of the costs and quality of service of all Nursing Homes and will look to formalize the reporting and communication plan.</i></p>	<p><i>December 31, 2021</i></p>

Recommendations and Responses (continued)

Recommendation	Department’s response	Target date for implementation
<p><b>4.73 We recommend the Department of Social Development develop performance indicators with specific targets for each action item under the Aging Strategy, in collaboration with relevant stakeholders.</b></p>	<p><i>The department agrees with the recommendation to develop and report on specific targets under the Aging Strategy. In order to facilitate this, the department in collaboration with the Department of Health, implemented an Aging in Place Committee in 2020. The Committee has identified key priorities and desired outcomes for seniors and developed an Aging in Place Framework identifying 13 initiatives to be implemented between Fall 2020 and March 2022, to help achieve these outcomes. It includes actionable milestones and indicators and targets for tracking progress. This Framework has taken high level strategic recommendations and created measurable initiatives that will facilitate reporting and clear communication of progress. The Aging in Place Framework also includes a plan for stakeholder consultation to ensure efforts are aligned towards common outcomes for seniors. Examples of indicators that will be tracked include: Increase % of 65+ clients receiving home/community-based care; and reduce median time from contact to placement.</i></p>	<p><i>December 31, 2021</i></p>

*Recommendations and Responses (continued)*

<b>Recommendation</b>	<b>Department's response</b>	<b>Target date for implementation</b>
<p><b>4.74 We recommend the Department of Social Development develop a formal process for monitoring action items under the Aging Strategy and verifying implementation.</b></p>	<p><i>The department agrees with the recommendations to develop a formal process for monitoring and verifying implementation. Although the department continues to monitor the implementation of all actions, the department, through the Aging in Place Framework, and in collaboration with the Department of Health, will implement a formal process for communicating and reporting against actions in the Framework. This process will verify implementation and evaluate the outcomes. Decisions to continue or not to continue actions, based on outcomes, will be tracked and included in the communications and reporting.</i></p>	<p><i>December 31, 2021</i></p>
<p><b>4.88 We recommend the Department of Social Development publicly report actual outcomes compared to planned or expected outcomes under the Aging Strategy and the Nursing Home Plan. Reporting should provide explanations for gaps between plans and results.</b></p>	<p><i>The department agrees with the recommendation to report publicly on the measures and outcomes of current and future activities. The Department of Social Development has reported publicly on its progress via the Main Estimates process and presentations to numerous community organizations. As part of the NH and Aging in Place Framework, a communication and reporting plan for sharing outcomes with the public will be developed.</i></p> <p><i>As part of this plan, a meeting will be scheduled with the Roundtable in March 2021 and virtual sessions will be scheduled to validate the Aging in Place Framework and collect feedback.</i></p>	<p><i>December 31, 2021</i></p>

## Introduction

**4.1** In the 2016 Auditor General’s Report, we raised concerns about the lack of nursing home capacity and the growing unsustainable costs of providing care to New Brunswick seniors. The report identified several factors in connection with nursing home capacity that are causes for concern including:

- growing costs of nursing home services are not sustainable;
- aging nursing home infrastructure requiring significant investment in maintenance, repair and renewal;
- long waiting list and increasing pressure on hospital beds; and
- limited public reporting by the Department of Social Development on the status of nursing home capacity.

**4.2** This chapter is intended to provide an update on the current state of nursing homes capacity in the Province and assess progress made in implementing our 2016 Report recommendations. We intend to conduct a future audit that will focus on quality of care in nursing homes.

### *Why we did this work*

**4.3** The senior population of New Brunswick aged 75 and older is expected to double over the next 20 years<sup>1</sup>. Failing to implement nursing home plans and obtain needed services for seniors will result in a crisis, specifically:

- severe shortage of available placements;
- growing pressure on hospitals and related additional costs; and
- inadequate care for a growing number of vulnerable seniors.

**4.4** We also considered the timing appropriate to update the Legislature and the public on the status of nursing home capacity. This Report comes four years after the end of the Department of Social Development’s (the Department) 2011-2016 Nursing Home Renovation and Replacement

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<sup>1</sup> Statistics Canada. Table 17-10-0057-01 Projected population, by projection scenario, age and sex, as of July 1 (x 1,000)

Plan, and halfway through the 2018-2023 Nursing Home Plan. Rather than doing our normal follow-up on the status of our past recommendations, we decided to expand on our analysis due to the importance of this issue.

***Scope and Approach***

**4.5** Our work focused on the assessment of:

- the Department of Social Development’s plans and actions under the 2011-2016 Nursing Home Renovation and Replacement Plan and the 2018-2023 Nursing Home Plan;
- the Department of Social Development’s development and implementation of the aging strategy in collaboration with other stakeholders; and
- the Department of Finance and Treasury Board’s financial analysis of nursing home delivery models.

**4.6** Our scope included an assessment of the implementation status of three recommendations we made in 2016 to the Department of Social Development. Exhibit 4.1 presents these recommendations, along with the implementation status reported by the Department and our assessment.

*Exhibit 4.1 - Status of 2016 Auditor General Recommendations on Nursing Homes*

<b>Status of 2016 Auditor General Recommendations on Nursing Homes</b>		
<b>2016 Recommendations (referenced to report paragraph)</b>	<b>Department's 2020 Status</b>	<b>AGNB 2020 Status</b>
2.33 We recommended the Department of Social Development evaluate whether there is an economic benefit to providing nursing home beds under the public-private model versus the traditional model.	Implemented	Not Implemented
2.70 We recommended the Department of Social Development, in consultation with the Department of Health, develop a comprehensive long term plan to ensure the Province can continue to provide sustainable services to New Brunswick seniors.	Implemented	Partially Implemented
2.71 We also recommended the Department report publicly on the measures and outcomes of current and future initiatives as part of the comprehensive long term plan.	Implemented	Not Implemented

*Source: Chart prepared by AGNB with information from 2016 Auditor General Report, Volume I and the Department of Social Development.*

#### 4.7 Our work procedures included:

- interviewing staff at the Departments of Social Development, Health, and Finance & Treasury Board;
- examining legislation, strategies, plans, reports and other relevant documentation produced by the departments; and
- hiring consultants to assist in our review of the Department of Finance and Treasury Board's financial analysis of nursing home models. The consultants' findings and conclusions have been incorporated into this report.

## Conclusions

### 4.8 We concluded:

- there have been significant delays in the Department of Social Development's implementation of the Nursing Home Plans with limited progress on the 2018-2023 Nursing Home Plan. This means the Province is failing to address nursing home capacity demand;
- the Department of Social Development developed a 10-year Aging Strategy in consultation with the Department of Health, however it failed to develop an implementation plan;
- although projected future costs of different nursing home models were compared for the Miramichi new nursing home decision, this did not address our recommendation to assess the actual economic benefit of the for-profit operated and traditional not-for-profit model; and
- the Department of Social Development did not publicly report pertinent information on its progress against the Aging Strategy and the Nursing Home Plans, and reported inaccurate information regarding the implementation of the Aging Strategy.

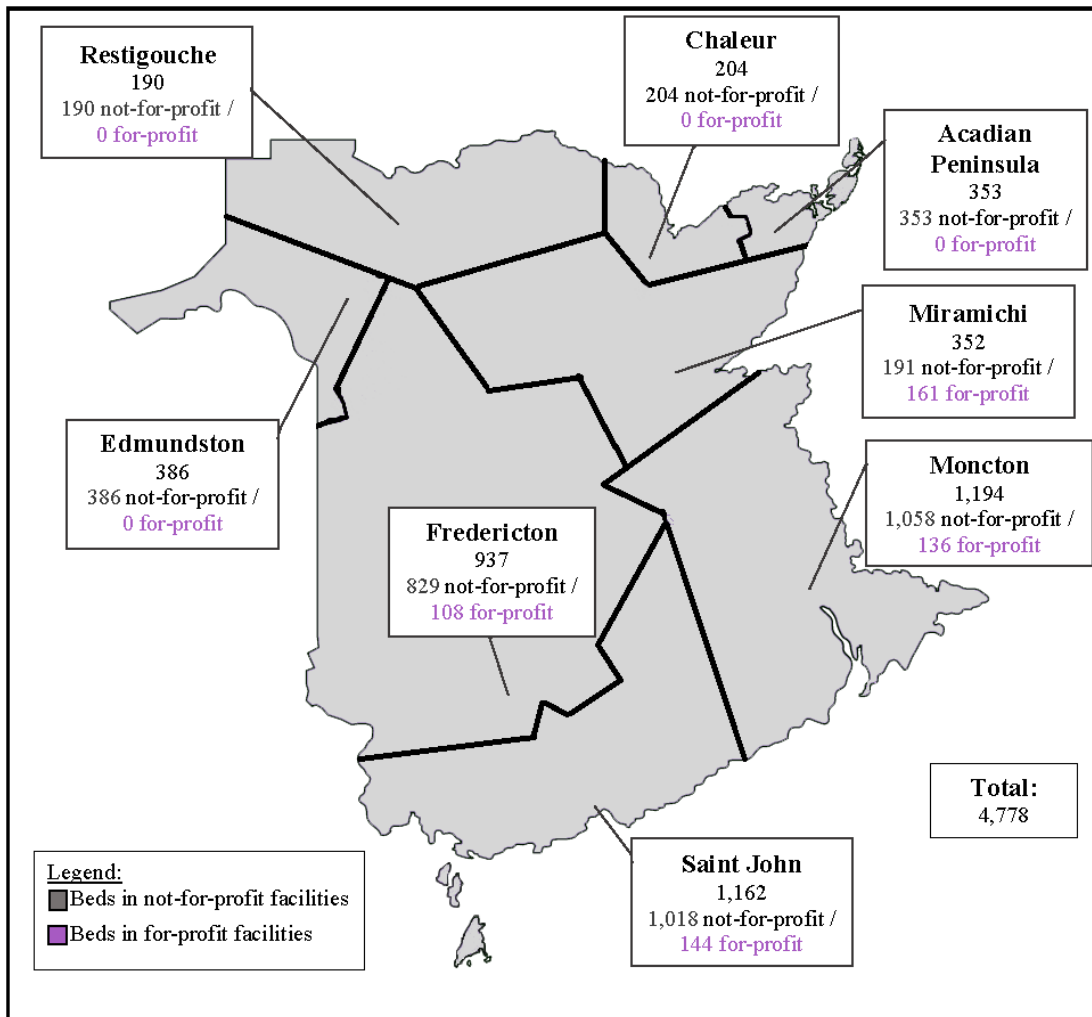


## Background Information

**4.9** Nursing homes in New Brunswick are the responsibility of the Department of Social Development under the *Nursing Homes Act*. The Department’s Adult Community Resources Unit licenses and inspects nursing homes. All nursing homes must follow standards established by the Department.

**4.10** At March 31, 2020, there were 4,778 licensed nursing home beds in 68 facilities throughout the Province. Non-profit organizations governed by a board owned and operated 61 of these facilities, while the other seven were owned and operated by a private company. Exhibit 4.2 shows the distribution of nursing home beds by region.

Exhibit 4.2 - Distribution of nursing home beds by region at March 31, 2020



Source: Exhibit prepared by AGNB with information from the Department of Social Development (unaudited).

**4.11** Exhibit 4.3 shows the distribution of nursing home beds by region over the last five years. As shown in the Exhibit, the total of licensed nursing home beds increased by 6.7% (299 beds) over the 5-year period between March 2015 and March 2020. Most of the additional beds are in the three largest regions of Moncton, Saint John and Fredericton. As stated later in this chapter, we found there were delays in implementing nursing home plans. The 2011-2016 plan lacked completion targets and its last 120 nursing home beds were completed in 2020. New beds under Phase 1 of the 2018-2023 plan may only be completed starting in 2023-2024.

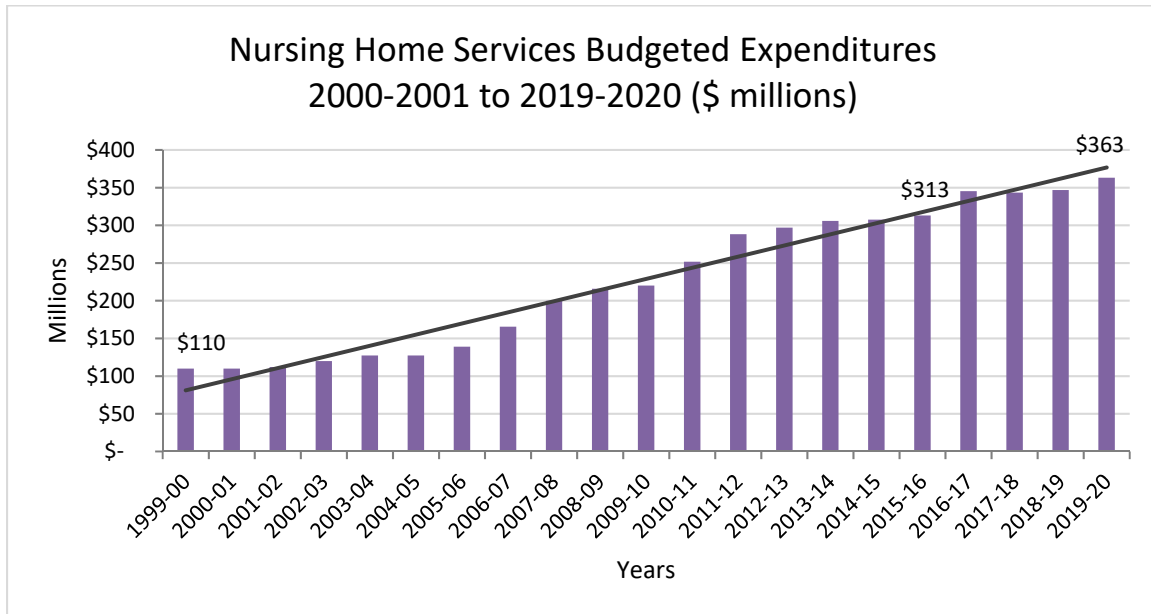
*Exhibit 4.3 - Number of nursing home beds by region from March 2015 to March 2020*

<b>Region</b>	<b>March 31, 2015</b>	<b>March 31, 2016</b>	<b>March 31, 2017</b>	<b>March 31, 2018</b>	<b>March 31, 2019</b>	<b>March 31, 2020</b>
Moncton	1099	1086	1086	1180	1210	1194
Saint John	1084	1084	1156	1156	1162	1162
Fredericton	878	903	933	933	937	937
Edmundston	362	386	386	386	386	386
Restigouche	205	205	205	190	190	190
Chaleur	204	204	204	204	204	204
Miramichi	294	294	324	324	324	352
Acadian Peninsula	353	353	353	353	353	353
<b>Total</b>	<b>4479</b>	<b>4515</b>	<b>4647</b>	<b>4726</b>	<b>4766</b>	<b>4778</b>

*Source: Exhibit prepared by AGNB with information from the Department of Social Development (unaudited).*

**4.12** We reported in 2016 the Department's budget for nursing homes services had reached over \$313 million for 2015-2016. This budget has increased by \$50 million since then, as shown in Exhibit 4.4. We also reported the portion of the Department's budget dedicated to nursing home services had grown from 17% in 2000-2001 to 28% in 2015-2016. Since then, this proportion has remained stable and was 29% for 2019-2020.

Exhibit 4.4 - Nursing Home Services Budgeted Expenditures, 2000-2001 to 2019-2020 (\$ millions)



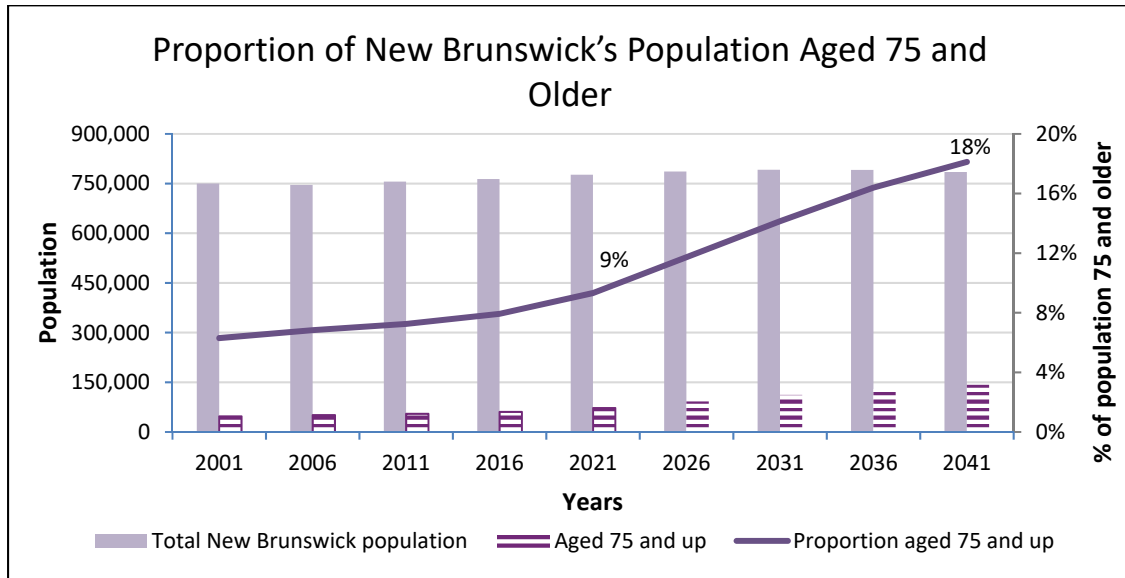
Source: Exhibit prepared by AGNB from figures extracted from Main Estimates for the years 2000-2001 to 2019-2020 (unaudited)

#### ***Growing number of seniors***

**4.13** The number of seniors aged 75 and older is expected to double in the next 20 years, as shown in Exhibit 4.5. These seniors will form close to 18% of the Province's population in 2041, compared to 9% in 2021.<sup>2</sup>

<sup>2</sup> Statistics Canada. Table 17-10-0057-01 Projected population, by projection scenario, age and sex, as of July 1 (x 1,000)

Exhibit 4.5 - Proportion of New Brunswick's Population Aged 75 and Older

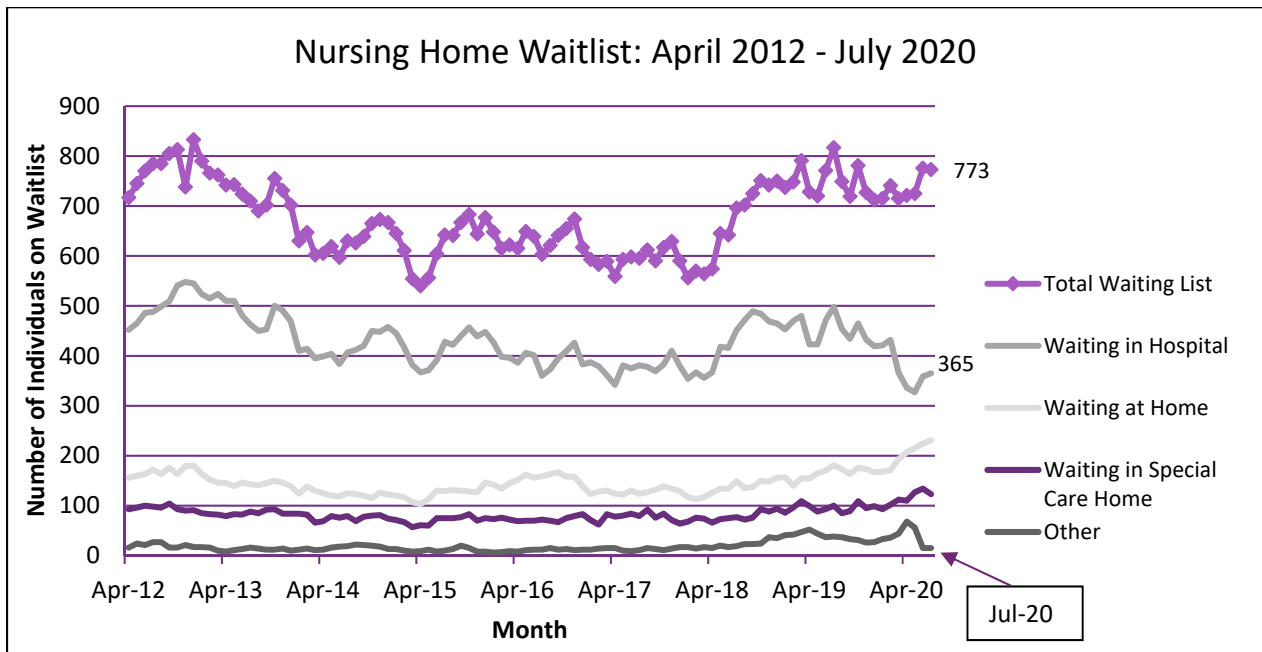


Source: Chart prepared by AGNB with information from Statistics Canada Table 17-10-0057-01 Projected population, by projection scenario, age and sex, as of July 1 (x 1,000)

***Nursing home waitlist continues to grow, and about half of seniors on waitlist waiting in hospital***

**4.14** We highlighted in our 2016 Report the long waitlist for nursing home beds, with 60% of individuals waiting for a bed in hospital. Since then, the waitlist has increased to over 700 individuals at March 31, 2020, with just over 50% waiting in hospital, as shown in Exhibit 4.6. The number of individuals waiting in hospital decreased by 96 between the end of February and the end of April 2020. According to the Department, this was due in part to efforts by the Department to facilitate the discharge of 241 patients from hospitals to nursing homes, to support hospitals in preparation for the COVID-19 pandemic. As the Exhibit shows, the waitlist increased again in the following months.

Exhibit 4.6 - Nursing Home Waitlist: April 2012 - July 2020



Note: Data presented is for the end of each month.

“Other” category includes interim placements (non-preferred placement within 100km of an individual’s permanent address that provides services in their official language of choice).

Source: Chart prepared by AGNB with information from the Department of Social Development (unaudited).

**Millions of dollars in additional costs every year due to individuals waiting in hospital for a nursing home bed**

**4.15** About half of the individuals waiting for a nursing home bed are waiting in hospital. Based on average lengths of stay in hospital and the cost of a nursing home bed compared to a hospital bed, we estimated in our 2016 Report this results in millions of dollars in increased costs every year for the Province. This situation persists.

**4.16** Alternate Level of Care (ALC) patients in hospital are individuals who no longer require acute care, but who are waiting for a placement more appropriate for their needs. While approximately 200 acute care beds were reclassified to chronic care beds on April 1, 2015, we estimated there was still around \$5 million spent in additional costs in 2019-2020 due to ALC patients waiting for a nursing home bed while occupying an acute care hospital bed.

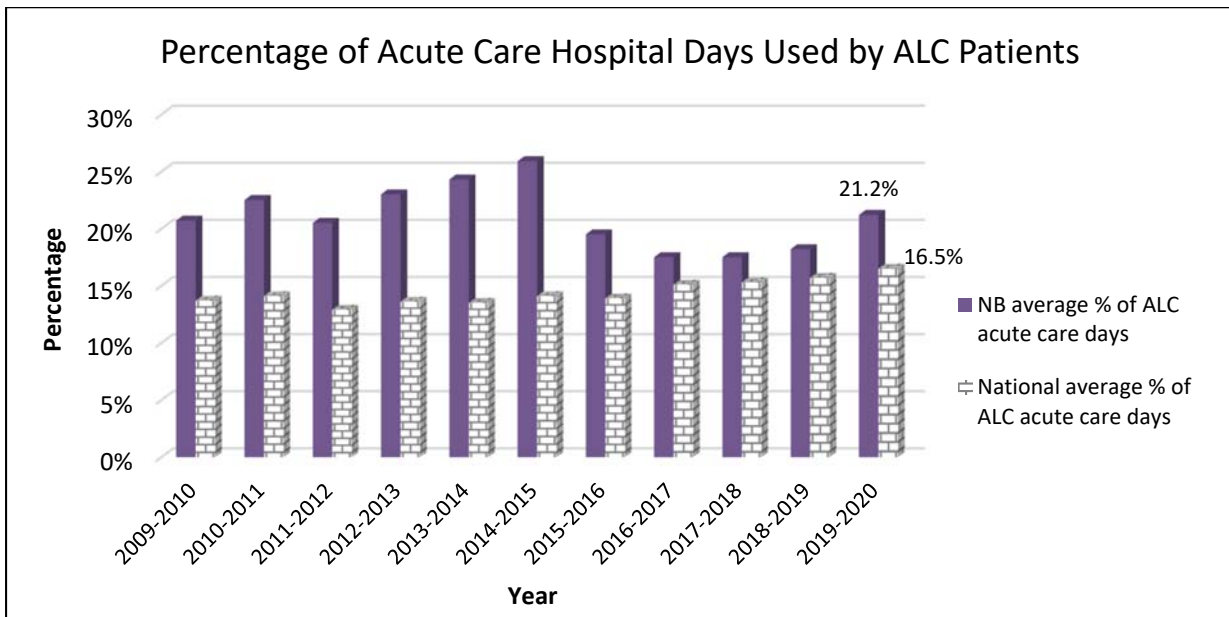
**4.17** We also found from 22 to 28% of the individuals on the nursing home waitlist in the last two years were assessed at

a level of care consistent with the care provided by memory care homes. These facilities are for individuals with Alzheimer’s and other dementias. According to the Department, “these individuals require supervision and assistance with their personal care needs but do not necessarily require ongoing nursing care. The needs of seniors with dementia can be met more appropriately in the quieter, individualized setting of a specialized facility...”

**Percentage of acute care hospital days used by ALC patients higher than national average**

**4.18** The percentage of acute care hospital days used by ALC patients remains higher than the national average, as shown in Exhibit 4.7. Alternate levels of care placements can include nursing homes, special care homes and rehabilitation. According to the Department of Health, the aging demographic is one of the possible reasons for the increase in the percentage to 21.2% in 2019-2020.

Exhibit 4.7 - Percentage of acute care hospital days used by ALC patients



Notes: This data is for acute care only. As of April 1, 2015, approximately 200 new acute care beds were re-classified to chronic care, causing a decrease in the New Brunswick percentage.

Source: Chart prepared by AGNB with information from the Department of Health and the Canadian Institute for Health Information (unaudited).

**Most nursing home facility condition ratings have improved since last assessment**

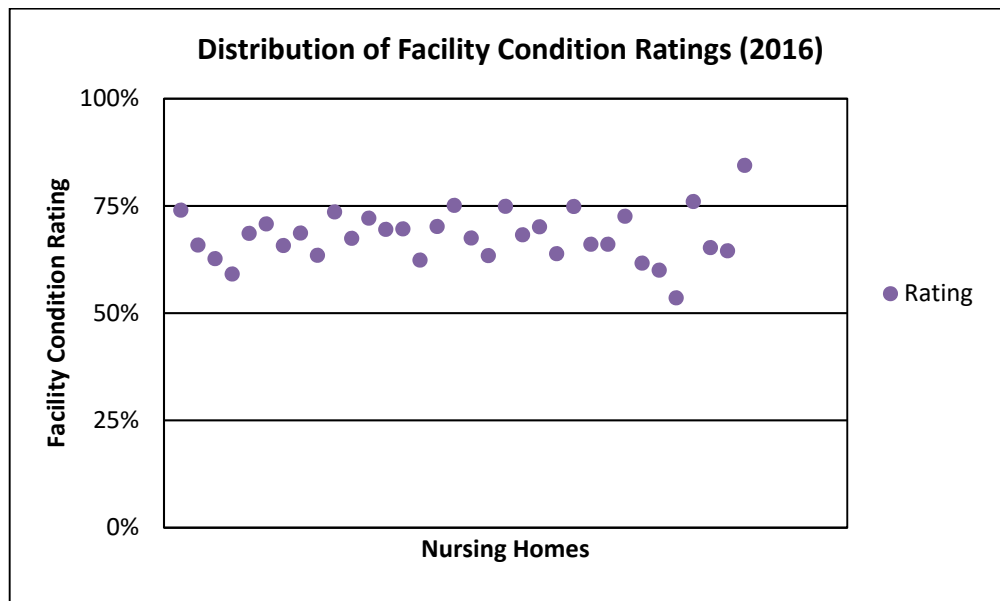
**4.19** We presented the results of the 2009 facility condition assessments in our 2016 Report. At the time, nine of 53 homes were flagged with a risk warning and recommended for replacement. We found all nine facilities were replaced

by new facilities as part of the 2011-2016 Nursing Home Renovation and Replacement Plan. The following is a list of these facilities:

- Foyer St. Joseph de St. Basile, Saint-Basile;
- Grand Manan Nursing Home, Grand Manan;
- Loch Lomond Villa, Saint John;
- Mill Cove Nursing Home, Mill Cove;
- Mount St. Joseph, Miramichi;
- Nashwaak Villa, Stanley;
- Victoria Glen Manor, Perth Andover;
- Villa Des Jardins, Edmundston; and
- Villa Maria, Saint-Louis-de-Kent.

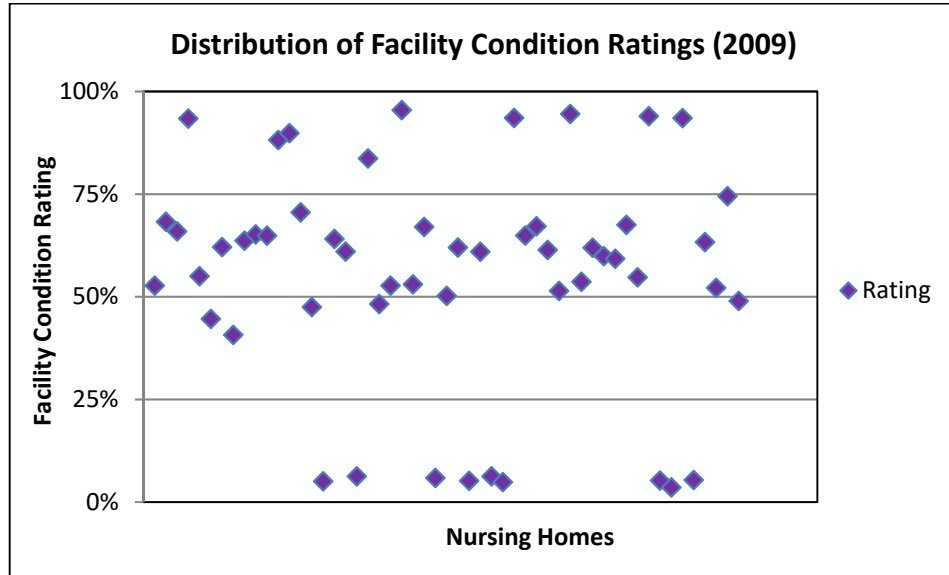
**4.20** The Department had 43 facilities' condition assessed in 2016, 34 in detail, to support decisions under the 2018-2023 Nursing Home Plan. Scores in 2016 ranged from 54% to 84% as shown in Exhibits 4.8 and 4.9, a notable improvement compared to 4% to 95% in 2009. The lower the score, the poorer the condition of the facility.

*Exhibit 4.8 - Distribution of Facility Condition Ratings (2016)*



*Source: Chart prepared by AGNB with information from the Department of Social Development (unaudited).*

Exhibit 4.9 - Distribution of Facility Condition Ratings (2009)



Source: Chart prepared by AGNB with information from the Department of Social Development (unaudited).

**4.21** In addition to facilities in poor condition having been replaced, the facility condition report notes back-up generators were added as part of a Province-wide initiative to address the lack of reliable emergency power.



## Significant delays in implementing nursing home plans

**4.22** We highlighted in our 2016 Report the lack of capacity in the nursing home system and the growing demand for nursing home beds. In this section of this chapter we provide an update on the implementation of the 2011-2016 and 2018-2023 nursing home plans, meant to address nursing home capacity issues in the Province.

### *Nursing Home Plans revised multiple times over the years*

**4.23** The Department developed the 2011-2016 Nursing Home Renovation and Replacement Plan, based on a review of the 2009 Nursing Home Plan. The original 2009 plan announced was for 297 new nursing home beds, along with replacements and renovations to a number of homes. Following revisions, the final 2011-2016 plan included:

- 410 new nursing home beds;
- 925 replacement nursing home beds (new facilities to replace existing facilities);
- major repairs to 133 nursing home beds; and
- 704 new specialized care beds (also called memory care beds; not to be confused with special care homes<sup>3</sup>).

### *New nursing home beds under 2011-2016 plan completed in 2020*

**4.24** We found all 410 new nursing home beds were added under the 2011-2016 plan. However, the final 120 new beds in two new facilities only opened in 2020. According to the Department, resolving issues around the language of services provided to residents for the new Fredericton nursing home, including obtaining a legal opinion, delayed the tendering process. The changing decisions around the Miramichi nursing homes, explained later in this Report, also likely contributed to delays. As discussed earlier in this chapter, all nursing home facilities flagged with a risk warning in condition assessment reports were replaced.

<sup>3</sup> Generally, special care homes provide residential services to adults and seniors who do not require a high level of care and professional nursing services on a regular basis.

**Only 428 of 704 new memory care beds under 2011-2016 plan completed**

**4.25** However, only 428 of the planned new 704 memory care beds were added. These beds are for individuals with Alzheimer's and other dementias. As stated in the background section, over 20% of individuals waiting for a placement are assessed at the level of care consistent with memory care homes. The Province will not be able to adequately meet the needs of seniors with dementia if it fails to provide the required number of memory care beds. The Department indicated 276 memory care beds were not completed due to lack of interest from potential home operators and feedback that the per diem was too low to create an acceptable business case. Government approved an increase to the per diem in November 2017.

**Lack of completion targets for 2011-2016 plan**

**4.26** Exhibit 4.10 shows the progress made by the Department in adding or replacing beds, in comparison to the 2011-2016 Nursing Home Renovation and Replacement Plan. The plan was separated in phases, with the last phase beginning in 2015-2016. We found there was a lack of performance measures as the plan did not include projected completion dates.

*Exhibit 4.10 - Actual Progress Compared to 2011-2016 Nursing Home Renovation and Replacement Plan*

<b>Actual Progress Compared to 2011-2016 Nursing Home Renovation and Replacement Plan</b>		
<b>Type of Bed</b>	<b>Planned</b>	<b>Actual</b>
New nursing home beds	410 beds to be added	410 beds completed by 2020*
Replacement nursing home beds	925 beds to be replaced	925 beds completed
New specialized** / memory care beds	704 beds to be added	428 beds completed 276 beds not completed

\* The final 120 new beds opened in 2020.

\*\* Not to be confused with special care homes. Generally, special care homes provide residential services to adults and seniors who do not require a high level of care and professional nursing services on a regular basis.

Source: Chart prepared by AGNB with information from the Department of Social Development

**4.27** The largest project under the 2011-2016 plan was the replacement of two older nursing home facilities in Miramichi. Two new facilities totaling 240 beds replaced

the two older homes which had a combined total of 214 beds, adding 26 beds in the region. A February 2020 amending agreement added another two relief care beds to one of the new facilities. The decision on which service delivery model to use for these beds was supported by an analysis completed by the Department of Finance and Treasury Board, which we discuss later in this chapter.

***Significant delays and potential additional costs in relation to Miramichi nursing homes***

**4.28** In Exhibit 4.11, we list a series of significant events relating to the Miramichi nursing homes, which highlight delays and potential additional costs caused by decisions being revised multiple times. One of the older facilities, Mount St. Joseph, was planned for replacement under the 2009 plan. The plan for the facility then changed under a subsequent government to capital renewal and repairs, followed by another change back to a replacement plan by the next government.

***After 10 years and \$11 million spent on repairs and financial assistance, two homes replaced in Miramichi, with 28 additional beds***

**4.29** As shown in Exhibit 4.11, Mount St. Joseph was planned for replacement in 2009, however, it took 10 years for the facility to be replaced in 2019. More than \$11 million in repairs and financial assistance were spent during this period. We believe a portion of these funds and a considerable amount of time and effort could have been saved had a replacement decision been made in a timely manner. At the time of writing this Report, neither of the replaced nursing homes had residents and the future of Mount St. Joseph was under consideration by the owner. In all, 28 nursing home beds were added to the region.

*Mount St. Joseph*



*Image source: Catholic Health Association of New Brunswick website*

*Losier Hall*

*Image source: Shannex website*

*Exhibit 4.11 - Timeline of Significant Events – Miramichi Nursing Homes*

<b>Date</b>	<b>Event</b>
December 2009	Announcement of 2009 Nursing Home Renovation and Replacement Plan (includes replacement of Mount St. Joseph estimated at \$39.9 million)
April 2011	Revision of the 2009 Nursing Home Renovation and Replacement Plan, following consultation and changes to standards (plan for Mount St. Joseph changed from replacement to capital renewal and repairs estimated at \$6.5 million)
February 2012	Approval of projects under 2011-2016 Nursing Home Renovation and Replacement Plan (estimated \$8.24 million cost for repairs to Mount St. Joseph)
October 2014-February 2017	Total repairs of \$9.56 million to Mount St. Joseph
May 2015	Government announces new nursing home will be built in Miramichi (revision to 2011-2016 Nursing Home Renovation and Replacement Plan)
October 2016	Approval of \$1.91 million additional financial assistance for Mount St. Joseph Nursing Home renovations
August 2017	Financial analysis of nursing home models for Miramichi completed
August 2017	Government approves negotiation and signing of agreement with Shannex to build 240 nursing home beds in Miramichi
September 2017	Agreement signed with Shannex to build 240 nursing home beds in Miramichi
October 2019	Residents move from Mount St. Joseph to new facility, Losier Hall
November 2019-October 2020	Province continues to pay for Mount St. Joseph's operating expenses (\$1.2 million as of October 2020)
January 2020	Province pays off Mount St. Joseph's \$6.4 million loans
June 2020	Residents move from Miramichi Senior Citizens Home to new facility, Bridgeview Hall

*Source: Chart prepared by AGNB with information from the Department of Social Development.*

***2018-2023 Nursing Home Plan announced in February 2018***

**4.30** In February 2018, government announced a new plan, the 2018-2023 Nursing Home Plan, under which 619 nursing home beds and 407 memory care beds would be added. According to the Department, the number of new beds was expected to address approximately 75% of projected bed need given ongoing work on Home First<sup>4</sup> initiatives, which would reduce the need.

***2018-2023 Nursing Home Plan behind in adding new beds by at least 2 years***

**4.31** According to the plan, contracts for all planned new and replacement beds would be tendered by the end of March 2020, with facilities beginning to open in the 2021-2022 fiscal year. We found only four beds had been added to an existing facility and 120 new and 190 replacement beds had been tendered for Saint John and Moncton regions as of November 2020. This means new beds under this plan may only be completed starting in 2023-2024 instead of 2021-2022 as planned for Phase 1.

***60-bed Upper River Valley nursing home on hold***

**4.32** Regarding the 60 planned new beds for the Fredericton Upper River Valley Region in Phase 1 of the plan, in June 2019, the Department was directed to return to government with demographic information related to the need for a new 60-bed nursing home in the region. The Department stated discussions had occurred informally, following which the beds had been put on hold for this plan, however may be considered for the next plan.

***According to Department, tendering delays due to staff turnover and competing priorities***

**4.33** Exhibit 4.12 shows the progress made by the Province in adding or replacing beds, in comparison to the 2018-2023 Nursing Home Plan. As shown in the Exhibit, the plan is behind schedule by at least two years, as the Phase 1 beds were planned to be tendered by the end of December 2018, however have only been partially tendered at November 2020. According to the Department, delays in tendering were due to staff turnover and competing priorities at the Department. For example, a key senior role in the Department has been held by three different persons in the last five years.

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<sup>4</sup> The Home First strategy is a three-year plan to enhance healthy aging and care for all seniors in New Brunswick. It represents a shift away from nursing home care toward a greater focus on healthy, active aging, and on home and community-based care integrated across sectors and services. (Home First, Province of New Brunswick)

Exhibit 4.12 - Actual Progress Compared to 2018-2023 Nursing Home Plan

Actual Progress Compared to 2018-2023 Nursing Home Plan		
Type of Bed	Planned	Actual
<b>Phase 1 (planned for calendar 2018 tender)</b>		
New nursing home beds*	199 beds to be added	4 beds completed 120 beds tendered** 60 beds on hold 15 beds canceled
Replacement nursing home beds***	180 beds to be replaced	190 beds tendered****
New memory care beds	231 beds to be added	150 beds awarded as of August 2020
<b>Phase 2 (planned for fiscal 2018-2019 tender)</b>		
New nursing home beds*	240 beds to be added	0 tendered
Replacement nursing home beds***	272 beds to be replaced	0 tendered
New memory care beds	90 beds to be added	0 tendered
Replacement memory care beds	18 beds to be replaced	0 tendered
<b>Phase 3 (planned for fiscal 2019-2020 tender)</b>		
New nursing home beds*	180 beds to be added	0 tendered
New memory care beds	86 beds to be added	0 tendered

\* Include new facilities and new beds added to existing facilities.

\*\*120 new beds have been tendered as of November 2020.

\*\*\* Not included in public version of plan document.

\*\*\*\* Actual RFP released for 190 beds in November 2020.

Source: Chart prepared by AGNB with information from the Department of Social Development

**Significant ongoing delays – system is failing to address nursing home capacity demand**

**4.34** It remains unclear how the Province plans to address nursing home capacity demand given the delays in implementing the current plan as well as the previous plan. Failing to provide needed services for seniors will result in a crisis, specifically:

- severe shortage of available placements;
- growing pressure on hospitals and related costs; and

- inadequate care for a growing number of vulnerable seniors.

***Recommendation***

**4.35 We recommend the Department of Social Development review the 2018-2023 Nursing Home Plan to ensure targets are clear, realistic, achievable and properly resourced to meet the planned outcomes in a timely manner.**

## Government needs to evaluate actual costs and quality of service of different nursing home models

*We recommended the Department evaluate economic benefit of public-private nursing home model*

**4.36** We recommended in our 2016 Report:

*the Department of Social Development evaluate whether there is an economic benefit to providing nursing home beds under the public-private model versus the traditional model.*

**4.37** In its response to our recommendation, the Department stated: *“Under the Fee-For Service Model (FFSM), a private sector proponent is responsible to design, build, finance, own, and operate the nursing home. There is no commitment under this model to purchase the building at the end of the Service Agreement period. The FFSM has proven to be efficient, transferring risk from Government to the private sector, and translating into cost savings and shorter timelines. This method underwent a detailed review with the Alternative Service Delivery (ASD) unit at Finance and Treasury Board. The goal of the review process was to ensure that Government is provided with solid information on which to make evidence-based decisions.”*

**4.38** To follow up on the implementation status of our recommendation, we reviewed the financial analysis completed by the Department of Finance and Treasury Board’s Alternative Service Delivery (ASD) unit. The unit’s name has since changed to ASD Advisory Services. The analysis was performed in support of government’s decision to replace two Miramichi nursing homes.

*Comparison of actual costs and quality of service of different nursing home models needed*

**4.39** We found projected future costs of different nursing home models were compared for the Miramichi decision. This financial analysis was an improvement in the decision-making process when selecting a nursing home service delivery model for this scenario. However, the Department of Social Development needs to compare actual costs and quality of service delivered in order to determine if tendering to for-profit proponents achieves more economic benefit than using the traditional (not-for-profit operated) model. Therefore, until this comparison is completed, we consider our 2016 recommendation not implemented.



***Finance and Treasury Board (FTB) analysis projected nursing home model selected for Miramichi would be less costly***

**4.40** In November 2015, the Department of Finance and Treasury Board (FTB) began an analysis of different nursing home delivery models to build 240 new nursing home beds to replace two older facilities in Miramichi. The analysis compared six different models, which were further reduced to two models:

- RFP (Request for proposal) + Labour model (also referred to as Fee-For Service Model - FFSM), where a for-profit proponent would design, build, own, maintain and operate the facilities as well as hire staff from the previous facilities; and
- Traditional model operated by a not-for-profit board.

The final report, dated August 2017, supported the model selected. The report projected the RFP + Labour model would be less costly. Shannex Inc. was the proponent selected for the contract, following a tendering process.

***FTB's methodology and key assumptions and inputs appeared reasonable***

**4.41** While other analyses of nursing home models had previously been completed by government, the FTB analysis was the most in-depth. Our work involved assessing the reasonableness of the approach and major assumptions and inputs used in FTB's analysis. Overall, we found documentation of the process followed by FTB was inadequate, however the methodology and key assumptions and inputs used appeared reasonable. It is important to note the quality of care of different delivery models was not assessed. We plan to conduct a future audit at the Department of Social Development focusing on this aspect.

***FTB hired industry experts and involved key stakeholders***

**4.42** FTB hired industry experts to guide the risk workshops and develop the financial model used in the analysis. The team also used inputs from various sources and consulted with the Departments of Social Development as well as other key stakeholders.

***Inadequate documentation of process followed***

**4.43** However, we found inadequate documentation of the source of inputs used in the analysis as well as the overall process followed. For example, FTB could not find the source of the cost per square foot used to estimate the building life cycle cost. While this would not have a material impact on the final result of the analysis, proper documentation of all input sources would enhance the reliability of the analysis. We also expected to see

documentation of the testing that was completed on the model, who completed the testing, and the results of the model testing. According to FTB, the financial model documents were reviewed, however the review was not documented. Although the team appeared to adhere to the Standard Operating Procedures in conducting the analysis, we found insufficient documentation demonstrating this.

**4.44** In addition, we found there were many spreadsheets used that were not linked, making the financial modeling process inefficient and increasing the risk of hard-coding errors. Consolidating spreadsheets into fewer models would improve the process and the flow of information. While it is appropriate to use these models as a reference on future projects, a new model should be created from a template for each new project to ensure it is being analyzed independent of inputs from prior analyses.

#### *Recommendation*

**4.45** We recommend the Department of Finance and Treasury Board revise the ASD Advisory Services unit's Standard Operating Procedures to include formal documentation standards for financial models and other analyses completed by the unit. The standards should, at a minimum, require retaining documentation of:

- roles and responsibilities of individuals involved;
- all sources of inputs and assumptions used;
- the review of financial models; and
- adherence to the Standard Operating Procedures.

**4.46** We continue to recommend the Department of Social Development evaluate whether there is an economic benefit to providing nursing home beds under the for-profit operated model versus the traditional model. This should include a comparison of actual costs and quality of service.

## Lack of implementation plan for Aging Strategy

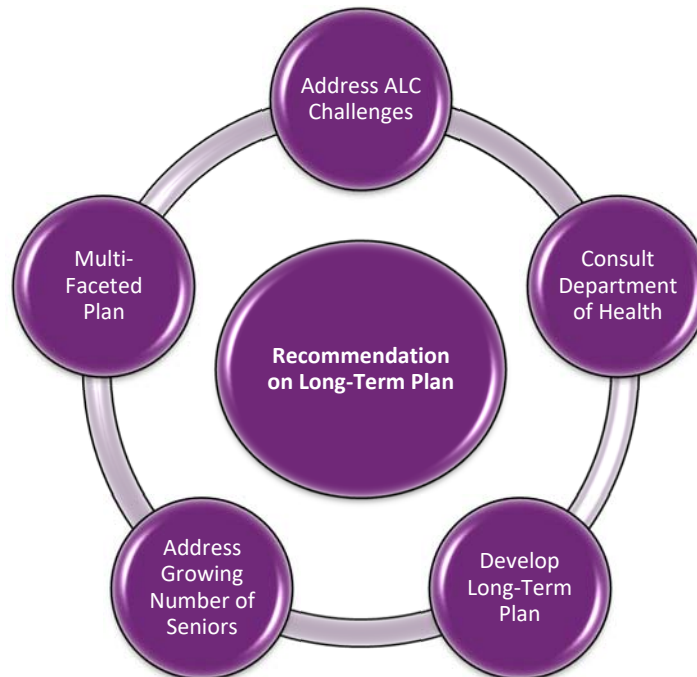
*In 2016, we recommended the Department develop a long-term plan for sustainable services to seniors*

**4.47** We recommended in our 2016 Report:

*the Department of Social Development, in consultation with the Department of Health, develop a comprehensive long-term plan to ensure the Province can continue to provide sustainable services to New Brunswick seniors.*

**4.48** The recommendation contains several elements, as per Exhibit 4.13.

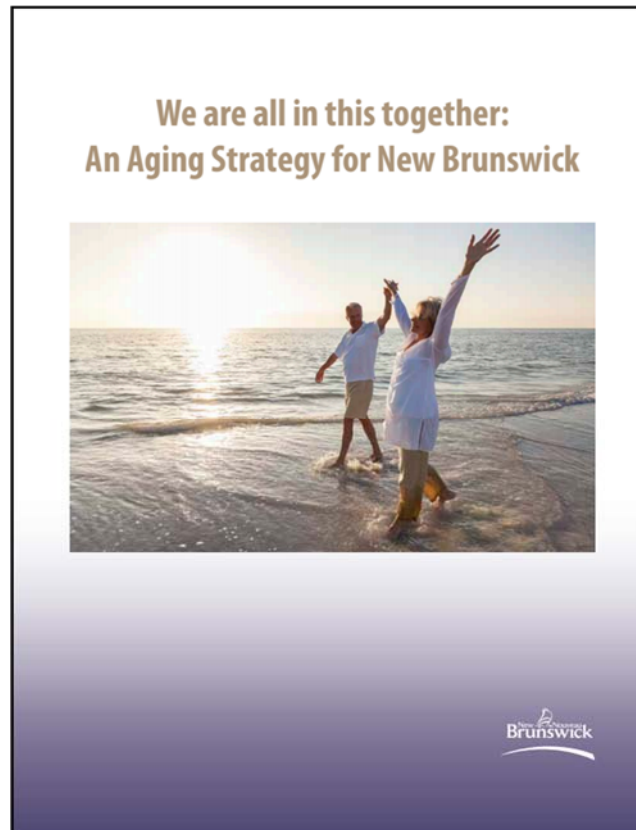
*Exhibit 4.13 - Elements of AGNB Recommendation on Long-term Plan*



*Source: Exhibit prepared by AGNB with information from the 2016 Report of the Auditor General, Volume I, Chapter 2*

**4.49** In its response to our recommendation, the Department referred to the 10-year Aging Strategy, released January 2017, entitled *We are all in this together: An Aging Strategy for New Brunswick*. As we view the Nursing Home Plans as being part of the Province's long-term plan to

provide sustainable services to seniors, we also discuss these in this chapter.



*Image source: Government of New Brunswick website*

***Aging Secretariat established to track actions under Aging Strategy***

**4.50** The Aging Strategy was created under the *Healthy Aging and Long-Term Care Act*. The Act also requires the establishment of a Roundtable co-chaired by the Deputy Ministers of Health and Social Development, as well as an Aging Secretariat, whose mandate includes tracking actions under the Strategy, providing information to the Roundtable, making recommendations to the Minister and undertaking research.

***Council on Aging created to guide development of Aging Strategy***

**4.51** The Council on Aging, appointed by the Premier, consisted of 17 New Brunswickers who worked with various stakeholders. The Council’s Mandate was to “guide the development of an aging strategy to address both short-term (one to three years) sustainability and long-term (ten or more years) transformational change.”

***Department of Social Development collaborated with Department of Health in development of Aging Strategy, fulfilling components of our recommendation***

**4.52** The Department of Social Development collaborated with the Department of Health during the development of the Aging Strategy for New Brunswick. The strategy contains valuable ideas to respond to current and future challenges related to supporting and caring for New Brunswick’s seniors. The Department of Health was consulted, among other stakeholders, with respect to the development of the strategy. Consequently, we found the components of our 2016 recommendation relating to developing a long-term plan and consulting the Department of Health were fulfilled. Other aspects of the recommendation remain at issue, which we discuss below.

**4.53** The Aging Strategy is enshrined in law, as per section 2 of the *Healthy Aging and Long-Term Care Act*:

*“Provincial Strategy – vision*

*2 The vision of the Provincial Strategy is that healthy aging is a positive lifelong experience and that*

*(a) New Brunswickers respect, recognize and value the role of seniors in families, communities and society,*

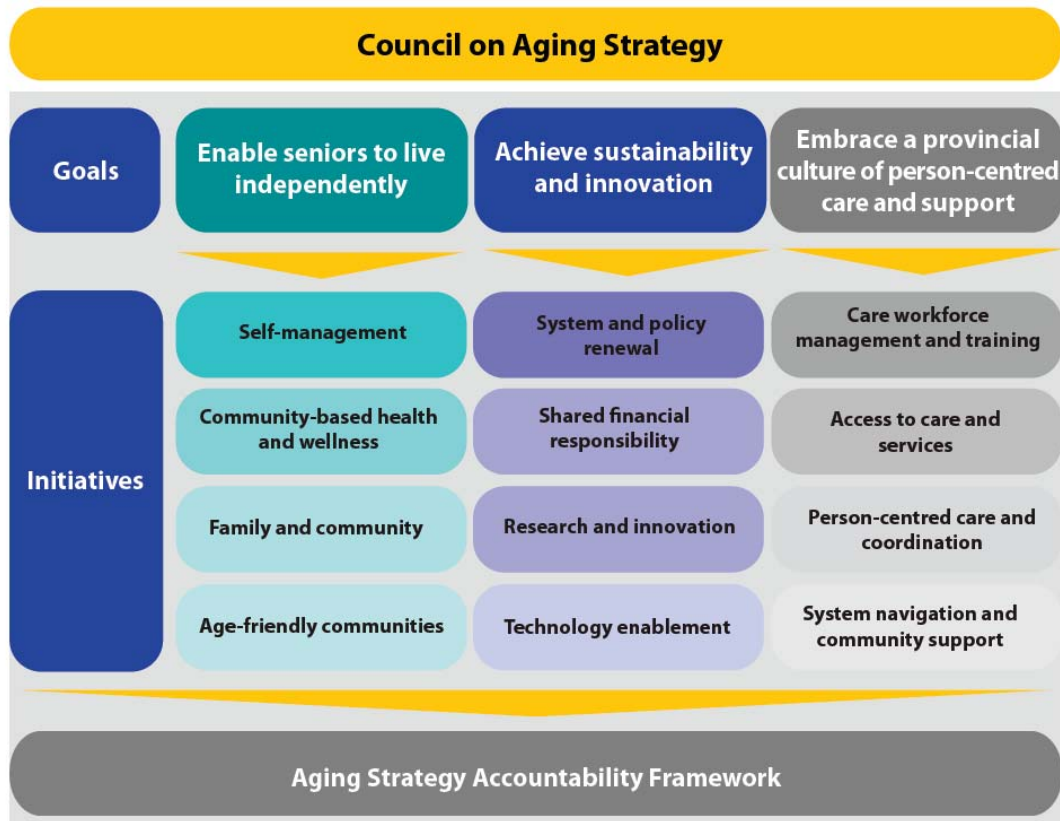
*(b) New Brunswickers encourage age-friendly communities that embrace the contributions of seniors, celebrate cultural diversity, overcome ageism and reduce inequities;*

*(c) New Brunswickers understand that many determinants impact mental, social, spiritual and physical health and take responsibility to support themselves and their fellow citizens as they age; and*

*(d) New Brunswickers deserve high quality, affordable, efficient and person-centered care and support services that promote a culture of wellness, responsibility, independence and a high quality of life for all seniors.”*

**4.54** The Strategy identifies three high level goals, each supported by four broad initiatives and a number of action items, as shown in Exhibit 4.14.

Exhibit 4.14 - Aging Strategy Framework



Source: *We are all in this together: An Aging Strategy for New Brunswick, January 2017, Department of Social Development*

**4.55** Our work included reviewing the Aging Strategy, interviewing those responsible for its implementation, obtaining information on progress monitoring and reviewing a sample of action items' completion status.

***Aging Strategy is multi-faceted***

**4.56** We found the Aging Strategy is multi-faceted and addresses broader aging challenges. Exploring Home First initiatives and including innovative ideas, such as the Caregiver Toolkit, in the Aging Strategy show attention was drawn to examining options beyond simply increasing the number of beds in nursing homes.

**4.57** The Aging Strategy includes many novel ideas aimed at improving aging in New Brunswick. For example, with respect to Home First initiatives, creating affordable community programs that offer assistance to seniors in areas of home repairs, lawn care, and snow removal helps to ensure seniors can continue to live in their own home longer. The Department also partnered with the Public

Health Agency of Canada (PHAC) to support research initiatives under the Healthy Seniors Pilot Project. However, we identified major issues with the strategy's implementation, which are discussed below.

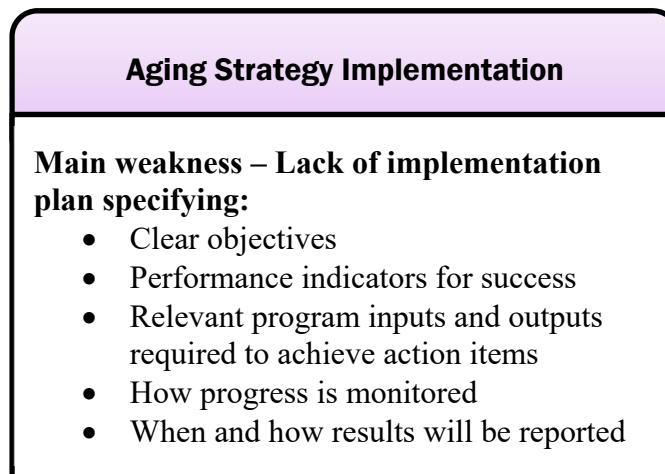
***No targets to address services to growing numbers of seniors***

**4.58** The Aging Strategy did not directly address access to adequate care for a growing number of seniors. Initiative 2 under Goal 3 of the Strategy, “*Access to care and services*”, broadly discusses increasing access, but the Department has not set targets in relation to this initiative. Therefore, it is unclear whether the Province will be able to provide sustainable services to the increasing senior population.

***No implementation plan for Aging Strategy***

**4.59** The Aging Strategy states it “*will be supported by an implementation plan that will prioritize the actions, identify indicators and measures and assign responsibility for execution.*” We found the Department had not developed an implementation plan. This is the main weakness of the Strategy's implementation, as shown in Exhibit 4.15.

*Exhibit 4.15 - Aging Strategy Implementation: Main Weakness*



*Source: Chart prepared by AGNB*

***High-level goals lack specific objectives***

**4.60** The Aging Strategy is very high-level; its purpose is to provide broad recommendations. However, the Department has failed to develop specific objectives linked to carrying out each recommendation. For example: “*Encourage seniors to get involved with non-profit organizations...*” is one of the action items of the Aging Strategy, but the Department has not developed a specific plan to implement this broad action item. This makes it difficult for the

Department to evaluate the completion of particular action items.

***Aging Strategy governance structure on hold, Secretariat staff reassigned to COVID-19 programs***

**4.61** The Department produces interim progress reports twice a year regarding the progress on particular action items of the Aging Strategy. These reports are based on updates received by the Aging Secretariat from various department or organization leads. The reports were provided to the Roundtable, which met twice a year. Its last meeting was in November 2019. According to the Department, the Roundtable was found to be inefficient and an analysis of the strategy’s reporting and governance structure began in early 2020 however was paused due to COVID-19. Staff from the Secretariat was also reassigned to assist with programs related to COVID-19 relief.

***Inadequate monitoring and evaluation of the Aging Strategy’s implementation***

**4.62** We expected performance indicators to be developed for each action item to monitor the level of implementation of the Aging Strategy. We found the Department had not developed such measures. This makes it difficult to accurately evaluate progress made in each action and overall progress toward achieving the goals of the Aging Strategy.

***Department’s reporting on strategy implementation is inaccurate***

**4.63** We found several instances where progress reporting on the completion status of action items was inaccurate. Some action items were marked “complete” when steps taken did not fully address the recommendation, or its completion was not supported by documentation. Examples of these instances are described in the following paragraphs.

***Partially implemented action items reported as “complete”***

**4.64** The Department considered this action item complete: *“Revise legislation and standards related to long term care and create a new Long Term Care Act in collaboration with stakeholders and citizens.”*

**4.65** The action item lists the 12 key elements that should be addressed in legislation, including:

- Quality and access to care and supports;
- Inspections, compliance, and enforcement;
- Governance of not-for-profit long-term care providers, including minimum requirements for board competency and performance;
- Prevention and reporting of abuse and neglect; and



- Screening and training of staff and volunteers.

**4.66** The status update for this action item refers to the creation of the *Healthy Aging and Long Term Care Act* and states work is ongoing for the review of the *Nursing Homes Act* and the *Family Services Act* to address concerns around outdated provisions. The *Healthy Aging and Long Term Care Act* sets requirements around the development and monitoring of the Aging Strategy. It does not address any of the key elements listed under the action item. In addition, the status update does not mention revision of the standards, which is part of this action item. We found this action item was not completed.

**4.67** The Department also considered this action item complete:

*“Improve the process for inspecting long term care facilities to ensure they are providing the best quality of life for seniors.”*

**4.68** However, we found the status update referred to actions that were not yet complete, such as future reporting of data from a resident assessment tool to the Canadian Institute for Health Information (CIHI). The update also only mentions nursing homes, with no reference to other long-term care facilities such as special care homes. Based on the status update, the action item does not appear complete.

***Lack of measures to assess progress***

**4.69** One of the action items of the Aging Strategy is to *“become Canada’s social innovation leader in aging...”*. We found no measures were created to assess if this goal was reached, however the Department marked this action item as complete. The Department also considered this is a “lofty goal”. This is another example of inaccurate status reporting by the Department.

***No supporting documentation for reported completion of action item***

**4.70** Another recommendation was to *“Support the enhancement and implementation of provincial wellness-related policy across all government departments with a focus on obesity and a tobacco-free province.”* The action item was marked complete and the status update indicated the Wellness Branch of Social Development and the Office of the Chief Medical Officer of Health worked collaboratively with other government departments to identify and implement policy actions aimed at reducing

smoking and obesity. However, the Department could not provide documentation supporting these policy actions.

**4.71** Without an implementation plan, specific objectives, and performance targets, the Department will not be able to properly evaluate the Aging Strategy's implementation.

**4.72** The Department informed us it had begun establishing measures to implement more concrete initiatives, beginning in August 2020, in collaboration with the Department of Health, and project teams had begun working on several projects under an "Aging in Place" vision. Some of the projects link directly to or partially address Aging Strategy action items. While we had expected progress on the Aging Strategy would have been well underway over three years into the strategy, we consider this a positive step in establishing targets and measuring progress.

*Recommendations*

**4.73** We recommend the Department of Social Development develop performance indicators with specific targets for each action item under the Aging Strategy, in collaboration with relevant stakeholders.

**4.74** We recommend the Department of Social Development develop a formal process for monitoring action items under the Aging Strategy and verifying implementation.

## Limited Public Reporting on Progress

***We recommended improved public reporting in our 2016 Report***

**4.75** We recommended in our 2016 Report:  
*the Department of Social Development report publicly on the measures and outcomes of current and future initiatives as part of the comprehensive long term plan.*

**4.76** We made this recommendation in 2016 because we found the Department did not publicly report on the outcomes and overall implementation status of the three-year *Home First* strategy.

**4.77** Although the Department's response to our recommendation only refers to the Aging Strategy, we view the Nursing Home Plans as being part of the Province's long-term plan to provide sustainable services to seniors. Therefore, we assessed public reporting on the outcomes of both the Aging Strategy and the Nursing Home Plans.

**4.78** We reviewed the Department's annual reports as well as relevant news releases to determine if the documents:

- provide enough information to allow the reader to make a proper assessment of performance;
- provide information on the relevance of the initiatives; and
- provide information on planned future actions, initiatives, and projected benefits.

***Department's annual report contains only a percentage of Aging Strategy action items completed and fails to list the specific items completed***

**4.79** In accordance with the *Healthy Aging and Long-Term Care Act*, the Department must report on the progress made on implementing the Aging Strategy:

*“4(1) The Minister shall prepare an annual report containing the following information:*

*(a) the progress made towards implementing the Provincial Strategy in the previous year; and*

*(b) the priorities in the next year for implementing the Provincial Strategy.”*

***Performance information related to Aging Strategy was presented in broad, unmeasurable terms***

**4.80** In its response to us, the Department stated it has included its progress on the Aging Strategy in its 2018-2019 annual report, in accordance with the *Healthy Aging and Long-Term Care Act*. However, we found the annual report included only the following: “*The Aging Secretariat continued to monitor the implementation of the recommended action items ...*” and reported its progress as follows:

- 35% of the actions have been fully implemented;
- 53% are in the planning stages or are in the process of being implemented; and
- 12% are considered longer-term initiatives.

***Information reported was insufficient for reader to assess performance***

**4.81** As there were no measures reflecting progress on specific initiatives and actions outlined in the Aging Strategy, we found the information reported was insufficient for the reader to assess the performance of the Department with respect to the implementation of the Aging Strategy. We have listed in Appendix I the action items the Department considered complete for its 2018-2019 annual report.

***Lack of reporting on progress of 2018-2023 Nursing Home Plan***

**4.82** We found there was minimal reporting regarding progress on the 2018-2023 Nursing Home Plan to date. In the 2018-2019 annual report, the Department stated that new methodologies for future nursing home construction were analyzed and the system for their selection was launched in June 2018. We also found progress was not reported in comparison to the plan. For example, the report stated the number of new memory care beds that were allocated in particular regions without a comparison against planned number of beds. We found there had been no public reporting relating to progress on the 2018-2023 Nursing Home Plan since the 2018-2019 annual report.

***Reporting on ALC initiatives inadequate***

**4.83** Alternate Level of Care (ALC) patients are individuals who no longer require acute care, but who are waiting for a placement more appropriate for their needs.

**4.84** An action item under the Aging Strategy is to “*provide more appropriate care, with minimum standards for environment and staff training*” to ALC seniors. While there have been various initiatives undertaken to address the ALC issue, we found the Department of Social Development’s annual reports have not included any

comment on work done regarding ALC seniors. The Department of Health's 2018-2019 Annual Report states, in regard to the percentage of acute care hospital days used by ALC patients: "[t]his measure did not perform well in the current year as New Brunswick's aging population is compounding the complexity of reducing this number." Although the Department of Health stated it "continued to collaborate with Social Development to reduce ALC days, including work on the Home First initiative which will increase the number of seniors receiving services in their own homes...", there was no reporting on actions outlined in the Aging Strategy in either Department's annual report.

***Annual reporting fails to state why performance improved from prior year***

**4.85** Overall, we found the Department does not give a clear account of goals, objectives and performance indicators as required under GNB's policy on Annual Reports. For example, the Department reported that the percentage of seniors receiving community-based care increased. However, the annual report failed to explain how or why performance improved from the previous year. The report did not address what was done differently from the prior year to achieve a different outcome; it only explained continuation of specific programs and initiatives. In another example, the Department reported "*Home First initiatives continued to be delivered provincewide*" and listed the associated programs with no further elaboration on what activities were completed during the reporting period.

***Future initiatives are vaguely reported***

**4.86** When reporting on future initiatives, the Department's annual reports present only the percentage of action items in the Aging Strategy the Department will work on in future. No details were provided in relation to each initiative, nor were specific outcomes to be achieved by a certain date. For example, in the 2018-2019 annual report, no details are provided on future initiatives except the future nursing home contracts and vague statements in relation to other initiatives such as: "*Emphasis will continue to be placed on the implementation of action items that support seniors in remaining at home and within their communities.*"

**4.87** We found our 2016 recommendation on public reporting was not implemented.

***Recommendation***

**4.88 We recommend the Department of Social Development publicly report actual outcomes compared to planned or expected outcomes under the Aging Strategy and the Nursing Home Plan. Reporting should provide explanations for gaps between plans and results.**

## **Appendix I – Aging Strategy Action Items Marked as Complete**

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The Department of Social Development reported in its 2018-2019 annual report it had implemented 35% of action items under the Aging Strategy. The action items the Department considered complete are listed below. As discussed in this chapter, our work found action items in this list that have not been fully implemented, as well as a lack of supporting documentation.

- Senior’s Health, Well-Being and Home Safety Review – This involves voluntary early intervention measures to deliver home consultations to seniors and their caregivers, aged 65+, providing information on wellness, health and social services that will help to create safe and healthy home environments for seniors. In addition, eligible seniors can apply for financial assistance (up to \$1,500) for small in-home repairs.
- Rapid Rehabilitation and Reablement Services for Seniors – This will provide seniors with intensive rehabilitation to allow them to recover from illness and injury and return home faster following, or in prevention of, a hospital stay. Once they have recovered, reablement services can help a senior regain the skills, confidence and independence needed to enjoy a high quality of life. Services are provided through the Extra-Mural Program (EMP), with the assistance of home support services and designated special care homes that provide transitional rehabilitation beds.
- Conduct a public awareness campaign to inform seniors and their families of the importance of early financial planning, estate planning, preparing wills and power of attorney, avoiding financial abuse, preparing advance directives and other financial matters.
- Develop resources and implement a social marketing campaign to promote healthy living, lifestyle changes, the role of the individual and family.<sup>5</sup>
- Identify and bridge gaps in current community services by investing in *Wellness Strategy* initiatives that prioritize lifelong wellness, with an emphasis on seniors, to improve their health and quality of life.
- Engage the non-profit community to improve seniors’ physical recreation programs by enhancing training opportunities for recreation leaders to increase the quality and quantity of physical activity programs for seniors.
- Endorse programs in the poverty reduction plan that offer healthy and affordable food to vulnerable seniors.

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<sup>5</sup> The “self-management of chronic health conditions” portion of this action item was separated into its own action item that is not yet complete.

## Appendix I – Aging Strategy Action Items Marked as Complete (continued)

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- Consider establishing a tax on unhealthy foods, with the potential revenue directed toward healthy aging initiatives.
- Develop resources, including a caregiver toolkit, and provide education and training to support informal caregivers.
- Create incentives for families who support or act as caregivers to their loved ones. For example, encourage employers to be flexible when employees need to provide care to a senior family member, consider implementing caregiver tax credits or financial benefits.
- Raise awareness and develop initiatives to prevent and respond to intimate partner violence and abuse of seniors.
- Promote intergenerational opportunities for youth and seniors to interact so they can share stories, learn from each other, develop greater understanding and compassion for the different generations and increase awareness of ageism (discrimination against a person based on age). An example of this would be to have a pre-school centre within a nursing home.
- Implement the New Brunswick Age-Friendly Recognition Program which is endorsed by the Public Health Agency of Canada and the World Health Organization (WHO) and align funding to municipalities and rural communities with the following age-friendly dimensions:
  - Outdoor spaces and buildings;
  - Transportation;
  - Housing;
  - Social participation;
  - Respect and social inclusion;
  - Civic participation and employment;
  - Communication and information; and
  - Community support and health services.
- Work collaboratively with the public, private and non-profit sector to create innovative housing models for seniors that include co-housing, intergenerational housing, senior friendly neighbourhoods and portable rent supplements.
- Require that new or renovated public infrastructure such as hospitals, schools, roads, sidewalks, parks, and trails, be designed using the standards that would make them age-friendly.



## Appendix I – Aging Strategy Action Items Marked as Complete (continued)

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- Revise legislation and standards related to long-term care and create a new *Long-term Care Act* in collaboration with stakeholders and citizens. The following highlight some of the key elements that should be addressed in the legislation:
  - Person-centred care;
  - Client rights;
  - Financial assessment;
  - Eligibility, co-payment, and discharge;
  - Quality and access to care and supports;
  - Inspections, compliance, and enforcement;
  - Governance of not-for-profit long-term care providers, including minimum requirements for board competency and performance;
  - Prevention and reporting of abuse and neglect;
  - Screening and training of staff and volunteers;
  - Medication management;
  - Use of chemical and physical restraints; and
  - Personal assistance services.
- Improve the process for inspecting long-term care facilities to ensure they are providing the best quality of life for seniors.
- Identify and accelerate the implementation of solutions to support sharing of personal information between government departments and care providers across the seniors' continuum of care and support. For example, remove current legislative barriers, and define and expand the implied consent to circle of care.
- Support the enhancement and implementation of provincial wellness-related policy across all government departments with a focus on obesity and tobacco-free living.
- Implement the *National Strategy for Financial Literacy*, which would include initiatives to:
  - Engage New Brunswickers in preparing financially for their future years as seniors;
  - Help current seniors plan and manage their financial affairs by identifying and supporting volunteer groups of retired financial advisors to assist with financial management decisions;
  - Improve understanding of and access to public provincial and federal benefits for seniors; and
  - Increase tools to combat financial abuse of seniors, such as those offered by the Financial and Consumer Services Commission of New Brunswick.

## Appendix I – Aging Strategy Action Items Marked as Complete (continued)

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- Prioritize the Federal/Provincial Targeted Initiative for Older Workers (TIOW) Program which is designed to help unemployed older workers get the skills they need to find and keep new jobs, or start their own businesses in order to keep them contributing to the economy and support the *New Brunswick Economic Growth Plan*.
  - Identify, promote and advertise seniors' low-income programs in the Service New Brunswick service centres to recipients of the Guaranteed Income Supplement.
  - Enable and embrace a culture of social research and innovation on healthy aging and the seniors' continuum of care and support in New Brunswick.
  - Become Canada's social innovation leader in aging through:
    - Exploring opportunities to establish national centres of excellence;
    - Improving coordination of research;
    - Identifying priorities for aging solutions; and
    - Sharing of research results.
  - Complete the implementation of the following electronic health information systems, and enable the information that is gathered to more easily be shared to assist research related to the health of the population<sup>6</sup>:
    - Inter-Resident Assessment Instrument – Long-Term Care Facilities (inter-RAI – LTCF);
    - Drug Information System;
  - Explore all opportunities to advance Smart Government objectives to support efficient service delivery to seniors.
  - Improve the long-term care assessment process so it is more timely and easier for seniors and their families to complete and access the right services at the right time and in the right place.
  - Create a comprehensive waitlist management program to improve access to services that includes, but is not limited to the following<sup>7</sup>:
    - Access to medical equipment to support mobility for home-based services;
    - Housing modifications.
- 

<sup>6</sup> The components of this action item considered incomplete were separated into their own action items.

<sup>7</sup> The components of this action item considered incomplete were separated into their own action items.

## Appendix I – Aging Strategy Action Items Marked as Complete (continued)

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- Protect citizens’ rights to be treated fairly and with dignity and respect, regardless of their age, gender, language, ethnic origin, gender identification, sexual orientation, economic status or religious beliefs (or non-beliefs) by creating a seniors’ ombudsman.
- Assess and improve seniors’ service experience throughout the seniors' care continuum, including<sup>8</sup>:
  - Home support services.

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<sup>8</sup> The components of this action item considered incomplete were separated into their own action items.

## **Appendix II – About the Report**

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This limited assurance chapter was prepared by the Office of the Auditor General of New Brunswick. Our responsibility was to provide limited assurance on the status of recommendations published in the 2016 Auditor General report, Volume I, chapter 2, entitled “Nursing Homes”, while updating the legislature and the public on the state of nursing home capacity in the Province.

All work in this engagement was performed to a limited level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the work, we have complied with the independence and other ethical requirements of the Rule of Professional Conduct of the Chartered Professional Accountants of New Brunswick and the Code of Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In fulfilling our responsibilities under this engagement, we obtained the following from management:

- confirmation of management’s responsibility for the subject under review;
- confirmation that all known information that has been requested, or that could affect the findings or conclusions, has been provided; and
- confirmation that the findings in this chapter are factually based.

### **Date of the report:**

We completed our review on February 2, 2021 in Fredericton, New Brunswick.

**Chapter 5**

**Auditor General’s  
Access to Vestcor  
Significantly Limited**

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# Auditor General's Access to Vestcor Significantly Limited

Report of the Auditor General – Volume II, Chapter 5 – 2020

## Why Is This Important?

- The *Auditor General Act* requires the Auditor General to inform the Legislative Assembly if she receives all the information required to perform her duties.
- Vestcor declined and restricted the Auditor General's access to information required to perform her duties.
- Before 2016, the Auditor General had complete access to audit the predecessor to Vestcor, the New Brunswick Investment Management Corporation (NBIMC) and, as well, the Legislative Assembly provided independent and publicly accountable oversight of NBIMC.
- Since 2016, the Legislative Assembly no longer provides independent and publicly accountable oversight for over \$18 billion of New Brunswick public sector funds, including over \$14 billion for the Province's two largest pension plans.

## Overall Conclusions

Vestcor and its owners believe Vestcor is no longer subject to independent and publicly accountable oversight by the Legislative Assembly. Therefore, the Auditor General recommends:

- The *Auditor General Act* be amended to give the Auditor General unrestricted access to Vestcor
- The *Vestcor Act* be amended to require Vestcor to file annual reports with the Legislative Assembly and appear before PAC
- Legislators revisit what NBIMC/Vestcor told them when Vestcor was created

## What We Found

### We Believe Vestcor Falls Under the *Auditor General Act*

- *For performance audit:* Vestcor is an auditable entity because, in substance, it is both a service provider on behalf of the Province and a funding recipient from the Province.
- *For financial audit:* The Auditor General is entitled to free access to information that relates to fulfilling her responsibilities, such as the audit of the Province's financial statements, which requires information from Vestcor.

### What Legislators were Told

Legislators were:

- provided inconsistent information regarding Auditor General access. This access has been significantly limited.
- told Vestcor would grow to include public sector pension plans outside of the Province. After four years, Vestcor has only added two New Brunswick-based clients.

### Vestcor's Annual Reports Highlight Potential Areas the Auditor General Might Audit if Granted Access

- The Auditor General should have unrestricted access to audit:
  - Vestcor's performance in managing over \$18 billion in New Brunswick public sector funds; and
  - the reasonableness of Vestcor's incentive program, operating and capital expenses and annual report disclosures.
- Vestcor has paid over \$30 million in employee incentives (bonuses) since 2010 and incentives have increased by almost 500% since 2010.
- Five senior executives have received almost \$19 million in incentives and salary since 2014.
- Vestcor's employee incentive program was expanded to all employees in 2018.

## Key Findings and Observations Table

### Auditor General's Access to Vestcor Significantly Limited

Paragraph	Key Findings and Observations
	<b>Vestcor and Its Owners Disagree with the Auditor General Over Access to Vestcor</b>
5.1	<i>We are informing the Legislative Assembly of our concerns as required by section 15(1)(b) of the Auditor General Act</i>
5.2, 5.6	<i>\$18 billion in New Brunswick public sector funds is no longer subject to independent and publicly accountable oversight by Legislative Assembly or audit by the Auditor General and Vestcor's public accountability lacks critical elements</i>
5.4	<i>Vestcor and its owners believe the Auditor General's access to Vestcor is significantly reduced compared to its predecessor, the New Brunswick Investment Management Corporation, as a result of Vestcor's new private legislation</i>
5.7	<i>In our view, Vestcor is, in substance, a public sector entity and the Auditor General should continue to have unrestricted access to conduct both performance audit and financial audit procedures at Vestcor</i>
	<b>Section 1: Why We Believe Auditor General Act Grants the Auditor General Authority to Audit Vestcor</b>
5.24	<i>In our view, Vestcor is a service provider as defined in the Auditor General Act</i>
5.27	<i>In 2020, Vestcor received approximately \$400 million in pension plan contributions and made approximately \$715 million in pensioner payments for two pension plans</i>
5.29	<i>We believe Vestcor is a funding recipient as defined in the Auditor General Act</i>
5.30	<i>The Province's two largest pension plans provided 67% of Vestcor's revenue in 2019</i>
5.34	<i>Vestcor and its owners believe the Auditor General can only conduct performance audit on some (approximately 6% or \$1.8 million) but not all of the money received from the Province</i>
5.38	<i>We believe the Auditor General Act entitles the Auditor General unrestricted access to perform financial audit procedures to support pension plan asset values</i>
5.42	<i>Vestcor cited confidentiality concerns if unrestricted access was granted to the Auditor General</i>
5.45	<i>Vestcor offered access to audit pension plan asset values with unacceptable conditions</i>

	<b>Section 2: Issues We Found When Legislators Reviewed New Vestcor Act</b>
5.48	<i>The Vestcor Act may have unintended consequences</i>
5.50	<i>Legislators asked if the Auditor General was consulted about the proposals contained in the Vestcor bill</i>
5.52	<i>Legislators raised concerns regarding how the Vestcor Act would impact the Auditor General's access to audit</i>
5.53	<i>Legislators were provided inconsistent information regarding Auditor General's access</i>
5.55	<i>Client base at Vestcor has not grown to the extent presented to Legislators</i>
5.63	<i>Legislative Assembly could still provide oversight by calling Vestcor to appear before PAC</i>
5.64	<i>Vestcor Act should be amended to require Vestcor to file annual reports with the Clerk of the Legislative Assembly and appear before PAC</i>
5.65	<i>Some oversight processes appear to contradict what Legislators were told</i>
5.66, 5.67, 5.68	<i>Some oversight of Vestcor is provided by the Boards of Trustees and other entities, but this oversight is missing public accountability by the Legislative Assembly</i>
5.69	<i>Vestcor may choose what it reports publicly</i>
	<b>Section 3: Potential Audit Areas We Identified from Reviewing Vestcor's Annual Reports</b>
5.71	<i>The Auditor General should have unrestricted access to audit Vestcor's performance in managing over \$18 billion in New Brunswick public sector funds</i>
5.74	<i>NBIMC/Vestcor have paid over \$30 million in employee incentives(bonuses) since 2010</i>
5.75	<i>Incentives have significantly increased since Vestcor was created</i>
5.76, 5.77	<i>NBIMC/Vestcor has paid \$4.6 million in incentives to its President and CEO over the past six years</i>
5.78	<i>NBIMC/Vestcor paid a total of \$7.2 million in incentives to four other executives over the past six years</i>
5.81	<i>Incentive program was expanded to all employees in 2018</i>
5.83	<i>Five executives of NBIMC/Vestcor have received almost \$19 million in salary and incentives over six years (2014 – 2019)</i>
5.86	<i>Given Vestcor's focus on providing services to the public sector, Vestcor's operating expenses should be subject to publicly accountable oversight</i>



	<b>Why the Auditor General Should have Access to Conduct Performance Audits at Vestcor</b>
5.60	<i>An audit by the Auditor General could verify and publicly report what steps Vestcor is taking to grow public sector client base</i>
5.72	<i>An audit by the Auditor General could determine and publicly report on if information presented in Vestcor's annual reports is reasonable</i>
5.74	<i>An audit by the Auditor General could determine and publicly report on if it is reasonable employee incentive payments have increased by almost 500% since 2010.</i>
5.80	<i>An audit by the Auditor General could determine and publicly report on how incentive targets are set and if they are reasonable</i>
5.82	<i>An audit by the Auditor General could determine and publicly report on the reasonableness and financial implications of including all employees in Vestcor's incentive program</i>
5.85	<i>An audit by the Auditor General could publicly report on the reasonableness of compensation information disclosed in Vestcor's annual report</i>
5.88	<i>An audit by the Auditor General could determine and publicly report on the reasonableness of Vestcor's operating and capital expenses</i>

## Recommendations and Responses

Recommendation	Response	Target date for implementation
<b>We recommend the Minister of Finance and Treasury Board:</b>		
<b>5.9 propose the <i>Auditor General Act</i> be amended to list Vestcor (and all related entities) as auditable entities to ensure the Auditor General has unrestricted access to conduct both performance and financial audits as the Auditor General deems necessary.</b>	<i>The Department of Finance and Treasury Board will work closely with the Office of the Auditor General and Vestcor Inc. to review access requirements and determine if an amendment to the Act is required.</i>	
<b>5.10 under section 12 of the <i>Auditor General Act</i>, request the Auditor General conduct a performance audit of Vestcor (and all related entities) that includes unrestricted access to Vestcor by the Auditor General.</b>	<i>The Department of Finance and Treasury Board will consider the need for a Vestcor Inc. performance audit.</i>	
<b>5.12 propose the <i>Vestcor Act</i> be amended to require Vestcor (and all related entities) to:</b> <ul style="list-style-type: none"> <li>• file an annual report with the Clerk of the Legislative Assembly; and</li> <li>• appear before the Public Accounts Committee.</li> </ul>	<i>The Department of Finance and Treasury Board will work closely with the Office of the Auditor General and Vestcor Inc. to determine if an amendment to the Act is required.</i>	

Recommendations and Responses (continued)

Recommendation	Response	Target date for implementation
<p><b>We recommend the Public Accounts Committee:</b></p>		
<p><b>5.11 revisit what the New Brunswick Investment Management Corporation, the Department of Human Resources and their representatives told Legislators regarding:</b></p> <ul style="list-style-type: none"> <li>• the Auditor General's future access to Vestcor;</li> <li>• how Vestcor would grow to include public sector clients outside of New Brunswick; and</li> <li>• how the Province would have indirect oversight through the members it appoints to the Boards of Trustees of the Public Service and Teachers' pension plans.</li> </ul>	<p><i>The Office of the Clerk of the Legislative Assembly will ensure the Public Accounts Committee is aware of the recommendation. The Committee, or the Legislative Assembly as a whole, is responsible for deciding whether or not to implement the recommendation.</i></p>	
<p><b>5.13 include Vestcor (and all related entities) as one of the entities who are regularly called to appear before the committee.</b></p>	<p><i>The Office of the Clerk of the Legislative Assembly will ensure the Public Accounts Committee is aware of the recommendation. The Committee, or the Legislative Assembly as a whole, is responsible for deciding whether or not to implement the recommendation.</i></p>	

## Auditor General's Access to Vestcor Significantly Limited

*We are informing the Legislative Assembly of our concerns, as required by section 15(1)(b) of the Auditor General Act*

5.1 The purpose of this chapter is to inform the Legislative Assembly of the *difficulties we faced when trying to gain access to Vestcor* in our oversight and salary and benefits work and in our audit of the Province's financial statements. Section 15(1)(b) of the *Auditor General Act* requires the Auditor General to report to the Legislative Assembly if the Auditor General received all the information and explanations required in the course of her work.

*Potential impact of Vestcor declining or denying our audit requests*

5.2 We also want to inform the Legislative Assembly of our concerns and the *potential impact of Vestcor and its owners declining to participate in our performance audit work and denying the Auditor General unrestricted access to conduct financial audit procedures at Vestcor*.

*Why we need to audit Vestcor*

5.3 At times, we need to perform audit work at Vestcor to fulfil our legislated responsibilities. In 2020, we required access to Vestcor for the following reasons.

- We asked to include Vestcor among the 15 entities selected in our *oversight and salary and benefit practices work*.
- We needed to obtain appropriate audit evidence for the value of pension plan assets as part of our *audit of the Province's financial statements*.

*Vestcor and its owners believe the Auditor General's access to Vestcor is significantly reduced*

5.4 Before 2016, the Auditor General had complete access to audit the New Brunswick Investment Management Corporation (NBIMC), the predecessor to Vestcor. In 2016, when the *Vestcor Act* received Royal Assent, Vestcor, from a legal perspective, became a private entity. As a result, *Vestcor and its owners believe the Auditor General's access to audit Vestcor has been significantly reduced*.

*Vestcor should not be compared to private-for-profit investment firms because Vestcor's business is public in nature*

5.5 Even though Vestcor is considered a private entity from a legal perspective, in our view, Vestcor should not be compared to private-for-profit investment firms as Vestcor often suggests. Regardless of new legislation, Vestcor's business is public in nature. Vestcor continues (as NBIMC did) to focus on the public sector, but Vestcor and its owners believe Vestcor is *not subject to the same independent and publicly accountable oversight as a public sector entity*.

***Vestcor's public accountability lacks critical elements***

***In our view Vestcor is, in substance, a public sector entity***

***How can we prevent future disagreements over access?***

***Recommendations:***

**5.6** Some public accountability of Vestcor is in place (e.g. public annual reports). In our view, however, this accountability lacks critical elements because Vestcor may choose what it reports publicly. ***Vestcor is not being questioned publicly or held to account publicly by the Legislative Assembly for how it manages over \$18 billion in New Brunswick public sector funds.***

**5.7** In our view Vestcor is, in substance, a public sector entity regardless of its legal form and should be subject to independent and publicly accountable oversight by the Legislative Assembly. As well, the Auditor General should continue to have unrestricted access to conduct both performance audits and financial audit procedures. For example, unlike private investment firms:

- Vestcor was ***created by an Act of the New Brunswick Legislature***;
- Vestcor is 100% owned ***by the Province's two largest pension plans*** (the New Brunswick Public Service Pension Plan and the New Brunswick Teachers' Pension Plan) and, as a result, will likely never have to compete with other investment management firms;
- Vestcor's ***investment portfolio is derived entirely from New Brunswick public sector funds***;
- essentially all of Vestcor's operating and capital ***funding results from services provided to the broader New Brunswick public sector***; and
- Vestcor ***considers itself to be not-for-profit in nature.***

**5.8** In our view, the *Auditor General Act*, as it stands, grants the Auditor General authority to audit Vestcor. To prevent future disagreements over access, however, we propose a regulation be added to the *Auditor General Act* to explicitly list Vestcor as an auditable entity. See Appendix I for a list of proposed changes to the *Auditor General Act*.

**5.9** We recommend the Minister of Finance and Treasury Board propose the *Auditor General Act* be amended to list Vestcor (and all related entities) as auditable entities to ensure the Auditor General has unrestricted access to conduct both performance and financial audits as the Auditor General deems necessary.

**5.10 We recommend the Minister of Finance and Treasury Board, under section 12 of the *Auditor General Act*, request the Auditor General conduct a performance audit of Vestcor (and all related entities) that includes unrestricted access to Vestcor by the Auditor General.**

**5.11 We recommend the Public Accounts Committee revisit what the New Brunswick Investment Management Corporation, the Department of Human Resources and their representatives told Legislators regarding:**

- the Auditor General's future access to Vestcor;
- how Vestcor would grow to include public sector clients outside of New Brunswick; and
- how the Province would have indirect oversight through the members it appoints to the Boards of Trustees of the Public Service and Teachers' pension plans.

**5.12 We recommend the Minister of Finance and Treasury Board propose the *Vestcor Act* be amended to require Vestcor (and all related entities) to:**

- file an annual report with the Clerk of the Legislative Assembly; and
- appear before the Public Accounts Committee.

**5.13 We recommend the Public Accounts Committee include Vestcor (and all related entities) as one of the entities who are regularly called to appear before the committee.**

***Impact if recommendations are not implemented***

**5.14 If our recommendations are not implemented and the Auditor General and Vestcor and its owners continue to disagree over access, *over \$18 billion in New Brunswick public sector funds will not be subject to:***

- independent performance audits by the Auditor General; and
- independent and publicly accountable oversight through the Legislative Assembly.

## What You Need to Know Before Reading this Chapter

***This chapter is divided into three sections***

**5.15** We have divided this chapter into three sections.

**Section 1:** Why we believe the *Auditor General Act* gives the Auditor General authority to audit Vestcor. (paragraph 5.20)

**Section 2:** Issues we found when Legislators reviewed the new *Vestcor Act*. (paragraph 5.46)

**Section 3:** Potential audit areas we identified from reviewing Vestcor's annual reports (paragraph 5.70)

***Vestcor is ultimately owned by the Province's two largest pension plans***

**5.16** Vestcor is ultimately ***100% owned by the Province's two largest pension plans*** - the New Brunswick Public Service Pension Plan (NBPSPP) and the New Brunswick Teachers' Pension Plan (NBTPP). Each of these pension plans has a Board of Trustees who are responsible to administer the plans and provide oversight of Vestcor. According to Vestcor's website:

*"The Board of Trustees is in place to manage the Plan in the best interest of both active and retired members. It follows industry best practices in terms of governance and administration of the plan<sup>1 2</sup>."*

The Province is responsible to appoint half of the members to each Board. ***Throughout this report, we refer to the Public Service and Teachers' pension plans as Vestcor's owners.***

***Vestcor has a complex organization structure***

**5.17** Vestcor has a complex organization structure which is shown as follows:

- Vestcor Corp is jointly owned by the NBPSPP and NBTPP;
- Vestcor Corp. is a holding company and in turn owns 100% of Vestcor Inc.;
- Vestcor Inc. is the organization responsible to manage investments and administer pensions and benefits;

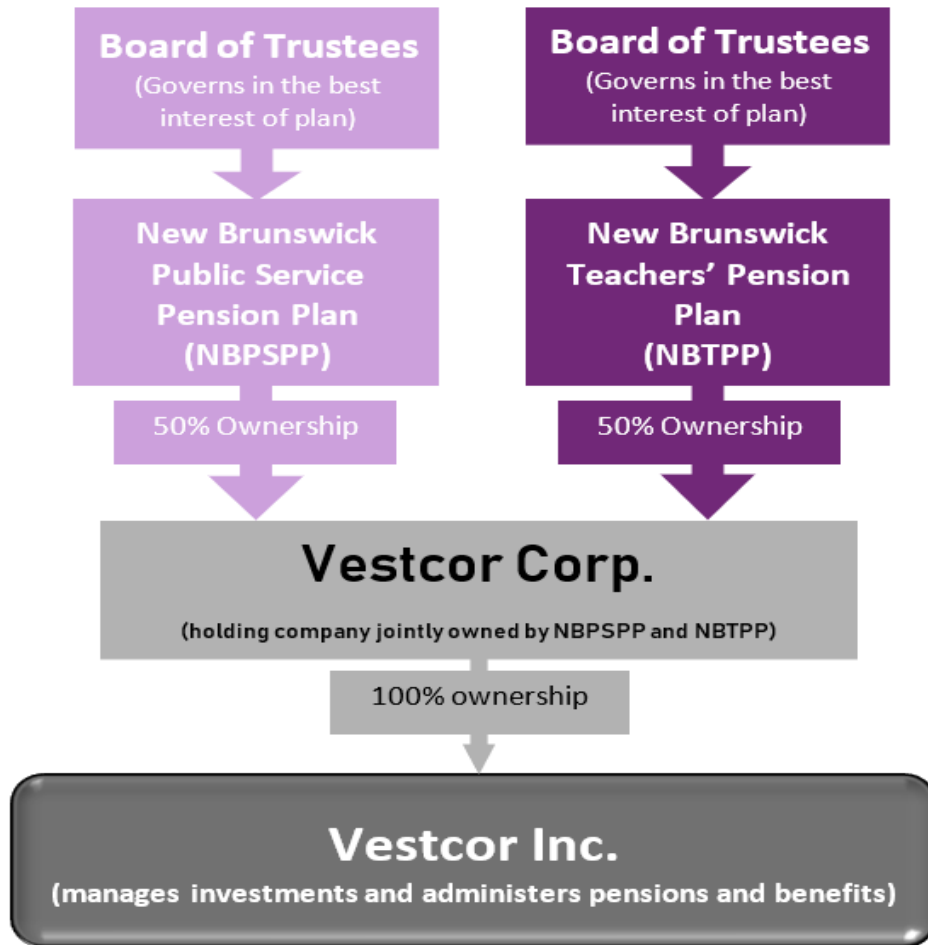
<sup>1</sup> New Brunswick Public Service Pension Plan: Vestcor <https://vestcor.org/en/plans/nbpspp>

<sup>2</sup> New Brunswick Teachers' Pension Plan: Vestcor <https://vestcor.org/en/plans/nbteacherpensionplan>

- Vestcor Inc. manages Vestcor Investment Entities (VIEs) which are pooled fund entities consisting of open-ended, unincorporated trusts and limited partnerships; and
- Vestcor Inc. serves as the trustee of all entities that are unit trusts and owns 100% of another company, Vestcor Investments General Partner Inc., which serves as the general partner for all limited partnership entities.

*Throughout this report, we refer to Vestcor Corp. and Vestcor Inc. collectively as Vestcor.* Exhibit 5.1 provides a summary of Vestcor’s complex organization structure.

Exhibit 5.1 - Vestcor Organization Chart



Source: Prepared by AGNB using information from Vestcor’s website



***References to public sector funds***

**5.18** Throughout this report, we refer to how Vestcor is responsible to manage over \$18 billion in New Brunswick public sector funds. These public sector funds are ultimately provided by the Province and are assets specifically used for pension plans, trusts and other funds. The Province does not have a right to, or access to, these assets. Refer to Appendix III for a summary of assets managed by Vestcor.

***Entities included in this chapter have different fiscal year-end dates***

**5.19** The entities we refer to in this chapter have different fiscal year-end dates. We refer to these dates when discussing items such as the value of pension plan assets at a specific a point in time and total incentives (bonuses) paid to employees during the year. The entities and their fiscal year end dates are:

- Vestcor – December 31;
- New Brunswick Management Investment Corporation – March 31; and
- Province of New Brunswick – March 31.

## Section 1

### Why We Believe the *Auditor General Act* Grants Access to Audit Vestcor

***We believe the Auditor General Act grants authority to conduct both performance audits and financial audit procedures***

**5.20** In this section, we present our reasoning for why the *Auditor General Act* grants authority for the Auditor General to conduct both:

- performance audits at Vestcor; and
- financial audit procedures at Vestcor for our audit of the Province of New Brunswick's financial statements.

***We made 11 requests for information and access***

**5.21** We *spent significant time* requesting information from, and access to, Vestcor between August 2019 and August 2020. For example, we sent 11 letters to Vestcor, the Chairs of the two Boards of Trustees and an external audit firm requesting access to conduct both our oversight and salary and benefit work and our financial audit procedures. Appendix II provides details and a timeline of our 11 letters and responses we received.

#### ***Auditor General Act Provides Authority to Conduct Performance Audits***

***In our view, the Auditor General Act provides authority to conduct performance audits of Vestcor***

**5.22** In our view, section 9.1 of the *Auditor General Act*, as it stands, grants the authority for the Auditor General to conduct performance audits of Vestcor. It states:

*“The Auditor General may conduct a performance audit of an auditable entity or any program, service, process or function of an auditable entity.”*

**5.23** The *Auditor General Act* also defines the types of entities which are considered an “auditable entity”. They include:

- a) a department;
- b) a public entity;
- c) a trust fund;
- d) *a service provider*; or
- e) *a funding recipient*.

## Vestcor is a Service Provider – Auditor General Act Applies

***In our view, Vestcor is a service provider as defined in the Auditor General Act***

**5.24** In our view, Vestcor meets the definition of a service provider, in substance, as defined in the *Auditor General Act*. The Act defines a service provider as a person or an organization that:

- delivers programs or services on behalf of the Province, or
- collects money from the Province or on behalf of the Province.

***We believe Vestcor is essentially delivering services on behalf of the Province***

**5.25** In our view, ***Vestcor is essentially delivering services on behalf of the Province***. Vestcor has direct agreements to manage investments and administer benefits for pension plans with either:

- the Province (e.g. Provincial Court Judges); or
- the trustees of pension plans (e.g. NBPSPP).

Refer to Appendix III where we note which pension plans the Province and Vestcor have a direct agreement.

***Essentially all of Vestcor's operations are funded by the New Brunswick public sector***

**5.26** In our view, ***Vestcor is essentially collecting money from the Province***. At December 31, 2019, approximately \$17.8 billion of the \$18.5 billion of total assets managed by Vestcor was money it ultimately collected from the Province and its employees. In addition, essentially all of Vestcor's operations are funded by New Brunswick public sector funds.

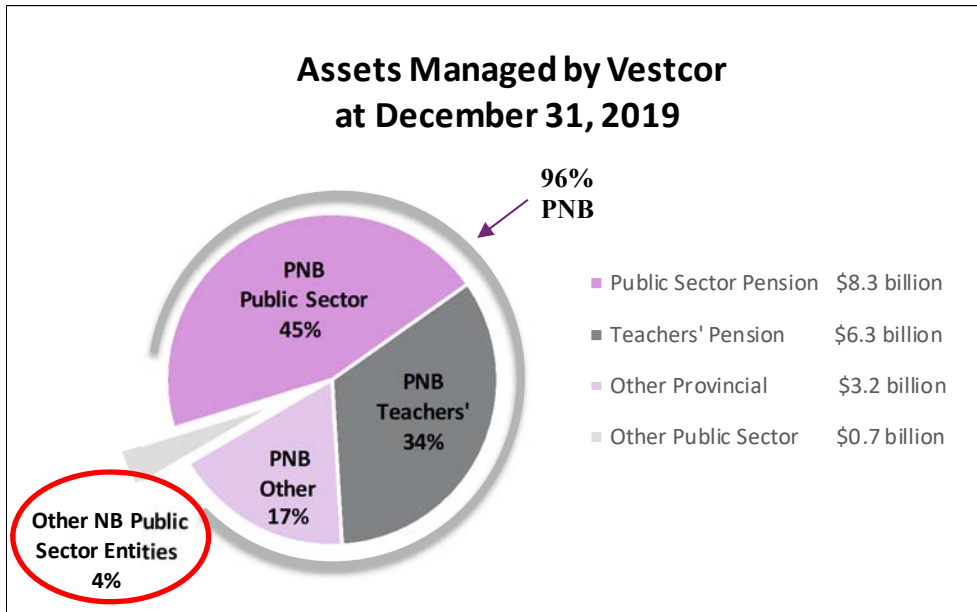
***In 2020, Vestcor received approximately \$400 million in pension plan contributions and made approximately \$715 million in pensioner payments for two pension plans***

**5.27** For the Province's year-ended March 31, 2020, for the Province's two largest pension plans (the Public Sector and Teachers' Plans) Vestcor:

- received approximately \$400 million in pension plan contributions from the Province and its employees; and
- made approximately \$715 million in pension benefit payments to plan members (i.e. retirees).

**5.28** Exhibit 5.2 provides a summary of pension plan assets and other provincial fund assets managed by Vestcor at December 31, 2019. The exhibit shows 96% of the assets managed by Vestcor relate to amounts contributed by the Province and its employees and are not subject to independent and publicly accountable oversight through the Legislative Assembly. The remaining 4% is made up of other New Brunswick public sector entities.

Exhibit 5.2 - Summary of Assets Managed by Vestcor at December 31, 2019 (unaudited)



Source: Prepared by AGNB using Vestcor's 2019 annual report - refer to Appendix III for supporting information

"PNB" means Province of New Brunswick related assets

### Vestcor is a Funding Recipient – Auditor General Act Applies

***We believe Vestcor is a "funding recipient", as defined in the Auditor General Act***

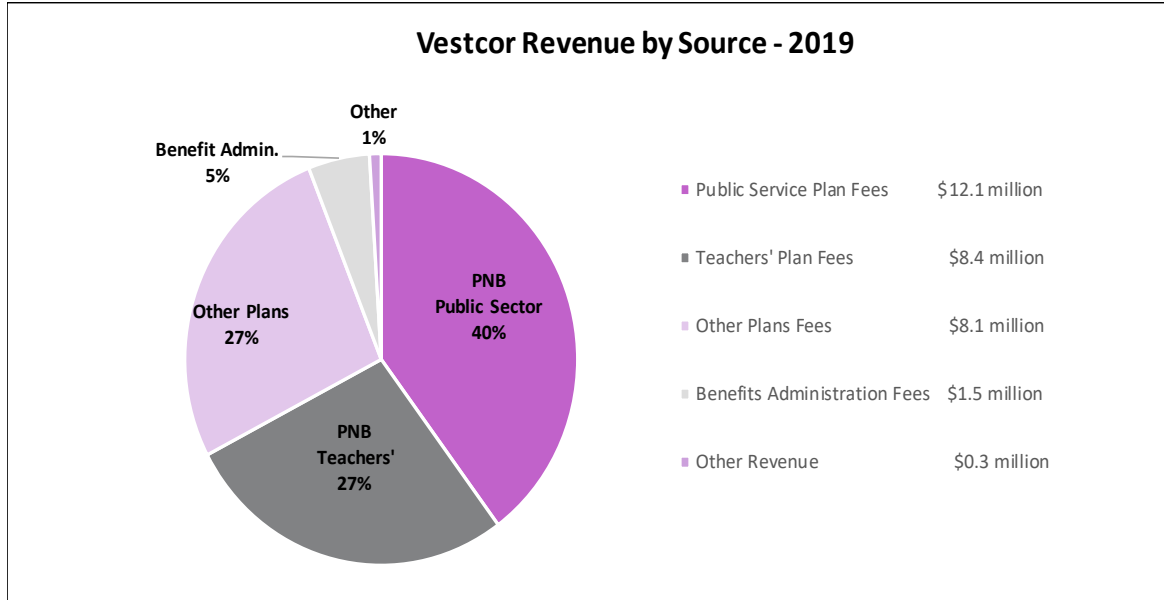
***The Province's two largest pension plans provided 67% of Vestcor's revenue in 2019***

**5.29** We believe Vestcor meets the definition of a funding recipient, in substance, as defined in the *Auditor General Act*. Section 1 of the Act defines a funding recipient as "a person or an organization that has received funding from a department, a public entity or a trust fund."

**5.30** In 2019, approximately 67% of Vestcor's revenue (around \$20 million) came from fees it charged to the Province's two largest pension plans. These fees were charged to manage investments and administer pension benefits. ***We believe Vestcor is a funding recipient as it receives money from a public entity (essentially the Province).***

**5.31** Exhibit 5.3 provides a summary of Vestcor's total revenue of \$30.4 million by source for 2019.

Exhibit 5.3 - Vestcor Revenue by Source 2019



Source: Prepared by AGNB using Vestcor’s audited financial statements

**Vestcor and its Owners Declined to Participate in our Work on Oversight and Salaries and Benefits**

*Vestcor and its owners do not believe the Auditor General has authority to perform oversight and salary and benefit work*

**5.32** Vestcor and its owners declined to participate in our work because they do not believe the Auditor General has the authority to perform work, such as a performance audit, related to the oversight of Vestcor or Vestcor’s salaries and benefits. For the purposes of participating in our work on oversight and salaries and benefits, *Vestcor and its owners informed us they do not believe Vestcor meets the definition of a funding recipient or a service provider under the Auditor General Act.*

*Vestcor and its owners do not believe Vestcor is a “funding recipient” as defined in the Auditor General Act*

**5.33** Vestcor and its owners cited the following reasons as to why they believe Vestcor does not meet the definition of a “funding recipient” as defined in the Auditor General Act.

- Vestcor receives pension contributions directly from the Boards of Trustees of pension plans and not the Province. Vestcor and its owners also informed us the Boards of Trustees are independent from and act at arms-length from the Province. Thus, they believe Vestcor is not receiving this funding directly from the Province.
- Vestcor and its owners believe pension contributions do not meet the definition of “funding” as defined in the

*Auditor General Act.* The Act states funding includes financial assistance, a tax credit and a waiver of fees.

***Vestcor and its owners believe the Auditor General may be able to audit some services Vestcor provides***

**5.34** Vestcor and its owners conceded, however, the Auditor General might have authority to conduct some performance audit work at Vestcor. They believe this performance audit work would be limited to the services Vestcor provides when the Province has a direct agreement with Vestcor. For example, the Province and Vestcor have a direct agreement for Vestcor to provide pension and benefit administration services for the Provincial Court Judges' Pension Plan. Vestcor and its owners estimate direct agreements with the Province make up approximately 6%, or \$1.8 million, of Vestcor's overall revenue. Refer to Appendix III where we note with which pension plans the Province and Vestcor have a direct agreement.

***Vestcor and its owners do not believe the scope of our oversight and salary and benefit work was within these services***

**5.35** Vestcor and its owners informed us they do not believe our work on oversight and salaries and benefits was within the scope of services Vestcor provides as a result of a direct agreement with the Province. They believe oversight and salaries and benefits are part of Vestcor's internal operations and not part of these services.

### **Auditor General Act Provides Access to Conduct Financial Audit Procedures**

***We believe the Auditor General Act provides authority to conduct financial audit procedures at Vestcor***

**5.36** In our view, the *Auditor General Act* provides authority for the Auditor General to conduct financial audit procedures at Vestcor as part of our *financial audit* of the Province's financial statements.

***Auditor General is required to audit the Province's financial statements***

**5.37** Under section 11 of the *Auditor General Act*, the Auditor General is required to audit the Province's financial statements and to express his or her opinion as to the fair presentation of the financial statements.

***Auditor General Act entitles Auditor General unrestricted access to perform financial audit procedures to support pension plan asset values***

**5.38** Section 13 of the *Auditor General Act* states:  
*“Despite any other Act, the Auditor General is entitled to free access at all convenient times to information, including files, documents, records, agreements and contracts, despite that they may be confidential or private, that relates to the fulfilment of his or her responsibilities.”*

In our view, this section of the *Auditor General Act* overrides the *Vestcor Act*. As a result, the *Auditor General Act* entitles the Auditor General unrestricted access to perform financial audit procedures to support the value of pension plan assets.

***The Auditor General reviews external auditor working papers for the financial statement audit of the Province of New Brunswick***

**5.39** The Boards of Trustees engage external auditors to provide an opinion on pension plan financial statements. The Auditor General reviews these external auditor working papers to form an opinion on the fair presentation of the Province's financial statements. At December 31, 2019, Vestcor managed approximately \$17 billion of pension plan assets which are included in the Province's financial statements.

**5.40** Given the negative effect of the global pandemic on market values between December 31, 2019 and the Province's fiscal year-end date of March 31, 2020, obtaining support for the value of these pension plan assets at March 31, 2020 was especially necessary.

**Vestcor Denied the Auditor General Unrestricted Access to Conduct Financial Audit Procedures**

***Vestcor denied the Auditor General unrestricted access to audit the value of pension plan assets***

**5.41** Vestcor denied the Auditor General unrestricted access to the external auditor's audit files supporting the value of pension plan assets managed by Vestcor. As a result, *the Province engaged an external audit firm to perform specific audit procedures on behalf of the Auditor General at a cost of approximately \$30,000*. This resulted in a delay in our audit of the Province's financial statements and the legislated deadline of September 30<sup>th</sup> was missed in 2020.

***Vestcor cited confidentiality concerns if unrestricted access was granted to the Auditor General***

**5.42** Vestcor believed it was obligated to maintain confidentiality to clients whose assets are not included in the Province's financial statements. Vestcor's investment portfolio (Vestcor Investment Entities) includes investments for the Province's pension plans, as well as two other New Brunswick public sector entities. These two entities make up less than 4% (\$700 million) of the total \$18 billion in assets managed.

***Vestcor was confused as to why the Auditor General needed access***

**5.43** In a letter dated July 27, 2020, Vestcor indicated it was confused by the Auditor General's request to perform audit procedures on the investment portfolio since the Province's financial statements did not explicitly refer to Vestcor's

investment portfolio. Vestcor believed the Auditor General would not need access to the files of the investment portfolio's external auditor.

**5.44** In a draft letter dated July 30, 2020 Vestcor further indicated it has “*explicit confidentiality obligations to our [Vestcor] clients.*” Vestcor believed confidentiality may be breached if it granted the Auditor General unrestricted access to the external auditor's audit file of Vestcor Investment Entities. Vestcor's position presents a problem and serious concern to the Auditor General as this information is needed to meet audit requirements.

***Restricted access offered with unacceptable conditions***

**5.45** We do note Vestcor eventually offered to provide the Auditor General *restricted* access to the external auditor audit file of Vestcor Investment Entities in the same draft letter dated July 30, 2020. This restricted access, however, had two conditions that were unacceptable to the Auditor General, as follows.

- Vestcor would not recognize the Auditor General had the authority to perform this work and Vestcor would not guarantee similar access would be granted to the Auditor General in the future. This was not acceptable because the Auditor General believed she has the authority for unrestricted access to this information.
- Vestcor restricted the Auditor General's ability to publicly comment on the investment portfolios. This was not acceptable because the Auditor General may want to report on any matters discovered during audits, as per section 17 of the *Auditor General Act*.



## Section 2

### Issues We Found When Legislators Reviewed New *Vestcor Act*

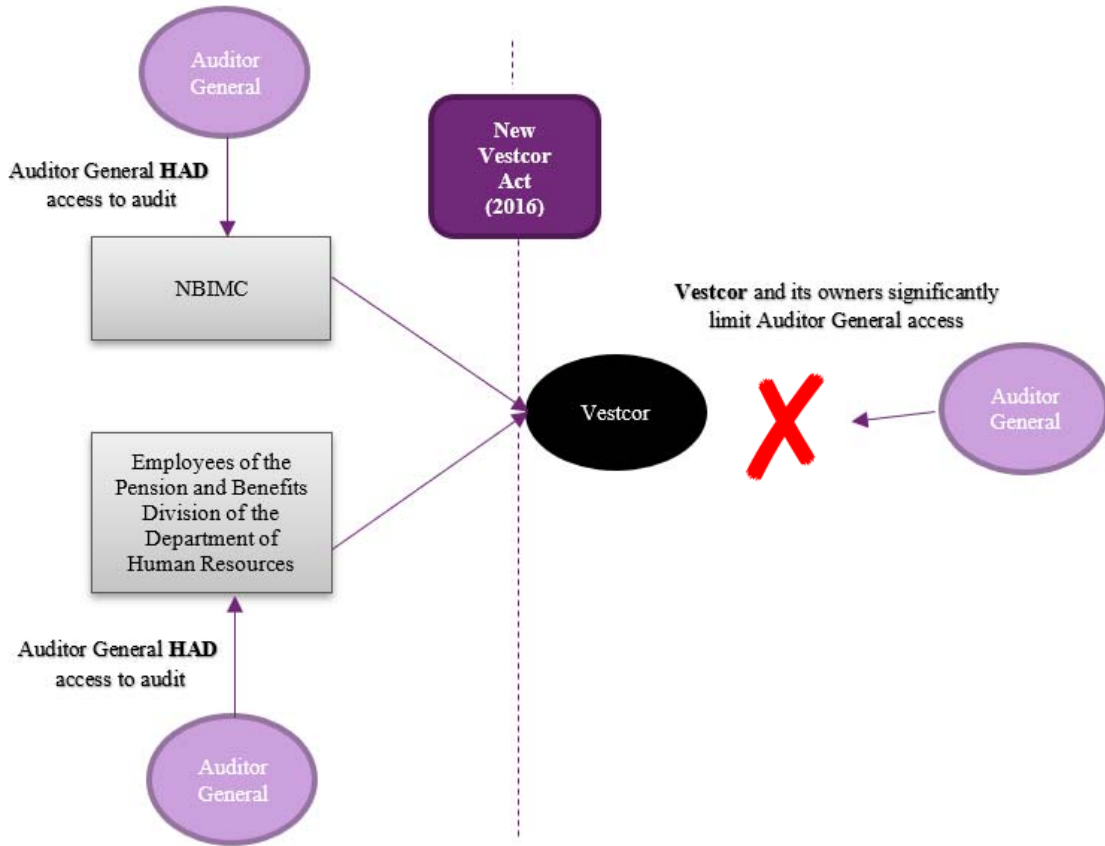
***This section summarizes what was presented to Legislators*** **5.46** In this section, we present a summary of what NBIMC/Vestcor presented to the Legislative Assembly's Standing Committee on Private Bills (Legislators) when Vestcor was created in 2016.

#### ***Vestcor Act May Have had Unintended Consequences***

***Vestcor was created when NBIMC and parts of a government department were combined*** **5.47** Before the *Vestcor Act* was introduced, the Auditor General had complete access to audit both the *New Brunswick Investment Management Corporation* (NBIMC) and the Province's *Department of Human Resources* (DHR). Once the *Vestcor Act* received Royal Assent on July 8, 2016, NBIMC and the Pension and Benefits division of the DHR were combined to create Vestcor as a new, private entity, from a legal perspective. Once the *Vestcor Act* was passed, Vestcor and its owners significantly limited the Auditor General's access to audit.

***The Vestcor Act may have had unintended consequences*** **5.48** Exhibit 5.4 shows the impact of the *Vestcor Act* and the possible unintended consequences of the Auditor General's access to audit Vestcor.

Exhibit 5.4 - Impact of Creating the Vestcor Act



Source: Prepared by AGNB. Refer to Exhibit 5.1 for the Vestcor Organization Chart

**The Standing Committee on Private Bills reviewed the Vestcor Act**

**5.49** The Legislative Assembly’s Standing Committee on Private Bills (Legislators) reviews private legislation (such as the *Vestcor Act*) before it receives Royal Assent. We reviewed the transcript of the Legislators’ hearing held on May 3, 2016 where NBIMC, DHR and their representatives presented the proposed *Vestcor Act*. We found one of the reasons to create Vestcor was for the Boards of Trustees of the New Brunswick Public Service Pension Plan and the New Brunswick Teachers’ Pension Plan to fulfil their fiduciary duties and take control of the two service providers, NBIMC and the Pension and Benefits division of the DHR. Refer to Appendix IV for an excerpt from the hearing with Legislators which describes this in further detail.

***Legislators asked if the Auditor General was consulted about the proposals contained in the Vestcor bill***

**5.50** We found during our review of the transcript, Legislators asked if the Auditor General was consulted about the proposals contained in the Vestcor bill. NBIMC/Vestcor’s lawyer replied:

*“No. We communicate with the Office of the Attorney General.”*

In our view, the question the Legislators asked shows they had concerns about the Auditor General’s ability to access and audit Vestcor in the future. Had the Auditor General been consulted, we would have raised concerns and informed Legislators the proposed changes:

- could impact the ability of the Auditor General to conduct independent performance audits of Vestcor; and
- would impact the Legislative Assembly’s ability to provide independent and publicly accountable oversight of billions of dollars of public sector funds.

***Inconsistent information was presented and three predictions were made to Legislators***

**5.51** We also found from our review of the transcript, NBIMC, DHR and their representatives presented inconsistent information and made three significant predictions to the Legislators. Exhibit 5.5 describes each of the three predictions along with our assessment on if the predictions were met.

*Exhibit 5.5 - Summary of What NBIMC, DHR and their Representatives Told Legislators, as well as AGNB’s Assessment*

<b>What NBIMC, DHR and their Representatives Told Legislators</b>	<b>AGNB Assessment</b>
Legislators were provided inconsistent information regarding Auditor General access.	Auditor General access has been significantly limited.
Legislators were told Vestcor would grow to include public sector clients outside of New Brunswick.	Vestcor has only added two clients, both based in New Brunswick, to its portfolio.
Legislators were told they would have indirect oversight of Vestcor.	Indirect oversight may not be possible through provincially appointed trustee members.

*Source: Prepared by AGNB based on the May 3, 2016 Standing Committee transcript*

### Legislators were provided inconsistent information regarding Auditor General access

***Legislators were told the Auditor General would still have access to Vestcor***

**5.52** Legislators raised concerns regarding how the *Vestcor Act* would impact the Auditor General's access to audit. We found Legislators were led to believe the Auditor General would continue to have access to audit Vestcor. Legislators were told by the CEO of NBIMC/Vestcor:

*“It is important to point out that the pension plans are also responsible for reporting an oversight to the Superintendent of Pensions. The Superintendent of Pensions holds them to account with their performance, and obviously, their performance relies very heavily on the performance of their service companies. Obviously, as well, the Auditor General of the province has oversight to the pension plans and would have a line of sight down through to the operating companies [Vestcor] in a similar-type fashion.”*

Legislators were also told by legal representatives of NBIMC/Vestcor:

*“The extent to which the Auditor General has oversight over the pension plans, they still will.”*

In our view, these statements imply the Auditor General would still have full access to audit Vestcor as was the case before with NBIMC and DHR.

***On the other hand, Legislators were also told the Auditor General would not have access***

**5.53** We also found Legislators were presented with inconsistent information regarding the Auditor General's continued access to audit Vestcor. In one instance Legislators were informed by legal representatives of NBIMC/Vestcor:

*“The extent to which the Auditor General has oversight over the pension plans, they still will.”*

Then later in the hearing the legal representative stated:

*“However, the Auditor General has no audit oversight of any third-party service provider, including where Vestcor would be.”*

***Auditor General's role is not to provide oversight***

**5.54** We are uncertain of the meaning of “oversight” referred to in the statements in paragraphs 5.52 and 5.53 pertaining to the Auditor General. The role of the Auditor General is not to provide oversight. The Auditor General’s role is to provide objective, timely and reliable information to the Legislative Assembly on government’s and Crown agencies performance. *The Legislative Assembly*, through the Public Accounts Committee, *is responsible to hold government to account through independent and publicly accountable oversight.*

**Legislators were told Vestcor would grow to include public sector clients outside of New Brunswick**

***Vestcor's client base has not grown to the extent presented in the hearing***

**5.55** *Vestcor's client base has not grown to the extent presented to Legislators.* Since 2016, Vestcor has attracted only two new clients to its client base. One of these clients is a Province of New Brunswick pension plan. The other new client is a pension plan for a municipality in New Brunswick which accounts for less than 2% of Vestcor’s total assets managed.

***Potential growth was one of the main arguments for creating Vestcor***

**5.56** In our view, potential growth outside New Brunswick was one of the main arguments Vestcor and its representatives used to convince Legislators that Vestcor needed to be a private entity (from a legal perspective). Committee members were very interested in the potential growth of Vestcor.

**5.57** Exhibit 5.6, shows excerpts from the hearing with Legislators.

*Exhibit 5.6 - Excerpts from the Transcript of the May 3, 2016 Standing Committee Hearing on Private Bills*

<p><b>One trustee plan observer* stated:</b> “We believe that we will set up a centre of excellence that other places in this country will look at with favour. We hope to draw other pension plans to make us even more cost effective than we already are.”</p>
<p><b>The CEO stated:</b> “Speaking from the investment management corporation’s perspective, we have been approached by other public sector entities outside of those that we have traditionally managed money for. They are now familiar with our successful track record and the cost efficiencies, and they have asked us whether we could manage money for them.”</p>
<p><b>The CEO further stated:</b> “We have had some preliminary discussions with some fairly big public sector pools of money, even outside the province.”</p>
<p><b>A Legislator stated:</b> “It is exciting to see this happening and the opportunity that it can present to grow the business as a niche opportunity for New Brunswick.”</p>

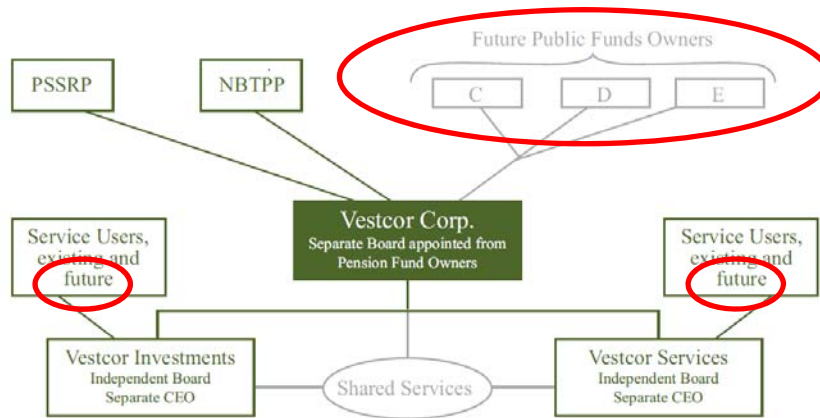
*Source: Prepared by AGNB from the transcript of the May 3, 2016 Standing Committee hearing on Private Bills*

\* Observers have the right to attend meetings of the Board of Trustees, but do not have voting powers. The New Brunswick Teachers’ Federation has appointed two observers to the Board of Trustees for the Teachers’ Plan.<sup>3</sup>

**Plans to grow existed in 2016**     **5.58**     In our review of the 2016 NBIMC annual report, we noted the structure for Vestcor included plans for other public funds to be added. Exhibit 5.7 shows the planned structure of Vestcor when it was created in 2016.

<sup>3</sup> New Brunswick Teachers’ Pension Plan, 2019 Annual Report Page 6.

Exhibit 5.7 - Planned Vestcor Organization Structure



Source: NBIMC 2016 Annual Report, with edits by AGNB

***Plans to grow still existed in 2019***

**5.59** In our review of Vestcor’s five year strategic plan (2019 - 2024), we noted one of Vestcor’s strategic priorities is to “...prudently grow by attracting additional public sector clients in New Brunswick and Atlantic Canada who will provide additional economies of scale and are well aligned with Vestcor’s investment model and administrative capabilities.”<sup>4</sup>

***An audit by the Auditor General could verify what steps Vestcor is taking to grow its public sector client base***

**5.60** Since Vestcor has not grown its public sector client base outside of New Brunswick, **an audit by the Auditor General could verify and publicly report on what steps Vestcor is taking to grow its public sector client base.**

<sup>4</sup> Vestcor Strategic Plan 2019 to 2024, Page 5

## Legislators were told they would have indirect oversight of Vestcor

### **Legislators had concerns about how Vestcor would be held to account**

**5.61** Legislators raised concerns Vestcor would no longer be held to account by the Legislative Assembly if Vestcor was created as a private entity (from a legal perspective). Exhibit 5.8 shows excerpts from the hearing where Legislators raised these concerns along with Vestcor's responses.

*Exhibit 5.8 - Excerpts from the Transcript of the May 3, 2016 Standing Committee Hearing on Private Bills*

**A Legislator stated:** *"That is all gone [accountability and transparency to the Public Accounts Committee]. It is erased in this model, and that gives me great concern."*

**The lawyer for NBIMC/Vestcor stated:** *"Ultimately, the control and responsibility is with the two trustee boards [NBPSPP and NBTPP] that have a duty to all their members, whether they are represented on the board or not."*

**A Legislator further stated:** *"I remain concerned that the accountability and transparency that exists within the current system because of the reporting requirements to the Legislature through the public accounts committee and the Crown corporations committee is being lost in this process."*

*"...I remain concerned about the adoption of this bill."*

**A Legislator further stated:** *"...our job is to hold people accountable and ask the right questions. Would it be safe to say that this potentially could be the last time that any of us in this room would have an opportunity to discuss these items and question the goings-on of the business?"*

**The lawyer for NBIMC/Vestcor replied:** *"That is correct, as far as the actual corporate operations go. I think that the House still has oversight in part..."*

*"...it would be well within your purview to say to [question] your representatives on the trustee board...The province's interest is in terms of being the employer contributing to the plan. It still will have a role in that respect, but it is through its appointees on the trustee board. The trustee board [NBPSPP and NBTPP] controls this organization."*

**The lawyer for NBIMC/Vestcor stated:** *"...the accountability, while it is not necessarily directly to this House, is to an organization..."*

*"This House has a multitude of statutes to administer and bodies to check up on. The advantage here is that the accountability is to a board that exists for one purpose. That is to manage that pension trust in the best interests of its members. It is not going to be sidetracked by other demands and other issues... I would fully expect that, if the*



*organization is not being operated in a way that benefits its members, the lever is actually much stronger or at least more direct because of that focused purpose that the trustee board has.”*

**The trustee plan observer\* stated:** *“Vestcor Corp. has to report back to the pension plans. Both pension plans [NBPSPP and NBTPP] have a responsibility to report to their members. I think, if anything, you are going to see . . . With so many layers, there is going to be more scrutiny.”*

*Source: Prepared by AGNB from the transcript of the May 3, 2016 Standing Committee hearing on Private Bills*

\* Observers have the right to attend meetings of the Board of Trustees, but do not have voting powers. The New Brunswick Teachers' Federation have appointed two observers to the Board of Trustees for the Teachers' Plan.<sup>5</sup>

**5.62** As shown in Exhibit 5.8, Legislators were told the following regarding oversight of Vestcor.

- The Legislative Assembly would no longer be able to directly provide oversight of Vestcor, as Vestcor would no longer appear before the Legislative Assembly.
- The Legislative Assembly could still raise concerns regarding Vestcor. Those concerns would be raised, however, with the members of the Boards of Trustees the Province has appointed, and not directly with Vestcor.
- The Boards of Trustees of the Public Sector and Teachers' plans would be responsible to provide oversight and, as a result, Vestcor would be subject to increased scrutiny more often than the Legislative Assembly could provide.

***Legislative Assembly could still provide oversight***

**5.63** Even though Legislators were told Vestcor would no longer appear before the Legislative Assembly, other avenues exist by which Vestcor could still appear. The Public Accounts Committee (PAC) could include Vestcor as one of the entities who are regularly called to appear before it. For example, in the past PAC called other entities or witnesses outside of the government reporting entity, such as the City of Saint John. Calling Vestcor to appear before

<sup>5</sup> New Brunswick Teachers' Pension Plan, 2019 Annual Report Page 6.

PAC would allow the Legislative Assembly to provide oversight of the billions of dollars of public sector funds managed by Vestcor.

***Vestcor Act should be amended***

**5.64** Although PAC could invite Vestcor to appear before it, Vestcor may decline on the basis it may not be legally required to appear. Amending the *Vestcor Act* would require Vestcor to:

- file an annual report with the Clerk of the Legislative Assembly; and
- appear before PAC.

***Some oversight processes appear to contradict what Legislators were told***

**5.65** Even though Legislators were told the Province would have some oversight through its appointed members to the Boards, we found this may not be the case. We met with the Chair of the Board of Trustees of the Public Service Pension Plan to understand some of the processes in place to provide oversight of Vestcor. We were informed provincially appointed members of the Boards do not represent the interests of the Province when providing oversight. Instead, as mentioned in paragraph 5.16, the Boards manage the plans in the best interest of both active and retired members. We were also informed these provincially appointed members do not report to the Province with respect to oversight of Vestcor. *In our view, this appears to contradict what Legislators were told regarding the Province's ability to question their appointed representatives on the Boards of Trustees regarding Vestcor.*

***Some oversight provided by the Boards of Trustees***

**5.66** In our interview, the Chair of the Public Service plan indicated processes are in place for the Boards of Trustees to provide oversight of Vestcor. The Chair provided the following oversight examples.

- The Boards meet quarterly with Vestcor to review key performance indicators such as administrative costs, investment rates of return and quality of service.
- The Boards monitor how Vestcor performs compared to similar entities in other jurisdictions.
- The Boards review the investment policy annually.

***Other entities provide some oversight***

**5.67** During our work, we were informed other entities provide specific oversight of Vestcor. We were provided with the following examples of this specific oversight.

- The Boards are required to file information with the pension division of the Financial and Consumer

Services Commission (FCNB) and the Canada Revenue Agency (CRA).

- Vestcor is subject to the *Securities Act* and is overseen by the securities division of FCNB.
- Vestcor's pension clients are subject to oversight under the *Pension and Benefits Act* by the Superintendent of Pensions of FCNB.

*This oversight is missing public accountability by the Legislative Assembly*

**5.68** In our view, however, any oversight provided by the Boards, FCNB and CRA lacks a critical element as Vestcor is *not being questioned or held to account publicly by the Legislative Assembly for how it manages over \$18 billion in public sector funds*.

*We found Vestcor is publicly accountable through information published online, but can chose which information it reports*

**5.69** We also found Vestcor is publicly accountable through the information it publishes online. We found, however, this public accountability lacks objectivity as *Vestcor may choose what it reports publicly for how it manages over \$18 billion in public sector funds*. We found:

- Vestcor makes its annual report available to its stakeholders;
- Vestcor publishes its audited financial statements on its website; and
- Vestcor publishes audited financial statements and annual reports for some of the pension plans in its portfolio on Vestcor's website (e.g. The New Brunswick Public Service Pension Plan and the New Brunswick Teachers' Pension Plan).

## Section 3

### Potential Audit Areas We Identified from Reviewing Vestcor's Annual Reports

*This section shows why the Auditor General should have access to conduct performance audits at Vestcor*

**5.70** In this section, we show some examples of why the Auditor General should have access to conduct performance audits at Vestcor. We are only able to provide examples we noted when reviewing Vestcor's annual reports. Some of these examples include, but are not limited to the following items.

- Are benchmarks, cost savings, value added by Vestcor and other performance targets reasonable?
- Are incentive (bonus) payments reasonable?
- Are incentive targets reasonable?
- Is providing incentives to all employees reasonable?
- Should Vestcor disclose more compensation details?
- Are Vestcor's operating expenses reasonable?

*In our view, the Auditor General should have unrestricted access to audit Vestcor's performance in managing over \$18 billion in New Brunswick public sector funds*

**5.71** In our view, the Auditor General should have unrestricted access to audit Vestcor's performance in managing over \$18 billion in New Brunswick public sector funds. For example, the Auditor General could verify the accuracy of how benchmarks are calculated and if conclusions reached are reasonable. The Auditor General could also publicly comment on other items Vestcor may not include in its annual reports.

*An audit by the Auditor General could determine if information presented in Vestcor's annual reports is reasonable*

**5.72** **An audit by the Auditor General could determine and publicly report on information presented in Vestcor's annual report including if:**

- benchmarks are reasonable and calculated appropriately;
- benchmarks selected to measure performance are valid and appropriate;
- Vestcor's statements such as cost savings it offers its clients are accurate;
- the value added through active management strategies is reasonable and calculated appropriately; and
- other targets are reasonable and not set at a level where target achievement is likely.

## Employee Incentives Have Steadily Increased

*Vestcor employee incentives have increased since 2010*

**5.73** From our review of Vestcor's annual reports, we note Vestcor publishes information regarding its compensation practices including the amount of incentives (bonuses) paid to some employees. We noted the incentive amounts paid to employees have been steadily increasing since 2010. We also noted salaries for senior executives have increased minimally since 2014 while incentives for these senior executives have increased significantly (refer to Exhibits 5.9 to 5.12 for details).

## Employee incentives have increased by almost 500% since 2010

*NBIMC/Vestcor have paid over \$30 million in employee incentives since 2010*

**5.74** NBIMC/Vestcor have paid over \$30 million in incentives to its employees since 2010. During this time, annual employee incentive payments have increased from less than \$1 million in 2010 to over \$5 million in 2019, an increase of almost 500%.

**An audit by the Auditor General could determine and publicly report on if it is reasonable employee incentive payments have increased by almost 500% since 2010.**

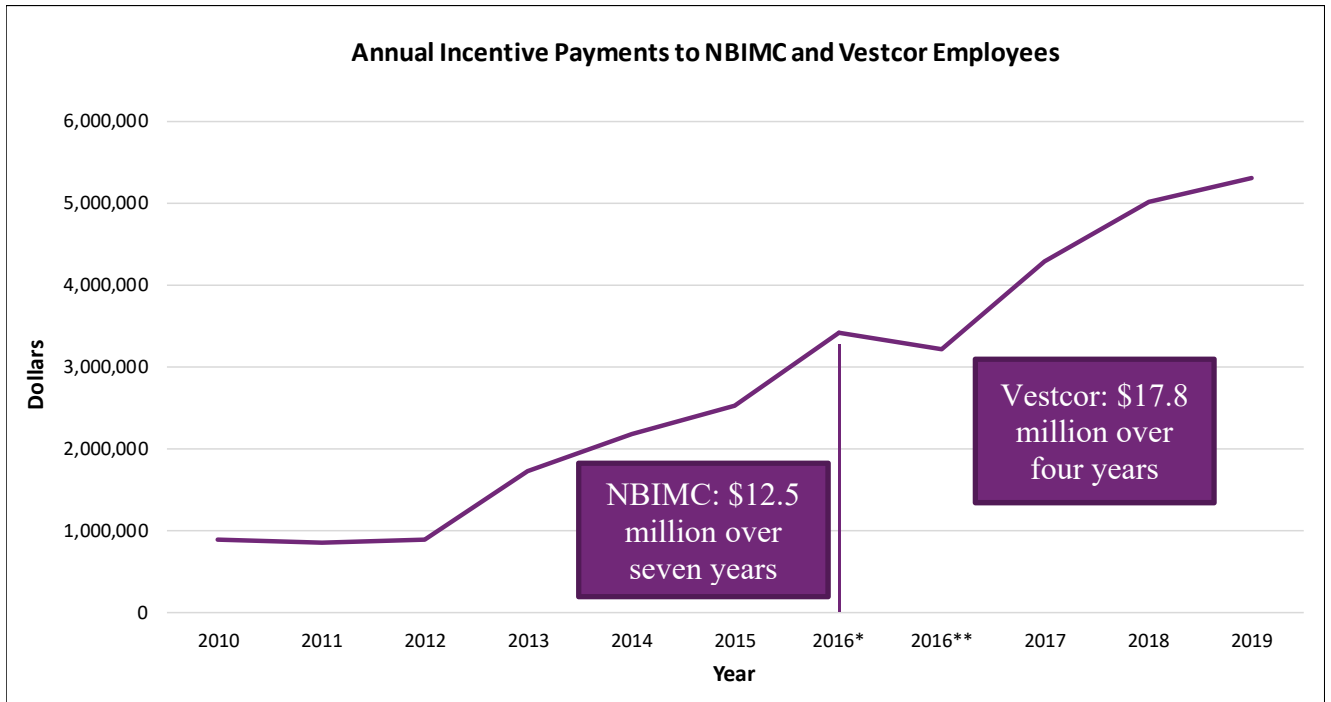
*Incentives have significantly increased since Vestcor was created*

**5.75** Exhibit 5.9 shows total annual employee incentive payments to NBIMC/Vestcor employees since 2010. Exhibit 5.9 also shows employee incentives have significantly increased since Vestcor was created in 2016.

- In the *seven years between 2010 and 2016, NBIMC paid a total of \$12.5 million in incentives* to its employees.
- In the *four years since Vestcor was created, it has paid \$17.8 million in incentives* to its employees.

Refer to Appendix VI for detailed employee incentive information.

Exhibit 5.9 - Annual Incentive Payments to NBIMC and Vestcor Employees  
(unaudited)



Source: Prepared by AGNB using NBIMC and Vestcor annual reports - refer to Appendix VI for supporting information.

\* Year-ended March 31, 2016

\*\* Nine months ended December 31, 2016

**Five executives of NBIMC/Vestcor have received millions of dollars in incentives**

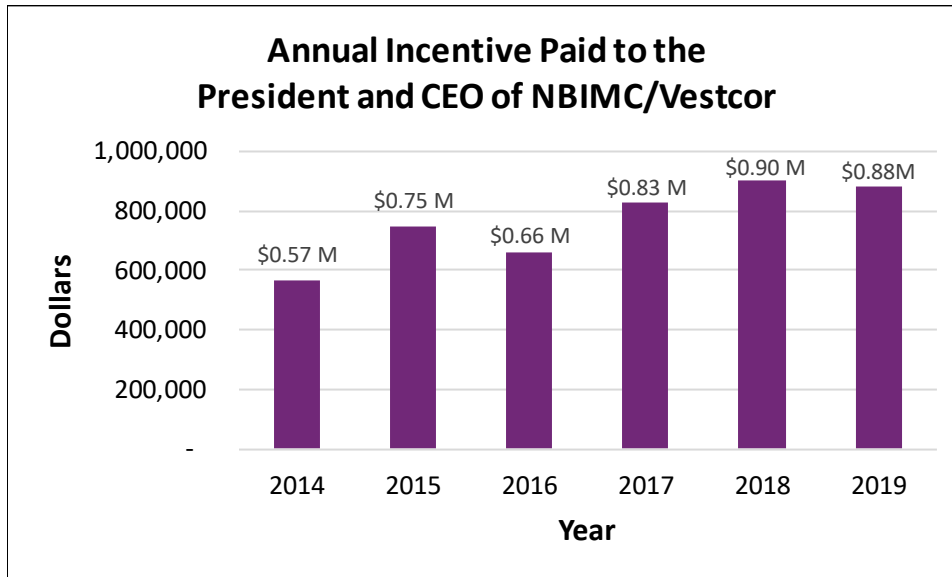
**5.76** Vestcor executives receive a significant amount of the total incentives paid each year. In our review of NBIMC's and Vestcor's annual reports, we found NBIMC/Vestcor began disclosing annual incentive payments for five of its executives in 2014. *For the six years between 2014 and 2019*, we found:

- *the President and CEO of NBIMC/Vestcor has received \$4.6 million in incentives; and*
- *four other NBIMC/Vestcor executives have received approximately \$7.2 million in incentives combined.*

**NBIMC/Vestcor has paid \$4.6 million in incentives to its President and CEO over the past six years**

**5.77** Exhibit 5.10 shows the total incentives paid to the President and CEO over the past six years. Refer to Appendix V for detailed information.

*Exhibit 5.10 - Annual Incentive Paid to the President and CEO of NBIMC/Vestcor (unaudited)*

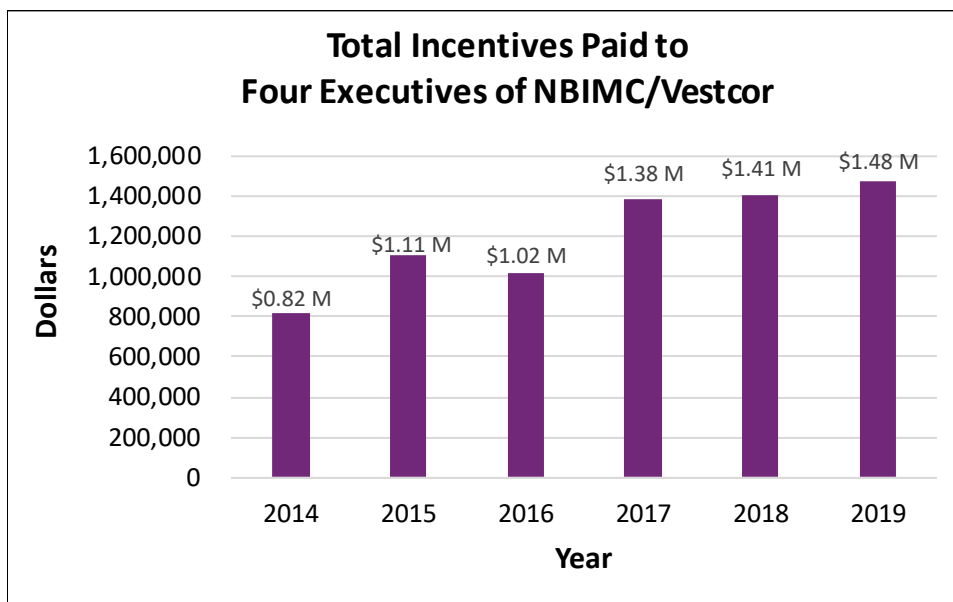


*Source: Prepared by AGNB using NBIMC and Vestcor annual reports - refer to Appendix V for supporting information.*

***NBIMC/Vestcor paid a total of \$7.2 million in incentives to four other executives over the past six years***

**5.78** Exhibit 5.11 shows the incentives paid to four executives over the past six years. Refer to Appendix V for detailed information.

Exhibit 5.11 - Total Incentives Paid to Four Executives of NBIMC/Vestcor (unaudited)



Source: Prepared by AGNB using NBIMC and Vestcor annual reports – refer to Appendix V for supporting information

**Why Vestcor pays employee incentives**

**5.79** According to its annual reports, Vestcor operates in an industry (managing investments and administering pensions) where employee pay is often an annual salary plus an incentive tied to company performance. Vestcor offers a similar salary and incentive structure to attract and retain qualified employees to manage its investment portfolios. Incentives are partly based on achieving targets approved by Vestcor's Boards of Directors. We also found Vestcor provides several pages of commentary in its annual reports regarding how it meets investment performance targets and how employee incentives are dependant upon investment performance.

**An audit by the Auditor General could determine if Vestcor's incentive targets are reasonable**

**5.80** **An audit by the Auditor General could determine and publicly report on how incentive targets are set and if they are reasonable.**

**Why did Vestcor expand its incentive program to include all employees?**

**5.81** The incentive program at Vestcor was expanded on January 1, 2018 to include all permanent, full time employees. In our view, *this may cause employee incentive payments to continue to increase in the future*. Before this change, incentives were only offered to the President and



CEO, the Chief Financial Officer and research and investment staff.

**An audit by the Auditor General could determine if it is reasonable for Vestcor to pay incentives to all employees**

**5.82 An audit by the Auditor General could determine and publicly report on** the reasonableness and financial implications of including all employees in Vestcor’s incentive program.

For example, incentives for some employees are calculated based on investment performance targets and individual achievement, while other employee incentives are based only on individual achievement.

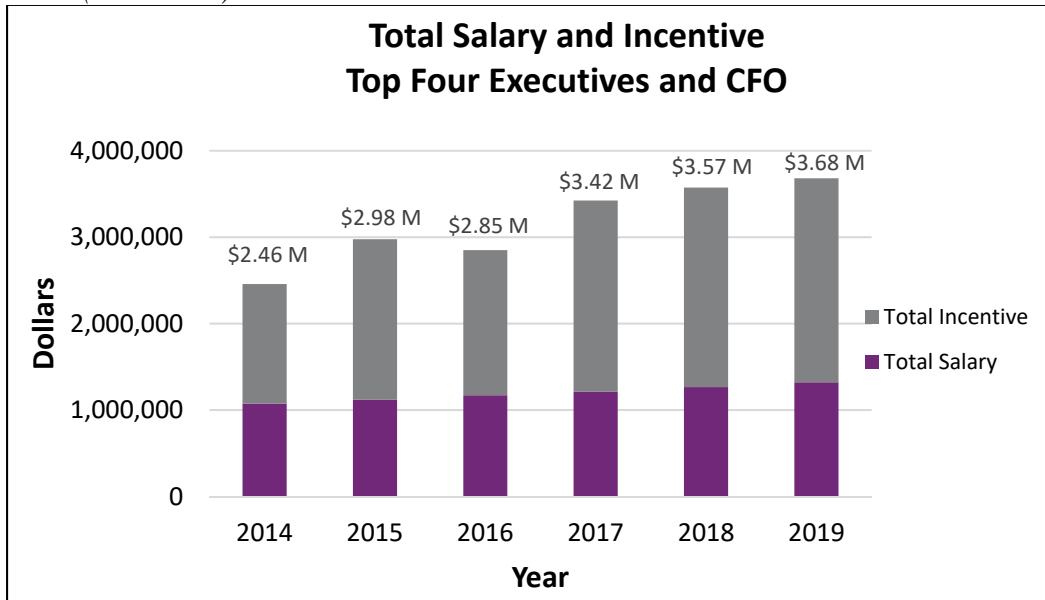
**Salaries and incentives paid to five executives were almost \$19 million over six years**

**Five executives of NBIMC/Vestcor have received almost \$19 million in salary and incentives over six years (2014 – 2019)**

**5.83 For the six years between 2014 and 2019**, we found **five executives of NBIMC/Vestcor have received almost \$19 million in salary and incentives**. In our review of NBIMC/Vestcor annual reports, we found NBIMC/Vestcor began disclosing annual salary payments for five of its executives in 2014.

**5.84** Exhibit 5.12 shows total salary and incentives for the top four executives and the Chief Financial Officer (CFO) between 2014 and 2019. Refer to Appendix V for detailed information.

*Exhibit 5.12 - Total Salary and Incentives – Top Four Executives and CFO (unaudited)*



Source: Prepared by AGNB using NBIMC and Vestcor annual reports

**An audit by the Auditor General could publicly report on the reasonableness of compensation information disclosed in Vestcor's annual report**

**5.85** Given the public nature of Vestcor, we believe Vestcor should publish employee salaries greater than \$100,000 (not just the top four executives and the CFO) to increase transparency and accountability. **An audit by the Auditor General could publicly report on the reasonableness of compensation information disclosed in Vestcor's annual report.**

### Operating and capital expenses are not subject to public scrutiny and accountability

**Vestcor recorded \$30 million in operating expenses in 2019**

**5.86** Vestcor recorded operating expenses of approximately \$30 million (including salaries and incentives) in 2019. These expenses are used to provide services to its clients for items such as managing investments and providing pension benefits. In our view, given Vestcor's focus on providing services to the public sector, **Vestcor's operating and capital expenses should be subject to publicly accountable oversight.** For example, does Vestcor ensure value-for-money is considered when making capital investments such as buildings for office space.

**5.87** Exhibit 5.13 shows the summary of Vestcor's operating expenses for the past three years.

*Exhibit 5.13 - Summary of Vestcor's Operating Expenses*

### Summary of Vestcor's Operating Expenses (\$ millions)

	2019	2018	2017
Salaries and benefits	18.5	17.6	16.3
Information systems	4.5	4.0	4.3
External investment management	3.4	3.0	2.8
Securities custody	1.4	1.5	1.3
Office and business	1.3	1.2	1.1
Professional services	0.5	0.6	0.6
Office rent	0.6	0.7	0.7
Amortization of capital assets	0.2	0.3	0.2
<b>Total Operating Expenses</b>	<b>30.4</b>	<b>28.9</b>	<b>27.3</b>

*Source: Prepared by AGNB using Vestcor annual reports*

*An audit by the Auditor General could determine if Vestcor's operating and capital expenses are reasonable*

**5.88** *An audit by the Auditor General could determine and publicly report on the reasonableness of Vestcor's operating and capital expenses.*

## Appendix I – Proposed Wording Changes to the *Auditor General Act*

Exhibit I.1 shows the wording as it currently exists in the *Auditor General Act* and the proposed wording change to allow for Vestcor to be explicitly included in the *Auditor General Act*.

*Exhibit I.1 – Proposed Changes to the Auditor General Act*

Existing Wording	Proposed Wording
<p>“auditable entity” means</p> <ul style="list-style-type: none"> <li>(a) a department,</li> <li>(b) a public entity,</li> <li>(c) a trust fund,</li> <li>(d) a service provider, or</li> <li>(e) a funding recipient.</li> </ul>	<p>“auditable entity” means</p> <ul style="list-style-type: none"> <li>(a) a department,</li> <li>(b) a public entity,</li> <li>(c) a trust fund,</li> <li>(d) a service provider,</li> <li>(e) a funding recipient, or</li> <li><b>(f) any entity designated as an auditable entity under the regulations.</b></li> </ul>
<p><b>Regulations</b></p> <p><b>22</b> The Lieutenant-Governor in Council may make regulations</p> <ul style="list-style-type: none"> <li>(a) defining any word or expression used in but not defined in this Act for the purposes of this Act, the regulations or both;</li> <li>(b) respecting any other matter that the Lieutenant-Governor in Council considers necessary or advisable to carry out effectively the intent of this Act.</li> </ul>	<p><b>Regulations</b></p> <p><b>22</b> The Lieutenant-Governor in Council may make regulations</p> <ul style="list-style-type: none"> <li>(a) defining any word or expression used in but not defined in this Act for the purposes of this Act, the regulations or both;</li> <li><b>(b) designating an entity as an auditable entity for the purposes of this Act;</b></li> <li>(c) respecting any other matter that the Lieutenant-Governor in Council considers necessary or advisable to carry out effectively the intent of this Act.</li> </ul>

*Source: Prepared by AGNB*

## Appendix II – Summary of Correspondence

Exhibit II.1 summarizes the correspondence between the Auditor General (AGNB) and Vestcor from August 2019 to August 2020 for our oversight and salaries and benefits work and our Province of New Brunswick audit work.

*Exhibit II.1 – Summary of Correspondence between AGNB and Vestcor*

Oversight and Salary and Benefit Requests			
Date	From	To	Description of Request
8/9/2019	AGNB	Vestcor	Audit introduction and request for preliminary information regarding how the Province provides oversight, direction and guidance to Vestcor.
8/26/2019	Vestcor	AGNB	The response stated Vestcor is non-public in nature and referenced parts of the <i>Vestcor Act</i> , which Vestcor stated does not provide any authority for the Province to provide oversight of Vestcor.
11/14/2019	AGNB	Vestcor	AGNB states Vestcor is a significantly funded public recipient and is subject to audit. AGNB requested Vestcor provide certain policy information and respond to an attached survey by December 13, 2019.
11/25/2019	Vestcor	AGNB	Vestcor responded by stating, it believes it does not fall under the definition “auditable entity” under the <i>Auditor General Act</i> and that any audit of Vestcor as an “auditable entity” would be restricted pursuant to s. 9.1(3) of the Act.
12/11/2019	AGNB	Vestcor	AGNB stated the same disclosure is required by Vestcor as by its predecessors and, therefore, answers to the survey were required by January 6, 2020. AGNB emphasized Vestcor manages a significant portfolio on behalf of the Province, Vestcor is a “service provider” under the <i>Auditor General Act</i> and is thereby subject to audit.
12/31/2019	NBPSPP*	AGNB	NBPSPP indicated they have advised Vestcor to refrain from responding to the request, enclosing a legal memorandum stating Vestcor is not a “public entity” or “funding recipient”, but conceding that it <i>may</i> be a “service provider” subject to performance audit.
12/31/2019	NBTPP**	AGNB	NBTPP indicated they have advised Vestcor to refrain from responding to the request, enclosing a legal memorandum stating Vestcor

			is not a “public entity” or “funding recipient”, but conceding that it <i>may</i> be a “service provider” subject to performance audit.
2/27/2020	AGNB	NBPSPP and NBTPP	AGNB requested NBPSPP and NBTPP instruct Vestcor to allow access to its records and reply to the survey by March 20, 2020.
4/21/2020	NBPSPP	AGNB	NBPSPP informed AGNB their Boards of Trustees decline the AGNB request, stating they do not believe the Auditor General has the authority to conduct such work.
5/31/2020	NBTPP	AGNB	Teachers’ Board of Trustees informed that NBTPP informed AGNB their Boards of Trustees decline the AGNB request, stating they do not believe the Auditor General has the authority to conduct such work.
<b>Financial Audit Requests</b>			
<b>Date</b>	<b>From</b>	<b>To</b>	<b>Description of Request</b>
2/11/2020	AGNB	External Audit Firm	AGNB sets out instructions and procedures the external, independent audit firm is required to perform in relation to the financial statements of NBTPP and requests completion of the Planning Clearance Summary (Appendix A to the letter) by March 2, 2020.
4/27/2020	AGNB	External Audit Firm	AGNB sets out instructions and procedures the external, independent audit firm is required to perform in relation to the financial statements of NBPSPP and requests completion of the Planning Clearance Summary (Appendix A to the letter) by April 30, 2020.
5/25/2020	AGNB	NBTPP	AGNB advised it requires access to the Plan’s investment audit report (prepared by an independent auditor) and requested the Board of Trustees ask for the full cooperation of Vestcor and the independent auditor. AGNB stated it has authority to access this information pursuant to sections 11 and 13 of the <i>Auditor General Act</i> in order to complete the Province’s consolidated financial statements.
5/25/2020	AGNB	NBPSPP	AGNB advised it requires access to the Plan’s investment audit report and audited financial statements (prepared by an independent auditor) and requested the Board of Trustees ask Vestcor and the independent auditor to fully cooperate with AGNB. AGNB stated it has authority to obtain this information pursuant to sections 11 and 13 of the <i>Auditor General Act</i> in order to

			fulfill its mandate and complete the Province's consolidated financial statements.
7/22/2020	AGNB	Vestcor	AGNB advised that it is mandated by legislation to express an audit opinion on the fair presentation of the financial statements of the Province and, therefore, will contact Vestcor's independent auditor for financial statements of Vestcor Investment Entities, citing sections 11 and 13 of the <i>Auditor General Act</i> as authority to do so.
7/22/2020	AGNB	External Audit Firm	AGNB sets out instructions and procedures the independent auditor is required to perform. Completion of the Planning Clearance Summary is requested by July 31, 2020.
7/22/2020	AGNB	External Audit Firm	AGNB requests the independent auditor's work papers in connection with the audit of Vestcor Investment Entities and explains the Auditor General's authority under section 9 of the <i>Auditor General Act</i> .
7/27/2020	Vestcor	AGNB	Vestcor expressed confusion over the request to rely on Vestcor Investment Entities audited financial statements. Vestcor stated it is not fully familiar with Canadian Auditing Standards and that it is asking its independent auditor to contact AGNB to confirm whether reliance on the Vestcor Investment Entities financial statements is required.
7/30/2020	Vestcor	AGNB	Draft letter, for discussion purposes only, wherein Vestcor proposed certain terms and conditions upon granting authorization to its independent auditor to provide the information requested from AGNB.
8/17/2020	External Audit Firm	AGNB	Independent auditor stated it does not believe AGNB requires Vestcor Investment Entities financial statements to satisfy current audit standards.

Source: Prepared by AGNB

\* Board of Trustees of the New Brunswick Public Service Pension Plan

\*\* Board of Trustees of the New Brunswick Teachers' Pension Plan

## Appendix III – Summary of Vestcor Assets Managed

Exhibit III.1 summarizes the assets managed by Vestcor at December 31, 2019.

*Exhibit III.1 – Summary of Assets Managed by Vestcor*

### Summary of Assets Managed by Vestcor as at December 31, 2019 (\$ millions)

Assets Managed	Amount (\$ millions)	Does the Province have a Direct Agreement with Vestcor?
<b>Assets Managed - Province of New Brunswick Related</b>		
New Brunswick Public Service Pension Plan	8,333.9	No
New Brunswick Teachers' Pension Plan	6,266.3	No
Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals	2,395.0	No
Provincial Court Judges' Pension Plan	54.8	Yes
Management Employees of New Brunswick School Districts Pension Plan	2.5	Yes
New Brunswick Power Corporation Point Lepreau Decommissioning Fund	396.2	N/A Not a pension plan
New Brunswick Power Corporation Point Lepreau Used Fuel Management Fund	221.0	N/A Not a pension plan
New Brunswick Power Corporation Nuclear Fuel Waste Trust	182.9	N/A Not a pension plan
<b>Total - Province of New Brunswick Related</b>	<b>\$17,852.6</b>	
<b>Assets Managed – Other Public Sector Funds</b>		
Shared Risk Plan for Academic Employees of University of New Brunswick	395.4	N/A
Shared Risk Plan for City of Fredericton	230.1	N/A
University of New Brunswick Endowment Fund	58.6	N/A
<b>Total – Other Public Sector Funds</b>	<b>\$684.1</b>	
<b>Total Assets Under Management</b>	<b>\$18,536.7</b>	

*Source: Prepared by AGNB*



## Appendix IV – Excerpt of the Transcript of the May 3, 2016 Standing Committee Hearing on Private Bills

Exhibit IV.1 shows what was presented to Legislators regarding the Boards of Trustees of the New Brunswick Public Service Pension Plan and the New Brunswick Teachers' Pension Plan fulfilling their fiduciary duties and taking control of the two service providers.

### *Exhibit IV.1 – Excerpt of the Transcript of the May 3, 2016 Standing Committee Hearing on Private Bills*

**The trustee plan observer\* stated:** “How did we get here? A couple of years ago, the teachers’ pension plan, public service plan, and some others became joint trustees. The government named half of the trustees, and the members named half of the trustees. Since that time, the trustees have been solely responsible for the policies of investments and also the service expectations.

*Public service and teachers’ pensions trustees began talking, doing their due diligence, and living up to their fiduciary responsibilities about a year ago of taking more of an ownership role with our two main service providers, which are the New Brunswick Investment Management Corporation and the Pensions and Employee Benefits Division. The trustees determined that since representatives of these two service groups were meeting with us at every one of our meetings and indeed taking their direction from us, it was the next logical step to take further control of those two service groups. That is why we are here before you today.*

*This bill will set up an organization that we believe will ensure, going forward, that the funds are in good hands, administered well, and invested well in a cost-effective manner. We believe that we will set up a centre of excellence that other places in this country will look at with favour. We hope to draw other pension plans to make us even more cost effective than we already are. We plan to continue to serve our members in the best possible way.”*

*Source: Prepared by AGNB from the transcript of the May 3, 2016 Standing Committee hearing on Private Bills*

\* Observers have the right to attend meetings of the Board of Trustees, but do not have voting powers. The New Brunswick Teachers’ Federation has appointed two observers to the Board of Trustees for the Teachers’ Plan.<sup>6</sup>

<sup>6</sup> New Brunswick Teachers’ Pension Plan, 2019 Annual Report Page 6.

## Appendix V – Summary of Vestcor Salary and Incentive Payments (Top Four Executives and Chief Financial Officer)

Exhibit IV.1 summarizes the annual salary and incentive payments made to Vestcor executives between 2014 and 2019.

*Exhibit IV.1 – Summary of Annual Salary and Incentive Payments to Vestcor Executives*

### *Summary of Vestcor Salary and Incentive Payments Top Four Executives and CFO (\$ dollars)*

<b>Position</b>	<b>Year</b>	<b>Salary</b>	<b>Annual Incentive (Bonus)</b>	<b>Long Term Incentive (Bonus)</b>	<b>Total Incentive (Bonus)</b>	<b>Total Salary and Incentive (Bonus)</b>
<b>President and CEO</b>	2019	375,047	432,721	450,000	882,721	<b>1,257,768</b>
	2018	351,389	452,438	450,000	902,438	<b>1,253,827</b>
	2017	327,779	334,335	491,669	826,004	<b>1,153,783</b>
	2016	327,779	238,831	421,396	660,227	<b>988,006</b>
	2015	327,779	308,624	440,048	748,672	<b>1,076,451</b>
	2014	327,779	258,707	307,012	565,719	<b>893,498</b>
<b>Chief Investment Officer</b>	2019	255,008	230,518	280,500	511,018	<b>766,026</b>
	2018	245,829	197,128	269,500	466,628	<b>712,457</b>
	2017	233,750	201,076	232,750	433,826	<b>667,576</b>
	2016	208,923	121,088	169,701	290,789	<b>499,712</b>
	2015	175,133	113,602	140,964	254,566	<b>429,699</b>
	2014	155,250	101,783	98,348	200,131	<b>355,381</b>
<b>Vice President – Fixed Income</b>	2019	240,008	147,263	216,000	363,263	<b>603,271</b>
	2018	230,000	121,891	207,000	328,891	<b>558,891</b>
	2017	225,000	145,515	202,500	348,015	<b>573,015</b>
	2016	218,769	114,959	169,701	284,660	<b>503,429</b>
	2015	213,808	150,363	173,184	323,547	<b>537,355</b>
	2014	202,000	120,026	118,017	238,043	<b>440,043</b>

<b>Vice President – Equities</b>	2019	223,035	142,723	200,700	343,423	<b>566,458</b>
<b>Vice President – Private Markets</b>	2018	214,000	173,276	171,200	344,476	<b>558,476</b>
	2017	207,000	173,259	165,600	338,859	<b>545,859</b>
	2016	201,023	100,284	138,846	239,130	<b>440,153</b>
	2015	195,491	155,524	140,695	296,219	<b>491,710</b>
	2014	188,500	106,690	96,047	202,737	<b>391,237</b>
<b>Chief Financial Officer</b>	2019	228,510	122,509	137,088	259,597	<b>488,107</b>
	2018	224,000	131,680	134,400	266,080	<b>490,080</b>
	2017	220,000	132,000	132,000	264,000	<b>484,000</b>
	2016	213,769	93,748	110,563	204,311	<b>418,080</b>
	2015	208,808	118,832	112,771	231,603	<b>440,411</b>
	2014	200,743	99,691	76,805	176,496	<b>377,239</b>

Source: Prepared by AGNB

## Appendix VI – Summary of Total Annual Incentive Payments

Exhibit V.1 summarizes the total annual incentive payments made by the New Brunswick Investment Management Corporation (NBIMC) and Vestcor between 2010 and 2019.

### Exhibit V.1 – Summary of Total Annual Incentive Payments

#### Summary of Total Annual Incentive Payments (\$ dollars)

Entity	Year Ended	Total Incentive Amount
NBIMC*	2010	906,052
NBIMC	2011	865,854
NBIMC	2012	906,000
NBIMC	2013	1,728,800
NBIMC	2014	2,194,600
NBIMC	2015	2,524,500
NBIMC	2016	3,411,900
<b>Total NBIMC</b>		<b>12,537,706</b>
Vestcor**	2016***	3,218,800
Vestcor	2017	4,299,800
Vestcor	2018****	5,011,800
Vestcor	2019	5,300,900
<b>Total Vestcor</b>		<b>17,831,300</b>
<b>Total NBIMC and Vestcor</b>		<b>\$30,369,006</b>

Source: Prepared by AGNB

\*NBIMC for the year-ended March 31

\*\* Vestcor for the year-ended December 31

\*\*\*Nine months ended December 31, 2016

\*\*\*\* Incentive program extended to all employees on January 1, 2018

# Chapter 6

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

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

Report of the Auditor General – Volume II, Chapter 6 - 2020

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## Why Is This Important?

- When recommendations are not implemented, risks may remain and could worsen over time.
- Our follow up work promotes transparency by informing the Legislative Assembly of the success departments and Crown Corporations have had implementing AGNB recommendations.
- This chapter is a tool for the Public Accounts Committee and the public to hold government departments and Crown agencies accountable.

## Overall Conclusions

- Entities self-report they have implemented 81% of our recommendations from performance audits in 2015, 2016, 2017 and 2018. We selected two chapters from 2015 (Silviculture, Private Wood Supply) and one chapter from 2016 (Agricultural Fair Associations) to review in detail.

## What We Found

### Poor Implementation Rate of AGNB Recommendations Reported for 2018 Chapters

- Only 63% (57 of 90) of 2018 self-reported responses indicate recommendations have been implemented.
- Self-reported rates for 2017, 2016 and 2015 are more favourable, with departments reporting 91%, 76% and 81% implemented (respectively).

### 2016 Chapter - Agricultural Fair Associations Recommendations

- 88% of recommendations were implemented from the 2016 Chapter.
- Service New Brunswick has not implemented an AGNB recommendation to develop and implement a standardized process and procedures to evaluate eligibility of tax class 50 exemption requests (property tax exemption under section 4 and 7 of the *Assessment Act*).

### 2015 Chapter - Silviculture Recommendations

- 67% of recommendations were implemented from the 2015 Chapter.
- The Department has not implemented AGNB recommendations to:
  - reduce clear-cut harvest area on Crown forest;
  - calculate and record the value of the Crown timber asset in the annual report; or
  - adopt a more equitable sharing arrangement for silviculture work.

### 2015 Chapter - Private Wood Supply Recommendations

- 74% of recommendations were implemented from the 2015 Chapter.
- The Department has not yet implemented AGNB recommendations to fulfil their responsibilities under the *Crown Lands and Forests Act* related to the principles of proportionate supply and sustained yield.

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

*This year we followed-up on 2015, 2016, 2017 and 2018 chapters*

**6.1** This follow-up chapter promotes accountability by giving the Legislative Assembly, and the public, information about how government has acted on our performance audit recommendations. We think it is important that both MLAs and taxpayers have information to assess the progress government is making in implementing these recommendations.

**6.2** One of our strategic goals is that departments, commissions and agencies accept and implement all our performance audit recommendations. In this chapter, we report on the updates provided to us by departments, commissions and Crown agencies on the status of performance audit recommendations made in our 2015, 2016, 2017 and 2018 reports. For additional information on the scope and objective of our follow-up work, refer to Appendix I.

**6.3** This year we performed detailed follow-up work on our performance audit recommendations from 2015 and 2016 AGNB reports. The chapters selected from the 2015 and 2016 AGNB reports were:

- Private Wood Supply (2015);
- Silviculture (2015); and
- Agricultural Fair Associations (2016).

**Note to Public  
Accounts Committee**

**6.4** For a detailed status report on recommendations since 2015, please see Appendix II. In addition, a summary of significant projects conducted in departments, Crown agencies, and commissions over the past ten years can be found in Appendix III.

**6.5** We encourage Members of the Legislative Assembly to look at the performance audit recommendations documented in this report that departments, commissions and Crown agencies have not implemented. Upcoming meetings of the Public Accounts Committee provide an opportunity for Members to pursue the status of these recommendations with the involved departments, commissions and Crown agencies.

**Results in Brief**

**6.6** Results in brief are presented on the one-page summary preceding this report chapter.

**Key Findings**

*Overall, 81% of our 2015 to 2018 recommendations have been implemented*

**6.7** Our overall results show departments, commissions and Crown agencies have implemented 81% of our performance audit recommendations from the 2015, 2016, 2017 and 2018 Reports of the Auditor General.

*AG disappointed clear-cut harvest practice continues to be included in Department's approach to managing Crown forests*

**6.8** We are pleased to see the overall progress made by the Department of Natural Resources and Energy Development in completing 14 of the 21 recommendations made in our 2015 chapter on Silviculture. However, we are disappointed the Department continues to disregard the need to reduce clear-cut harvest on Crown land to align with the Province's forest management strategy.

*Five of our 19 recommendations on Private Wood Supply have not been implemented*

**6.9** Both the Department of Natural Resources and Energy Development and the Forest Products Commission have made significant progress to implement the 19 recommendations made in our 2015 chapter on Private Wood Supply. The Department indicated it will continue to work on completing the remaining four recommendations during their 2020 workplan.



***The Agricultural Associations Act and its three regulations were repealed, removing the need for two of eight recommendations on Agricultural Fairs***

**6.10** Due to the repeal of the *Agricultural Associations Act* two of our eight recommendations from this chapter are no longer applicable. At the time of our review, only one of our eight recommendations on Agricultural Fairs remains non-implemented.





***Nursing Homes chapter replaces planned follow-up***

**6.11** Regular follow-up was not conducted for the 2016 Nursing Homes chapter. Instead, a more detailed chapter on Nursing Homes is included in this volume at Chapter 4.

**Detailed Findings**

**6.12** Exhibit 6.1 provides a legend showing how we illustrate the status of recommendations in this chapter.

*Exhibit 6.1 - Status of Implementation of Recommendations*

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

**6.13** Exhibit 6.2 presents the status of recommendations by department, commission and agency, by report, by year. 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.

**6.14** Exhibit 6.2 also distinguishes between the status reported by the departments, commissions and agencies and that verified by AGNB. Appendix II provides additional details on the implementation of recommendations by department, commission and agency.

Exhibit 6.2 - Status of Implementation of Recommendations

Department and Project Name	Report Release Date	2020 Status	
		Department Self-Reporting	Auditor General Follow-up
<b>Post-Secondary Education, Training and Labour – WorkSafeNB – Phase I – Governance</b>	2018		N/A
<b>WorkSafeNB – WorkSafeNB – Phase I – Governance</b>	2018		N/A
<b>Health - Addiction and Mental Health Services in Provincial Adult Correctional Institutions</b>	2018		N/A
<b>Public Safety - Addiction and Mental Health Services in Provincial Adult Correctional Institutions</b>	2018		N/A
<b>Education and Early Childhood Development - Improving Student Performance: A New Brunswick Challenge</b>	2018		N/A
<b>WorkSafeNB – WorkSafeNB – Phase II – Management of Injured Workers Claims</b>	2018		N/A
<b>Executive Council Office - Follow-up Chapter</b>	2018		N/A
<b>Social Development - Advisory Services Contract</b>	2017		N/A
<b>Service New Brunswick - Advisory Services Contract</b>	2017		N/A
<b>Environment and Local Government - Climate Change</b>	2017		N/A
<b>NB Power - Climate Change</b>	2017		N/A
<b>Service New Brunswick - Residential Property Assessment – Special Examination</b>	2017		N/A
<b>Executive Council Office - Residential Property Assessment – Special Examination</b>	2017		N/A
<b>Finance and Treasury Board - Residential Property Assessment – Special Examination</b>	2017		N/A
<b>Finance and Treasury Board - School District Purchase Cards</b>	2017		N/A
<b>Education and Early Childhood Development - School District Purchase Cards</b>	2017		N/A
<b>District scolaire francophone du Nord-Ouest - School District Purchase Cards</b>	2017		N/A
<b>District scolaire francophone du Nord-Est - School District Purchase Cards</b>	2017		N/A
<b>District scolaire francophone Sud - School District Purchase Cards</b>	2017		N/A

Exhibit 6.2 - Status of Implementation of Recommendations (continued)

<b>Anglophone North School District - School District Purchase Cards</b>	2017		N/A
<b>Anglophone West School District - School District Purchase Cards</b>	2017		N/A
<b>Anglophone East School District - School District Purchase Cards</b>	2017		N/A
<b>Anglophone South School District - School District Purchase Cards</b>	2017		N/A
<b>Opportunities New Brunswick - Financial Assistance to Atcon: Unanswered Questions</b>	2017		N/A
<b>Executive Council Office - Financial Assistance to Atcon: Unanswered Questions</b>	2017		N/A
<b>Agriculture, Aquaculture and Fisheries - Agricultural Fair Associations</b>	2016		
<b>Service New Brunswick - Agricultural Fair Associations</b>	2016		
<b>Public Safety- Agricultural Fair Associations</b>	2016		
<b>Finance and Treasury Board - Agricultural Fair Associations</b>	2016		
<b>Legal Aid Services Commission - Public Trustee Services</b>	2016		N/A
<b>Health - Meat Safety - Food Premises Program</b>	2016		N/A
<b>Social Development - Nursing Homes</b>	2016		N/A
<b>Natural Resources and Energy Development - Private Wood Supply</b>	2015		
<b>Natural Resources and Energy Development - Silviculture</b>	2015		
<b>Finance and Treasury Board - Public Debt</b>	2015		N/A
<b>Health - Infection Prevention and Control in Hospitals</b>	2015		N/A
<b>Horizon Health Network - Infection Prevention and Control in Hospitals</b>	2015		N/A
<b>Vitalité Health Network - Infection Prevention and Control in Hospitals</b>	2015		N/A
<b>Opportunities NB - Financial Assistance to Atcon Holdings Inc. and Industry</b>	2015		N/A
<b>Executive Council Office - Financial Assistance to Atcon Holdings Inc. and Industry</b>	2015		N/A
<b>Transportation and Infrastructure – Centennial Building</b>	2015		N/A

**26 recommendations from 2015 and 2016 have not been implemented**

**We find it very unfortunate that recommendations from four and five years ago are still not implemented**

**6.15** Exhibit 6.3 shows the results summarized by year. Departments, commissions and agencies reported to us that they had implemented 306 of 380 (81%) of our performance audit recommendations from the 2015 to 2018 Reports of the Auditor General. For 2015 and 2016, based upon the departments' assessments, we have concluded 105 of 137 (77%) of our recommendations have been implemented. Of the remaining 32 recommendations, five are no longer applicable, one was disagreed with by the department, and the remaining 26 have been agreed with but are not yet implemented. We find it very unfortunate that recommendations from four and five years ago are still not implemented.

*Exhibit 6.3 - Status of Implementation of Recommendations by Year*

Year	Recommendations				Percentage Implemented
	Total	Implemented	Agreed/ Not Implemented	Not Applicable	
2018	90	57	33	0	63%
2017	160 <sup>1</sup>	144	14	2	91%
2016	44	32	10	2	76%
2015	93	73	16	3	81%
<b>Total</b>	<b>387</b>	<b>306</b>	<b>73</b>	<b>7</b>	<b>81%</b>

*All values are self-reported except as noted in paragraph 6.4 and demonstrated in Exhibit 6.2.*

<sup>1</sup> The number of recommendations for 2017 is high as a result of our audit on School District Purchase Cards. We requested an implementation update on the status of 14 recommendations from all seven school districts; this alone accounts for 98 recommendations.

***We are not satisfied with the implementation rate of our recommendations***

**6.16** Exhibit 6.4 reports government's progress in implementing our performance audit recommendations since 1999. Our office maintains the goal of 100% implementation of recommendations made to departments, commissions and Crown agencies.

*Exhibit 6.4 - 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 <sup>1</sup>
2007	47	19%	N/A <sup>1</sup>	45% <sup>2</sup>
2008	48	N/A <sup>1</sup>	60% <sup>2</sup>	57% <sup>4</sup>
2009	49	73% <sup>2</sup>	73% <sup>3</sup>	74% <sup>4</sup>
2010	44	64% <sup>3</sup>	70% <sup>3</sup>	62% <sup>4</sup>
2011	24	71% <sup>3</sup>	79% <sup>3</sup>	63% <sup>4</sup>
2012	32	69% <sup>3</sup>	81% <sup>3</sup>	61% <sup>4</sup>
2013	44	65% <sup>3</sup>	61% <sup>3</sup>	43% <sup>4</sup>
2014	17	71% <sup>3</sup>	94% <sup>3</sup>	71% <sup>4</sup>
2015	93	49% <sup>3</sup>	65% <sup>3</sup>	81% <sup>3</sup>
2016	44	68% <sup>3</sup>	82% <sup>3</sup>	76% <sup>3</sup>
2017	160	84% <sup>3</sup>	91% <sup>3</sup>	-
2018	90	63% <sup>3</sup>	-	-
<sup>1</sup> N/A as no follow-up performed in 2010 <sup>2</sup> As self-reported by departments, commissions and agencies with confirmation by our Office in the Department of Justice and Consumer Affairs <sup>3</sup> As self-reported by departments, commissions and agencies <sup>4</sup> As self-reported by departments, commissions and agencies and reviewed for accuracy by our Office.				

**6.17** In the section that follows, we provide additional commentary on the projects where we performed detailed follow-up work in 2020.

## Department of Natural Resources and Energy Development *Silviculture (2015)*

**6.18** In 2015 we conducted work on two projects within the Department of Natural Resources and Energy Development's (DNRED) Forestry Division: 1) Silviculture described below; and 2) Private Wood Supply described later in this chapter.

### *Audit Objectives*

**6.19** We examined DNRED's Crown forest silviculture program with the following objectives:

- to determine if DNRED is meeting its responsibilities to enhance the quality and quantity of future timber supply through silviculture; and
- to determine if DNRED acquires silviculture services with due regard for economy and efficiency.

### *Audit Conclusions*

**6.20** We concluded DNRED silviculture efforts will contribute to improvements in the future supply of timber. However, we found DNRED fell short in fulfilling some of its related management and oversight responsibilities.

### *Seven of 21 recommendations have not been implemented*

**6.21** In 2015, we made 21 recommendations to DNRED. We found 14 recommendations were implemented and seven recommendations were not implemented. The status of the non-implemented recommendations is discussed below.

**6.22** We recommended "*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.*" (Recommendation 3.76)

**6.23** DNRED stated "*DNRED is still working within the 5-year regulatory timeframe. Renewed management plans will be published this year.*"

### *DNRED to align five-year forest management plans with 10-year Annual Allowable Cut regulatory period*

**6.24** In a follow-up interview with DNRED, we learned the 5-year regulatory timeframe has shifted forward. We found DNRED did receive revised forest management plans for 2012-2016, but no further revised forest management plans were received in 2017. DNRED plans to reset the 5-year

regulatory timeframe to align with the 10-year Annual Allowable Cut (AAC) starting with 2020-2024.

**6.25** While we understand the desire to have the forest management plans align with the 10-year AAC period, DNRED has yet to adhere to a predictable forest management cycle and ensure licensees provide revised forest management plans every five years. The recommendation has not been fully implemented.

**6.26** We further recommended *“the area of Crown forest, subject to clear cut harvest, be reduced in favor of non clear cut harvest treatments as per the updated forest management strategy “A Strategy for Crown Lands Forest Management Putting our Resources to Work”.”* (Recommendation 3.106)

***Department still allows clear-cut harvests on Crown land***

**6.27** DNRED’s response in 2020 is that this recommendation is not applicable. DNRED did not provide detailed reasons for not implementing this recommendation.

**6.28** We maintain that this recommendation applies to DNRED and the area of Crown forest subject to clear-cut harvest should be reduced.

**6.29** We also recommended *“the Department regularly report to the Legislative Assembly and the public on the status of New Brunswick’s forest and its management.”* (Recommendation 3.142)

***“State of the Forest” report planned for 2020 but has not been released***

**6.30** The response from DNRED in 2020 indicated this recommendation would be implemented in 2020, stating: *“A ‘State of the Forest’ report is in development and planned for publishing in the summer of 2020.”*

**6.31** As DNRED has yet to report to the Legislative Assembly, this recommendation has not been implemented. The Legislative Assembly and the public require a regular update on the state of New Brunswick’s forest and how it is managed by DNRED.

**6.32** We further recommended *“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.”* (Recommendation 3.159)

***DNRED has been unable to secure a commitment from government for a 5-year funding mandate for silviculture programs***

**6.33** The response from DNRED in 2020 indicated work on this recommendation is ongoing, stating:  
*“Committing 5 years of funding requires further discussion on a mandate from Government. This discussion is planned as part of the Crown forest management plan development for 2020-2025.”*

**6.34** As no action has been taken on this recommendation, we consider it not implemented.

**6.35** We also recommended *“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.”*  
 (Recommendation 3.163)

***DNRED makes progress on valuation of Crown timber asset but has yet to include it in their annual reporting***

**6.36** DNRED indicated that this recommendation is partially completed, stating:  
*“This calculation has been built into the wood supply forecasts for the 2020 management plan, and this model is functional at this time. Reporting will be included in the 2021 annual report.”*

**6.37** We reviewed emails between the DNRED and the Office of the Comptroller and confirmed consultations took place. We performed a follow-up interview with DNRED officials and confirmed the use of a discounted cashflow methodology to calculate the value of the Crown timber asset.

**6.38** As the value of the Crown timber asset will not be reported until DNRED’s 2021 annual report as stated by DNRED, this recommendation has not been implemented.

**6.39** We also recommended *“the Department ensure a forest management agreement is signed by all current licensees to ensure compliance with the Crown Lands and Forests Act”*  
 (Recommendation 3.196)

***New Forest Management Agreements have not been signed***

**6.40** In their 2020 response, DNRED stated  
*“DNRED has been continuing to make progress with respect to the renewal of FMAs [Forest Management Agreements]. The Department is committed to meaningful consultation with First Nations and to this end has been working with the Aboriginal Affairs Secretariat to*



*implement a consultation strategy. It is the Department's intention to sign FMAs in 2020.*

**6.41** As there were no newly signed Forest Management Agreements (FMAs) available at the time of our review, this recommendation is not implemented.

**6.42** We further recommended *“the Province adopt a more equitable cost sharing arrangement for silviculture work that recognizes the direct benefits realized by the forestry companies.”* (Recommendation 3.206)

***DNRED has yet to adopt a more equitable cost sharing arrangement for silviculture work***

**6.43** DNRED indicated they agree with this recommendation, stating: *“DNRED continues to investigate alternative financial models for Crown Forest Management. Our Department is focused on ensuring the Province gets the best return on investment for the silviculture work that is done on Crown and Private Land.”*

**6.44** We reviewed a presentation entitled *“Crown Forestry Update Financials”* to determine if DNRED is making progress on the recommendation. We found DNRED presented current financials and potential changes that could be made to the cost sharing arrangement for silviculture work.

**6.45** As DNRED has not adopted a new, more equitable model, the recommendation is not implemented. We look forward to a more equitable model being developed and implemented.

***Key recommendations have not been implemented***

**6.46** While we appreciate the complex nature of the forestry sector in New Brunswick, we are disappointed key recommendations from our 2015 chapter have still not been implemented five years later. We encourage DNRED to continue implementing the remaining seven recommendations.

## Department of Natural Resources and Energy Development *Private Wood Supply (2015)*

**6.47** In 2015, we reported on our work regarding Private Wood Supply within the Province of New Brunswick in two parts:

- we examined the legislated responsibilities of the Department of Natural Resources and Energy Development related to private woodlots under the *Crown Lands and Forests Act*.
- we reviewed the oversight role of the New Brunswick Forest Products Commission as it relates to the New Brunswick Forest Products Marketing Boards under the *Natural Products Act*.

### *Audit Objectives*

**6.48** Our first objective related to Department of Natural Resources and Energy Development (DNRED) and the *Crown Lands and Forests Act*:

- *To determine if the Department of Natural Resources and Energy Development is meeting its responsibilities respecting timber supply from private woodlots.*

**6.49** Our second objective dealt with the oversight role of the New Brunswick Forest Products Commission (the Commission):

- *To determine if the New Brunswick Forest Products Commission provides adequate oversight of Forest Products Marketing Boards.*

### *DNRED Audit Conclusions*

**6.50** We concluded:

- the Department has no documented, measurable goals and objectives specific to their role in private wood supply;
- the Department does not comply with legislated requirements under the *Crown Lands and Forests Act* specific to their role in private wood supply; and

- the Department does not publicly report on its performance in encouraging sustainable development of private woodlots.

***Commission Audit  
Conclusions***

**6.51** We concluded the Commission failed to:

- adequately assess the performance of forest products marketing boards to ensure they are meeting regulatory obligations;
- consistently exercise its authority under legislation to address identified weaknesses in the marketing board system; and
- report publicly on the effectiveness of the Commission's work or marketing board performance.

***Overall Conclusion***

**6.52** Due to the lack of strong marketing board oversight by both the Commission and DNRED the Province cannot determine if the marketing board system is operating as intended in legislation or if significant risks are being adequately managed.

***14 of the 19  
recommendations to  
DNRED and the  
Commission have been  
implemented.***

**6.53** Our work resulted in 19 recommendations to DNRED and the Commission. We are pleased to note that as of the Department's 2020 update, 14 of these recommendations have been implemented. The status of the five outstanding recommendations is discussed in the paragraphs that follow.

***Outstanding  
recommendations to be  
completed during 2020  
fiscal year.***

**6.54** Per DNRED the outstanding recommendations have been the focus of the 2020 workplan and are planned for completion during the 2021 fiscal year. DNRED engaged in three projects (a revised strategic plan for the Commission, a renewed wood supply analysis of private lands, and a review of strategic opportunities for New Brunswick woodlots) that they believe will make significant progress toward the outstanding recommendations.

**6.55** We recommended "*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.*" (Recommendation 4.96)

***DNRED is working on a “Private Woodlot Initiative” to encourage participation by private woodlot owners in forest management and the wood market***

**6.56** In response to this recommendation, DNRED stated:

*“The Department is currently working on a ‘Private Woodlot Initiative’ that has included several major undertakings, all with the objective of building a system that encourages private woodlot participation in management and the wood market.*

*The Department believes that before wood supply proportionality can be discussed, major changes must be made in the way private woodlot owners are engaged, and what role Marketing Boards play in helping owners undertake forest management. The following has been undertaken over the last year:*

- *a Minister’s roundtable on the ‘private woodlot optimization’ strategy,*
- *an 80-year private woodlot timber and conservation opportunities supply analysis,*
- *ongoing development of a woodlot owner-focused website for information regarding woodlot management in the province, additional funding and resources to the New Brunswick Forest Products Commission,*
- *work with GNB’s Innovation team to explore options for woodlot owners to get their wood to market in a clear and consistent way and exploring the roles of each stakeholder in the private woodlot Marketing Board system.*

*The wood supply analysis and resulting target setting will have the Department comply with the principle of sustained yield. Aspects of proportional supply will be evaluated further based on performance of an improved system.”*

**6.57** As DNRED has not completed this initiative, we concluded this recommendation has not been implemented.

**6.58** We also recommended *“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.”* (Recommendation 4.105)

***DNRED will be developing timber objectives for softwood and hardwood for each Marketing Board based on principles of sustained yield***

**6.59** In their 2020 update DNRED stated:

*The Department, as announced by the Minister in December 2019, will be developing timber objectives for softwood and hardwood for each Marketing Board. These will be based on long-term wood supply analysis, and therefore will be based on principles of sustained yield. Preliminary forecasts of the private land timber supply are now complete, and the final analysis is being completed to develop a silviculture strategy. These objectives will be monitored and publicly reported.*

**6.60** We recognize the Department is planning to undertake an effort to address our recommendations and we acknowledge the complexity of private wood supply in the Province. However, we continue to believe the Department needs to comply with legislation and address the principles of proportional supply and sustained yield to fulfill its obligations under the *Crown Lands and Forests Act*. Proportional supply was meant to be a key mechanism under the Act to ensure “*equitable sharing among the sources of wood supply*”. By not addressing this key principle in the Act, the Department has not provided assurance to private woodlot owners that the current system is equitable.

**6.61** We further recommended “*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.*” (Recommendation 4.124)

***DNRED will measure success of private woodlot programs, increase reporting requirements of the Commission, and increase efficiencies in the private land silviculture program***

**6.62** In the 2020 update DNRED stated:

*Upon completion of the work identified in recommendation 4.96 and 4.105 (the first two non-implemented recommendations), the Department will develop a dashboard for measuring success, and will measure and report actual vs predicted wood flows. This work has been identified and included in the Commission’s strategic plan.*

*The Commission is currently reporting monthly on wood consumption for private woodlots so that we can understand year-over-year changes in flows, and when wood supply objectives are set the Commission will report year-over-year changes along with actual wood consumption vs objective levels.*

*The Department will expect the Commission to describe variance from objective levels and recommend improvements to the system to meet objectives.*

*For private silviculture benefits, the Department is developing measures to understand the benefits of improved growth on the Crown wood supply and will use those same measures for private lands.*

*Further, the Department is conducting a process improvement project on administering the private land silviculture program with the objective of having more of the funds used in silviculture, and less for administrative tasks.*

**6.63** While the Department has indicated it is undertaking improvements, this recommendation currently remains not implemented.

**6.64** We also recommended “*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.*” (Recommendation 4.128)

***DNRED and the Commission make improvements to public reporting and transparency***

**6.65** In the 2020 update DNRED stated:

*Improvements in public reporting and transparency have been built into the Commission’s strategic plan, and much of the improved information flows will come from work done in 4.96 and 4.105 (first two non-implemented recommendations). To ensure progress, the Department will provide more resources to the Commission.*

**6.66** We noted the response by the Department refers to work from non-implemented recommendations. Since work is incomplete on recommendation 4.96 and 4.105, we cannot consider recommendation 4.128 to be fully implemented.

**6.67** We recommended “*the Commission establish member position profiles and criteria against which potential appointees can be evaluated.*” (Recommendation 4.149)

**6.68** The Commission indicated this recommendation had been implemented, stating “*ABC [Agencies, Boards, and Commissions]ads since 2014 have included specific*

*requirements to be evaluated in regard to the members' intended representation.”*

**6.69** We found the Commission's New Brunswick Agencies, Boards, and Commissions ads have improved slightly since 2014, however they do not provide adequate detailed criteria to evaluate each member position profile against which the Department can evaluate potential appointees. Additionally, no formal document such as a skills matrix has been created to evaluate members, only the ads provide the details required for member qualifications. For this reason, we do not believe this recommendation is fully implemented.

## Department of Agriculture, Aquaculture and Fisheries *Agricultural Fair Associations (2016)*

**6.70** In 2016, we reported on our work on the Agricultural Fair Associations (AFAs) within the Province of New Brunswick related to government oversight of the AFAs.

***Audit Objective***

**6.71** Our objective for the AFA work was:

*To determine whether there is adequate government oversight of New Brunswick Agricultural Associations.*

***Audit Conclusion***

**6.72** We concluded there was no government oversight of AFAs by the Department of Agriculture, Aquaculture and Fisheries (DAAF) as required by legislation. DAAF believed the 13 existing AFAs did not fall under the *Agricultural Associations Act* and its associated regulations, despite providing annual grant funding to these associations and acknowledging these entities are the only government recognized AFAs in the Province.

**6.73** In addition, there were limited provincial processes to monitor compliance with eligibility requirements for benefits such as property tax exemptions, gaming privileges, and income tax exemptions available to these associations. These exemptions were granted to the applicable associations by virtue of their operating status as AFAs and/or not-for-profit organizations.

***Five of the eight recommendations have been implemented***

**6.74** Our work resulted in eight recommendations to the DAAF, Service New Brunswick (SNB), the Department of Public Safety, and the Department of Finance. We are pleased to note five of these recommendations have been implemented. The status of the three outstanding recommendations is discussed in the paragraphs that follow.

**6.75** We recommended “*the Department of Agriculture, Aquaculture and Fisheries fulfill its legislated mandate under the Agricultural Associations Act. We recommend DAAF develop a strategy to further define its mandate, including a clear definition of its role and responsibilities as well as goals and objectives for its work with agricultural societies and agricultural fair associations.*” (Recommendation 4.55)



***The Agricultural Associations Act has been repealed making two of eight recommendations no longer applicable to the Department***

**6.76** DAAF informed us in their 2020 update:

*The Department repealed the Agricultural Associations Act and its three regulations. The Department continues to partner with the New Brunswick Fairs and Exhibitions Association (NBFEA) in a shared objective of creating awareness of the agriculture and farming community in the province and to assist in its promotion and further development of public trust of the sector.*

*The Department recognizes the NBFEA as an established organization capable of providing support to these goals. The Department supports NBFEA in these efforts through a grant program entitled "Fairs and Exhibitions Agriculture Awareness Program". The Department continues to provide technical support and expertise to fair and exhibition events whenever possible.*

**6.77** We further recommended "*the Department of Agriculture, Aquaculture and Fisheries define, communicate, and monitor minimum reporting requirements for all agricultural associations and societies it is required to oversee under the Agricultural Associations Act.*" (Recommendation 4.72)

**6.78** As the Act has been repealed DAAF stated:

*The Agricultural Associations Act has been repealed and this is no longer a legal requirement.*

**6.79** Since the *Agriculture Associations Act* has been repealed, recommendations 4.55 and 4.72 from the 2016 chapter on Agricultural Fair Associations are no longer applicable.

***SNB's non-implemented recommendation***

**6.80** We also recommended "*Service New Brunswick develop, document, and implement a standardized process and procedures to evaluate the eligibility of requests for property tax exemptions (tax class 50) and undertake regular monitoring to ensure organizations with exemptions have sustained their eligible status.*" (Recommendation 4.109)

***Full review of tax reform in the province of New Brunswick planned for 2020-2021***

**6.81** In the 2020 update SNB stated:

*The mandate of Property Assessment Services (PAS) is to assess and classify all property in New Brunswick. PAS will continue to maintain the process of reviewing the eligibility of properties with a property tax exemption (tax class 50). Regular and scheduled monitoring of applied eligibility will*

*be completed during all scheduled reinspections. PAS is working very closely with Government as we move to a full review of the tax reform in the province of New Brunswick for 2020-2021.*

**6.82** We encourage SNB to continue with their efforts towards reviewing the eligibility of properties under tax class 50 during all scheduled re-inspections and the full review of tax reforms in 2020-2021. However, because SNB has not implemented standardized processes and procedures as recommended, we cannot consider this recommendation fully implemented.

## **Appendix I - Scope and Objective of Follow-up Work**

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Our usual 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 2019, we modified our process to examine two financial assistance files which represented significant exposure to the Province. As a result, no follow-up verification was performed in 2019, however self-reported implementation data was included in our 2019 chapter.

The Covid-19 pandemic disrupted government operations across the province. We decided to use a modified approach to follow up this year to ensure the health and safety of our staff and the auditees, and to minimally disrupt departments that have increased responsibilities during the pandemic. For this 2020 Report, we are tracking progress on performance audit recommendations from 2015, 2016, 2017 and 2018, with verification performed for three chapters as described in the introduction.

Our objective is to determine the degree of progress departments, commissions and Crown agencies have made in implementing our recommendations. We assess their progress as either implemented, not implemented, disagreed with, or no longer applicable.

To prepare this chapter, we request written updates from the respective departments, commissions and Crown agencies. They provide their assessment of the status of each performance audit recommendation. In addition, departments, commissions and agencies also add any comments they believe are necessary to explain the rationale for their assessment. We received all updates requested.

Recommendations made to departments, commissions and Crown agencies as a result of our financial audit work are followed-up annually as part of our financial audit process, and are not discussed in this chapter.

## Appendix II - Status of Performance Audit Recommendations as Reported by Departments, Commissions or Agencies

Department/ Commission/ Agency	Subject	Year	Performance Audit Recommendations					% Implemented
			Total	Implemented	Agreed/ Not implemented	Disagreed	No longer applicable/ Not determinable	
WorkSafeNB	WorksafeNB- Governance (Phase I)	2018	12	8	4	0	0	67%
Post-Secondary Education, Training and Labour			7	7	0	0	0	100%
Executive Council Office			1	1	0	0	0	100%
Health	Addiction and Mental Health Services in Provincial Adult Correctional Institutions	2018	13	5	8	0	0	38%
Public Safety			12	5	7	0	0	42%
Education and Early Childhood Development	Improving Student Performance: A New Brunswick Challenge	2018	14	13	1	0	0	93%
WorkSafeNB	WorksafeNB - Management of Injured Workers' Claims (Phase II)	2018	29	16	13	0	0	55%
Executive Council Office	Follow-Up on Recommendations from Prior Years' Performance Audit Chapters	2018	2	2	0	0	0	100%
SNB	Advisory Services Contract	2017	3	2	1	0	0	67%
Social Development			13	13	0	0	0	100%
ASD-W	School District Purchase Cards	2017	14	13	1	0	0	93%
ASD-N			14	14	0	0	0	100%
ASD-E			14	14	0	0	0	100%
ASD-S			14	14	0	0	0	100%
DSF - S			14	14	0	0	0	100%
DSF-NE			14	12	0	0	2	100%
DSF-NO			14	14	0	0	0	100%
Education and Early Childhood Development			2	0	2	0	0	0%
Finance and Treasury Board			2	2	0	0	0	100%
Environment & Local Government			Climate Change	2017	5	2	3	0
NB Power	3	2			1	0	0	67%

## Appendix II - Status of Performance Audit Recommendations as Reported by Departments, Commissions or Agencies *(Continued)*

Department/ Commission/ Agency	Subject	Year	Performance Audit Recommendations					% Implemented
			Total	Implemented	Agreed/ Not implemented	Disagreed	No longer applicable/ Not determinable	
Opportunities NB	Financial Assistance to Atcon: Unanswered Questions	2017	8	8	0	0	0	100%
Executive Council Office			1	1	0	0	0	100%
Service New Brunswick	Residential Property Assessment – Special Examination	2017	22	17	5	0	0	77%
Executive Council Office			1	1	0	0	0	100%
Finance and Treasury Board			2	1	1	0	0	50%
Agriculture, Aquaculture and Fisheries	Agricultural Fair Association	2016	4	2	0	0	2	100%
Service New Brunswick	Agricultural Fair Association	2016	2	1	1	0	0	50%
Public Safety	Agricultural Fair Association	2016	1	1	0	0	0	100%
Finance and Treasury Board	Agricultural Fair Association	2016	1	1	0	0	0	100%
Legal Aid Services Commission	Public Trustee Services	2016	10	6	4	0	0	60%
Health	Meat Safety - Food Premises Program	2016	23	18	5	0	0	78%
Social Development	Nursing Homes	2016	3	3	0	0	0	100%
Natural Resources and Energy Development	Private Wood Supply	2015	19	14	5	0	0	74%
	Silviculture	2015	21	14	6	1	0	67%
Finance and Treasury Board	Public Debt	2015	8	4	4	0	0	50%
Health	Infection Prevention and Control in Hospital	2015	2	2	0	0	0	100%
Horizon Health Network			9	9	0	0	0	100%
Vitalité Health Network			10	10	0	0	0	100%
Opportunities NB	Financial Assistance to Atcon Holdings Inc. and Industry	2015	17	17	0	0	0	100%
Executive Council Office			2	1	1	0	0	50%
Transportation and Infrastructure	Centennial Building	2015	5	2	0	0	3	100%
<b>Total</b>			<b>387</b>	<b>306</b>	<b>73</b>	<b>1</b>	<b>7</b>	<b>81%</b>

\* All values are self-reported results

# Appendix III

## 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 Agriculture, Aquaculture and Fisheries**

#### **Agricultural Fair Associations (2016)**

This chapter examines whether there is adequate government oversight of New Brunswick Agricultural Associations.

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

#### **School Infrastructure Planning (2020)**

This chapter presents findings and observations regarding the School Infrastructure Planning at the Department of Education and Early Childhood Development and School Districts. It examines capital funding decisions, capital improvement projects' prioritization process, and quality of the data used for the capital funding decisions.

#### **Student Performance: A New Brunswick Challenge (2018)**

This chapter reports observations, findings and recommendations regarding the Department's management of student performance in reading, math and science, which is measured through provincial assessments. It examines whether the Department sets goals for student performance, monitors, improves and publicly reports on student performance. It covers both the Anglophone and Francophone education sectors and includes all seven school districts.

#### **School District Purchase Cards (2017)**

This chapter examines the use of purchase cards by school districts after we identified risks associated with the use of purchase cards through our financial audit work, which highlighted numerous control weaknesses in the purchase card procedures.

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

### **Climate Change (2017)**

In April 2016 all Auditors General across Canada agreed to undertake work on their provinces' and territories' climate change initiatives. This work will then be summarized in a report to the Parliament in early 2018. The overall objective of this initiative was to work together to determine the extent to which federal, provincial and territorial governments in Canada are meeting commitments to reduce greenhouse gas (GHG) emissions and to adapt to climate change.

### **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.

## **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**

### **Overdue Property Tax: Collections and Forgiveness (2019)**

This chapter examines the Department of Finance's activity in meeting its responsibilities and utilizing its authority granted under the Real Property Tax Act and Financial Administration Act in collecting overdue property tax and in forgiving property tax debt.

### **Agricultural Fair Associations (2016)**

This chapter examines whether there is adequate government oversight of New Brunswick Agricultural Associations.

### **Atlantic Lottery Corporation (2016)**

This volume examines whether Atlantic Lottery Corporation(s):

- governance structures and processes create a framework for effective governance and are working well;
- executive and employee compensation and benefits are appropriately managed;
- travel, hospitality, and board expenses are managed in a transparent manner that promotes the appropriate use of shareholder money;

- significant contracts are monitored to ensure services are received, and payments made, in accordance with contract terms;
- significant contracts are effective in meeting its objectives and achieving enterprise value; and
- procures required services in an efficient and economical manner.

### **Public Debt (2015)**

This chapter describes the public debt situation in New Brunswick in comparison with other Canadian provinces. It determines if the Department of Finance follows a prudent debt management practice to mitigate risks associated with public debt.

### **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**

### **Ambulance Services (2020)**

This chapter presents findings and observations regarding the Ambulance Services at the Department of Health and EM/ANB Inc. It examines the legislative framework and governance structure of EM/ANB, as well as the oversight provided by the Department of Health of ambulance services. It also reviews the effectiveness of the contract structure between the Department and Medavie Health Service New Brunswick.

### **Medicare Cards (2019)**

This chapter determines if the Department of Health has process and controls to ensure only eligible residents are issued a Medicare card, and whether the security and privacy of cardholder's information is protected.

### **Addiction and Mental Health Services in Provincial Adult Correctional Institutions (2018)**

This chapter examines whether the Department of Health and the Department of Justice and Public Safety deliver addiction and mental health services to provincial correctional institution inmates to improve health outcomes and contribute to safer communities.



### **Meat Safety – Food Premises Program (2016)**

This chapter determines if the Department of Health monitors and enforces compliance with the legislation, regulations and policies in place to ensure the safety of meat for public consumption.

### **Nursing Homes (2016)**

This chapter provides information on the current status of nursing homes. It looks at the current situation in the province concerning nursing homes and the capacity within the system to meet the growing demand for services.

### **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.

## **Department of Justice and Public Safety**

### **Addiction and Mental Health Services in Provincial Adult Correctional Institutions (2018)**

This chapter examines whether the Department of Health and the Department of Justice and Public Safety deliver addiction and mental health services to provincial correctional institution inmates to improve health outcomes and contribute to safer communities.

### **Public Trustee Services (2016)**

This chapter examines whether the Public Trustee properly safeguards and administers client assets held in trust, whether the Public Trustee's processes for making care decisions on behalf of its clients are in accordance with legislation and policies, and whether the Public Trustee publicly reports on the performance of its services.

### **Agricultural Fair Associations (2016)**

This chapter examines whether there is adequate government oversight of New Brunswick Agricultural Associations.

## **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 Energy and Resource Development**

### **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.

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

### **Provincial Funding to Universities and Maritime College of Forest Technology (MCFT) (2019)**

This chapter reports findings and observations regarding the allocation and monitoring of provincial funding to universities and MCFT. It reviewed MOU the Province has with universities which sets accountability requirements, funding formula, and PETL public reporting on outcomes of funding provided to universities.

### **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.

## **Department of Social Development**

### **Group Homes and Specialized Placements (2019)**

This chapter assesses the Department of Social Development's management of placement and care of children in group homes and specialized placements. It examined the Department's planning for the child in care placements, group home capacity in the Province, and care plans for children against the Department's standards.

### **Advisory Services Contract (2017)**

This chapter evaluated the effectiveness of specific Department of Social Development contract management practices in procuring, administering, and measuring results of a significant consulting contract for advisory services.

### **Nursing Homes (2016)**

This chapter provides information on the current status of nursing homes. It looks at the current situation in the province concerning nursing homes and the capacity within the system to meet the growing demand for services.

### **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.

## **Department of Transportation and Infrastructure**

### **Outsourcing of Highway Maintenance and Construction Work (2019)**

This chapter examined the decision-making process followed by the Department of Transportation and Infrastructure to outsource highway maintenance, construction and procurement of related equipment to determine if it was evidence based.

### **Centennial Building (2015)**

This chapter reports on government infrastructure planning for the Centennial Building in Fredericton, associated financial impact on provincial taxpayers, and the current status of the facility.

### **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.

## 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 June 9, 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.

### Legal Aid Services Commission

#### Public Trustee Services (2016)

This chapter examines whether the Public Trustee properly safeguards and administers client assets held in trust, whether the Public Trustee's processes for making care decisions on behalf of its clients are in accordance with legislation and policies, and whether the Public Trustee publicly reports on the performance of its services.

### 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.

## Crown Agency and Crown Corporation Projects

### New Brunswick Lotteries and Gaming Corporation

#### Atlantic Lottery Corporation – Joint Follow-up of the 2016 Recommendations to the Atlantic Lottery Corporation (2019)

This was a joint follow-up report by the Auditors General of New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island on the implementation status of the 25 recommendations made in their 2016 audit of the Atlantic Lottery Corporation (ALC). There were separate recommendations directed to the four shareholder governments, the board and management.

#### Atlantic Lottery Corporation (2016)

This volume examines whether Atlantic Lottery Corporation's:

- governance structures and processes create a framework for effective governance and are working well;
- executive and employee compensation and benefits are appropriately managed;
- travel, hospitality, and board expenses are managed in a transparent manner that promotes the appropriate use of shareholder money;
- significant contracts are monitored to ensure services are received, and payments made, in accordance with contract terms;
- significant contracts are effective in meeting its objectives and achieving enterprise value; and
- services are procured in an efficient and economical manner.

## **NB Power**

### **Climate Change (2017)**

In April 2016 all Auditors General across Canada agreed to undertake work on their provinces' and territories' climate change initiatives. This work will then be summarized in a report to the Parliament in early 2018. The overall objective of this initiative was to work together to determine the extent to which federal, provincial and territorial governments in Canada are meeting commitments to reduce greenhouse gas (GHG) emissions and to adapt to climate change.

### **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: Unanswered Questions (2017)**

This chapter examines questions on the use of the funds received by Atcon and whether anyone benefited inappropriately from this money during the short timeframe between granting the company financial assistance and the placement of Atcon into receivership.

### **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.

## **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.

## **Service New Brunswick**

### **Residential Property Assessment – Special Examination (2017)**

This chapter examines the circumstances related to inaccuracies and errors in Service New Brunswick's (SNB) calculation of real property assessment values for the taxation years 2011 through 2017.

### **Agricultural Fair Associations (2016)**

This chapter examines whether there is adequate government oversight of New Brunswick Agricultural Associations.

**Data Centre Power Interruption (2014)**

This chapter examines the events and circumstances surrounding the data centre outage of June 9, 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.

**WorksafeNB****Phase I – Governance (2018)**

This chapter determines if WorksafeNB's framework is structured to enable the organization to meet its mandate, goals and objectives.

**Phase II – Management of Injured Workers' Claims (2018)**

This chapter presents findings and recommendations regarding WorkSafeNB's management of injured workers' claims. It examines whether WorkSafeNB has an effective claims management framework.

Appendix IV  
Detailed Status Report of  
Recommendations  
Since 2015

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	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.	Implemented
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.	Implemented
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.	Implemented
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.	Implemented
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.	Implemented
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.	Implemented



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.	Implemented
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.	Implemented
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 <i>Economic Development Act</i> and Regulation to clarify the authority to amend security.	Implemented
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.	Implemented
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.	Implemented

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.	Implemented
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.	Implemented
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.	Implemented
Financial Assistance to Atcon Holdings Inc. and Industry	Executive Council Office	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.	Not Implemented
Financial Assistance to Atcon Holdings Inc. and Industry	Executive Council Office	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.	Implemented
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.	Implemented

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.	Implemented
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.	Implemented
Infection Prevention and Control in Hospitals	Horizon Health Network	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,</li> </ul>	Implemented
	Vitalité Network						Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Infection Prevention and Control in Hospitals	Horizon Health Network and Vitalité Network	2015	2	2	112 cont	<ul style="list-style-type: none"> <li>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> <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>	Implemented
Infection Prevention and Control in Hospitals	Horizon Health Network	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.	Implemented
	Vitalité Health Network						Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Infection Prevention and Control in Hospitals	Horizon Health Network	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.	Implemented
	Vitalité Health Network						Implemented
Infection Prevention and Control in Hospitals	Horizon Health Network	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.	Implemented
	Vitalité Health Network						Implemented
Infection Prevention and Control in Hospitals	Horizon Health Network	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>	Implemented
	Vitalité Health Network						Implemented
	Department of Health						Implemented
Infection Prevention and Control in Hospitals	Horizon Health Network	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.	Implemented
	Vitalité Health Network						Implemented
Infection Prevention and Control in Hospitals	Vitalité Health Network	2015	2	2	148	We recommend the Vitalité Health Network require their ICPs obtain specialized training in infection prevention and control.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Infection Prevention and Control in Hospitals	Horizon Health Network	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>	Implemented
	Vitalité Health Network						Implemented
Infection Prevention and Control in Hospitals	Horizon Health Network	2015	2	2	180	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: <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>	Implemented
	Vitalité Health Network						Implemented
Infection Prevention and Control in Hospitals	Horizon Health Network	2015	2	2	202	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.	Implemented
	Vitalité Health Network						Implemented
	Department of Health						Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	76	We recommend the Department adhere to a regulated and predictable forest management planning cycle and ensure compliance with the <i>Crown Lands and Forests Act</i> by obtaining revised forest management plans from each licensee every five years.	Not Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	83	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.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	104	We recommend the Department complete and finalize a silviculture manual with performance standards based on best practices.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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”.	Not Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	118	We recommend the Department continue with the silviculture annual monitoring program and apply consistent controls on silviculture services acquired.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	122	We recommend the Department complete licensee performance evaluations every five years per the <i>Crown Lands and Forests Act</i> .	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	123	We recommend evaluation data be verified by the Department for completeness and accuracy.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	131	We recommend the Department monitor the results of silviculture treatments over time and hold licensees accountable through performance based measures.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	132	We recommend information self-reported by licensees be verified for completeness and accuracy.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Not Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	158	We recommend the Department include the use of an economic payback model when analyzing resource allocations for silviculture program activities.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Not Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Not Implemented



Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Silviculture	Natural Resources (Energy and Resource Development)	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.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	181	We recommend the Department regularly benchmark silviculture rates from other jurisdictions in addition to using the costing model.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Implemented
Silviculture	Natural Resources (Energy and Resource Development)	2015	2	3	196	We recommend the Department ensure a forest management agreement is signed by all current licensees to ensure compliance with the <i>Crown Lands and Forests Act</i> .	Not Implemented
Silviculture	Natural Resources (Energy and Resource Development)	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.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources (Energy and Resource Development)	2015	2	4	96	We recommend the Department comply with the <i>Crown Lands and Forests Act</i> 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.	Not Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Not Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Not Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Not Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	2015	2	4	149	We recommend the Commission establish member position profiles and criteria against which potential appointees can be evaluated.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources (Energy and Resource Development)	2015	2	4	154	We recommend the Commission make appointment requests in a manner that effectively staggers member appointments to promote continuity.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	2015	2	4	169	We recommend the Commission complete its strategic plan to reflect its mandate under legislation and articulate its strategic priorities.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Private Wood Supply	Natural Resources (Energy and Resource Development)	2015	2	4	237	We recommend the Department and the Commission jointly reviews the Commission's mandate and structure and make the changes required to ensure the Commission can effectively perform its legislated mandate.	Implemented
Private Wood Supply	Natural Resources (Energy and Resource Development)	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.	Implemented
Public Debt	Finance and Treasury Board	2015	4	2	80	We recommend the Department develop a comprehensive debt management strategy and have it approved by Cabinet.	Not Implemented
Public Debt	Finance and Treasury Board	2015	4	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.	Not Implemented
Public Debt	Finance and Treasury Board	2015	4	2	95	We recommend the Department form a risk committee independent of the Treasury Division to review and approve all risk management related policies.	Implemented
Public Debt	Finance and Treasury Board	2015	4	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.	Implemented
Public Debt	Finance and Treasury Board	2015	4	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.	Implemented
Public Debt	Finance and Treasury Board	2015	4	2	129	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.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Public Debt	Finance and Treasury Board	2015	4	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.	Not Implemented
Public Debt	Finance and Treasury Board	2015	4	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.	Not Implemented
Centennial Building	Transportation and Infrastructure	2015	4	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.	N/A
Centennial Building	Transportation and Infrastructure	2015	4	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.	N/A
Centennial Building	Transportation and Infrastructure	2015	4	3	59	We further recommend the Department proceed immediately to implement government's chosen option for the facility.	N/A
Centennial Building	Transportation and Infrastructure	2015	4	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.	Implemented
Centennial Building	Transportation and Infrastructure	2015	4	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.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Nursing Homes	Social Development	2016	1	2	33	We recommend the Department of Social Development evaluate whether there is an economic benefit to providing nursing home beds under the public-private model versus the traditional model.	Implemented
Nursing Homes	Social Development	2016	1	2	70	We recommend the Department of Social Development, in consultation with the Department of Health, develop a comprehensive long term plan to ensure the Province can continue to provide sustainable services to New Brunswick seniors.	Implemented
Nursing Homes	Social Development	2016	1	2	71	We also recommend the Department report publicly on the measures and outcomes of current and future initiatives as part of the comprehensive long term plan.	Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	39	We recommend the Public Trustee develop comprehensive policies and procedures for trust officers to assist trust officers in their work, to help in training new trust officers, and to ensure consistency of client files.	Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	40	We recommend the Public Trustee amend and implement the investment policy for client funds.	Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	41	We recommend the Public Trustee upgrade or replace its current case management information system in order to meet user needs.	Not Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	42	We recommend the Public Trustee review its insurance coverage to ensure client assets are adequately insured.	Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	43	We recommend the Public Trustee implement regular supervisory review of client files.	Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	44	We recommend the Public Trustee implement an internal audit function.	Not Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	50	We recommend the Public Trustee ensure guardianship officers sufficiently document the rationale for all personal care and healthcare decisions in the case management system.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Public Trustee Services	Legal Aid Services Commission	2016	1	3	59	We recommend the Public Trustee establish goals, objectives and measurable targets for its services, measure its performance against the targets and publicly report on its performance.	Not Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	60	We recommend the Public Trustee make available publicly all audited financial statements of Trusts under the Administration of the Public Trustee.	Implemented
Public Trustee Services	Legal Aid Services Commission	2016	1	3	69	We recommend the Public Trustee identify legislation changes needed to address the following, and work with the responsible department to implement them: <ul style="list-style-type: none"> <li>• lack of timeliness in obtaining authority to act as Public Trustee for a client;</li> <li>• loss of authority upon death of a client;</li> <li>• limitations in fees that can be charged to clients; and</li> <li>• administration of unclaimed property.</li> </ul>	Not Implemented
Agricultural Fair Associations	Agriculture, Aquaculture and Fisheries	2016	1	4	55	We recommend the Department of Agriculture, Aquaculture and Fisheries fulfill its legislated mandate under the <i>Agricultural Associations Act</i> . We recommend DAAF develop a strategy to further define its mandate, including a clear definition of its role and responsibilities as well as goals and objectives for its work with agricultural societies and agricultural fair associations.	N/A
Agricultural Fair Associations	Agriculture, Aquaculture and Fisheries	2016	1	4	56	We recommend, alternatively, if the Department of Agriculture, Aquaculture and Fisheries does not intend to meet its current mandate under the <i>Agricultural Associations Act</i> and regulations, it pursue legislative amendments to the <i>Agricultural Associations Act</i> and regulations. This would define and clarify its commitment to these entities.	Implemented



Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Agricultural Fair Associations	Agriculture, Aquaculture and Fisheries	2016	1	4	72	We recommend the Department of Agriculture Aquaculture and Fisheries define, communicate, and monitor minimum reporting requirements for all agricultural associations and societies it is required to oversee under the <i>Agricultural Associations Act</i> .	N/A
Agricultural Fair Associations	Agriculture, Aquaculture and Fisheries	2016	1	4	81	We recommend the Department of Agriculture, Aquaculture and Fisheries distribute funding directly to agricultural fair associations without the assistance of a third-party entity. Accordingly, we recommend DAAF develop and implement a grant allocation process with applicable controls to ensure proper use of public funds.	Implemented
Agricultural Fair Associations	Service New Brunswick	2016	1	4	104	We recommend, at a minimum, Service New Brunswick follow its internal standard and re-assess any agricultural fair association exceeding the 10-year assessment cycle, including Fredericton, Saint John, Miramichi and Queens County associations. We recommend SNB evaluate the eligibility of these organizations for exemption from property tax.	Implemented
Agricultural Fair Associations	Service New Brunswick	2016	1	4	109	We recommend Service New Brunswick develop, document, and implement a standardized process and procedures to evaluate the eligibility of requests for property tax exemptions (tax class 50) and undertake regular monitoring to ensure organizations with exemptions have sustained their eligible status.	Not Implemented
Agricultural Fair Associations	Public Safety (Justice and Public Safety)	2016	1	4	143	We recommend the Department of Public Safety develop a standardized process and implement associated procedures for evaluating initial and ongoing eligibility of agricultural fair associations for licensing under the Charitable Gaming program.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Agricultural Fair Associations	Finance	2016	1	4	154	We recommend the Department of Finance request Canada Revenue Agency undertake audits of Agricultural Fair Associations currently exempted from provincial income tax to verify the eligibility status of these organizations.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	54	We recommend the Department of Health ensure applicants for food premises licences submit all required documentation and comply with the food premises standards prior to issuing a licence.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	65	We recommend the Department of Health implement procedures to identify illegal operators of food premises and then proceed to either license the operator or take enforcement actions to cease their operations. The procedures should be done on a regular basis and the results documented.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	66	We recommend the Department of Health review all food premises licences to ensure the class is correct and the proper annual fee is being collected.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	69	We recommend the Department of Health fully implement its risk-based inspection strategy by ensuring staff follow the documented <i>Standard Operational Procedures</i> and properly complete a risk assessment, and update it annually, to determine the proper inspection frequency for food premises.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	75	We recommend the Department of Health follow the documented <i>Standard Operational Procedures</i> (SOPs) and properly conduct inspections to monitor operators' compliance with the food premises standards.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	76	We recommend the Department of Health properly document all inspections by accurately and neatly completing the <i>Food Premises Inspection Form</i> .	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Meat Safety – Food Premises Program	Health	2016	3	2	77	We recommend the Department of Health perform the required number of routine inspections each year (which is determined by assessing the risk of the food premises).	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	78	We recommend the Department of Health perform re-inspections on a timely basis to ensure violations of the food premises standards have been corrected.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	85	As part of recommendation 2.75, we recommend the Department of Health ensure all inspectors wash their hands before beginning their inspection and record all violations on the inspection report.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	86	We recommend the Department of Health enhance inspections by checking temperatures, sanitizing solution concentration, food safety training records, etc. and thoroughly reviewing operators' records required by the food premises standards.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	87	We recommend the Department of Health encourage consistency between inspectors through such means as: <ul style="list-style-type: none"> <li>• providing refresher training on the SOPs;</li> <li>• monitoring compliance with the SOPs; and</li> <li>• having regular meetings to discuss violations and food premises standards using professional judgment.</li> </ul>	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	92	We recommend the Department of Health explore the benefits of tracking and monitoring violations of the food premises standards to identify trends and target systematic corrective efforts. (For example, one region could pilot a project where violations are recorded on a spreadsheet and then analyzed to identify trends. If the exercise proves to be beneficial, a provincial system could be implemented.)	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Meat Safety – Food Premises Program	Health	2016	3	2	95	We recommend the Department of Health ensure proper procedures are consistently followed and documented when revoking a food premises licence.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	102	There should be serious ramifications for food premise operators who repeatedly have their licence revoked. We recommend the Department of Health eliminate noncompliance by operators by implementing stronger enforcement actions, such as posting compliance status in premises' window clearly visible to the public, ticketing with fines, graduated licensing fees, etc.	Not Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	110	We recommend the Department of Health enhance its public reporting of compliance with the food premises standards by: <ul style="list-style-type: none"> <li>• posting inspection reports for all food premises, and</li> <li>• posting results of all inspections for the past two years.</li> </ul>	Not Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	114	We recommend the Department of Health establish a standard method (to be used by all regional offices) for maintaining consistent, reliable and useful information for the food premises program including the following: <ul style="list-style-type: none"> <li>• directories of licensed food premises including their class, annual fee, assigned inspector, risk category, etc.; and</li> <li>• information required by the <i>Standard Operational Procedures</i>, such as specific information on food premises relating to their risk assessment, “major” and “critical” violations, “management and employee food safety knowledge”.</li> </ul>	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	115	The current manual inspection system does not provide information needed by the Department. We recommend the Department of Health explore what other provinces are doing in this regard and automate the inspection system.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Meat Safety – Food Premises Program	Health	2016	3	2	125	We recommend the Department of Health implement quality assurance practices to ensure all risk areas covered by the <i>Food Premises Regulation</i> are subject to quality assurance monitoring.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	126	We recommend the Department of Health rotate food premises assigned to inspectors at least every four years as required by the <i>Standard Operational Procedures (SOPs)</i> .	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	127	We recommend the Department of Health calibrate equipment regularly as required by the SOPs.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	128	We recommend the Department of Health thoroughly review all of the SOPs to determine if they are practical. Attention should be given to identify SOPs that are not being followed. (In particular, the number of inspection files per inspector to be reviewed by the Regional Director may be excessive.) We further recommend the SOPs be revised as needed.	Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	154	We recommend the Department of Health assess the public health risks related to: <ul style="list-style-type: none"> <li>• uninspected meat;</li> <li>• class 5 operators not having food safety training;</li> <li>• licensing and inspecting abattoirs that are also involved with processing meat (such as making sausage, head cheese, jerky and other smoked products); and</li> <li>• community suppers, and</li> </ul> we recommend the Department consider updating its regulations based on their findings.	Not Implemented
Meat Safety – Food Premises Program	Health	2016	3	2	155	We recommend the Department of Health fully implement the current <i>Food Premises Regulation</i> or amend it to reflect the Department’s present public health policy intentions.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Advisory Services Contract	Service New Brunswick	2017	1	2	50	We recommend Service New Brunswick: <ul style="list-style-type: none"> <li>ensure emergency and urgent exemptions are not used inappropriately by departments to bypass the competitive tendering process;</li> <li>require that departments provide sufficient rationale and documentation to support requested exemptions; and</li> <li>maintain a record of why the decision to approve the emergency and urgent exemption was made.</li> </ul>	Implemented
Advisory Services Contract	Social Development	2017	1	2	58	We recommend the Department of Social Development apply a cool down period between the end of existing contracts with potential future proponents to avoid undue influence and conflict of interest.	Implemented
Advisory Services Contract	Social Development	2017	1	2	59	We recommend the Department of Social Development communicate to Service New Brunswick rationale for not following Service New Brunswick procurement procedures and advice.	Implemented
Advisory Services Contract	Social Development	2017	1	2	89	We recommend the Department of Social Development structure contracts containing performance compensation only on actual, measurable results.	Implemented
Advisory Services Contract	Social Development	2017	1	2	94	We recommend the Department of Social Development develop a framework to govern significant aspects of contract management such as procurement, administration, evaluation and reporting.	Implemented
Advisory Services Contract	Social Development	2017	1	2	103	We recommend the Department of Social Development design and develop agreements that provide for performance measurement by including objectives and clear, well defined deliverables.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Advisory Services Contract	Social Development	2017	1	2	117	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>independently evaluate the performance of contractors against well-defined contract goals, objectives and deliverables; and</li> <li>submit written feedback to Service New Brunswick on the contractor's performance for significant contracts.</li> </ul>	Implemented
Advisory Services Contract	Service New Brunswick	2017	1	2	118	We recommend Service New Brunswick require contractor performance reports be submitted by procuring entities for all significant agreements.	Not Implemented
Advisory Services Contract	Social Development	2017	1	2	129	We recommend the Department of Social Development track actual savings as they accumulate over time supported by relevant data.	Implemented
Advisory Services Contract	Social Development	2017	1	2	132	We recommend the Department of Social Development measure and report the impact to quality of client service delivery resulting from implemented performance improvement initiatives.	Implemented
Advisory Services Contract	Service New Brunswick	2017	1	2	146	We recommend Service New Brunswick ensure that service contracts include a 'not to exceed' clause in the amount matching the purchase order value.	Implemented
Advisory Services Contract	Social Development	2017	1	2	169	We recommend the Department of Social Development develop a monitoring strategy for implementation targets, milestones, deliverables, and service quality for significant Departmental initiatives.	Implemented
Advisory Services Contract	Social Development	2017	1	2	180	We recommend the Department of Social Development not include clauses in contracts for consulting services that allow out of scope work to be undertaken.	Implemented
Advisory Services Contract	Social Development	2017	1	2	199	We recommend the Department of Social Development include clear contract terms stipulating billing requirements such as a maximum timeframe for submission of invoices.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Advisory Services Contract	Social Development	2017	1	2	228	We recommend the Department of Social Development design and implement controls to ensure: <ul style="list-style-type: none"> <li>• compliance with government policies governing travel expenses (AD-2801) and approval of payments (AD-6402); and</li> <li>• significant contract terms such as billing discounts and caps are adhered to.</li> </ul>	Implemented
Advisory Services Contract	Social Development	2017	1	2	259	We recommend the Department of Social Development not include consultants on procurement evaluation committees if compensation to the consultant is impacted by the procurement award.	Implemented
Climate Change	Environment & Local Government	2017	1	3	41	We recommend the Department propose to Cabinet that Greenhouse Gas emission targets, as specified in its Climate Change Action Plan be legislated, similar to other Canadian provinces.	Implemented
Climate Change	Environment & Local Government	2017	1	3	48	We recommend the Department set specific GHG emission reduction targets for NB Power to ensure the provincial targets set in the Climate Change Action Plan are achievable.	Not Implemented
Climate Change	NB Power	2017	1	3	55	We recommend NB Power: <ul style="list-style-type: none"> <li>• perform a comprehensive analysis on the potential impact of phase-out of Belledune Generating Station;</li> <li>• consult with the Department of Environment and Local Government on a proposed solution regarding the Belledune Generating Station; and</li> <li>• integrate the Belledune Generating Station phase-out analysis in its Integrated Resource Plan process to ensure it has the capacity to meet New Brunswick's future electricity requirements, while respecting energy efficiency and demand reduction programs.</li> </ul>	Implemented



Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Climate Change	Environment & Local Government	2017	1	3	63	We recommend the Department finalize an implementation plan that describes: <ul style="list-style-type: none"> <li>• how and when the actions identified in the Climate Change Action Plan will be implemented; and</li> <li>• how the Department intends to monitor and report on the progress.</li> </ul>	Not Implemented
Climate Change	Environment & Local Government	2017	1	3	108	We recommend the Department develop a provincial climate change risk assessment. The assessment should include: <ul style="list-style-type: none"> <li>• Risk identification;</li> <li>• Risk analysis;</li> <li>• Risk evaluation;</li> <li>• Risk treatment and adaptation measures; and</li> <li>• Implementation plan and monitoring.</li> </ul>	Not Implemented
Climate Change	NB Power	2017	1	3	120	We recommend NB Power conduct a corporate level climate change vulnerability assessment.	Implemented
Climate Change	NB Power	2017	1	3	121	We recommend NB Power develop an implementation plan for adapting to climate change after the completion of its vulnerability assessment.	Not Implemented
Climate Change	Environment & Local Government	2017	1	3	134	We recommend the Department update the CCAP Progress Tracking System to reflect the changes in the most current Climate Change Action Plan.	Implemented
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	80	We recommend, for performance bonds or funds placed in trust, Opportunities NB structure the release of such funds such that sufficient supporting documentation is obtained and reviewed for authenticity and legitimacy prior to authorizing the disbursement of funds.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	150	Where the financial assistance requested is significant and is considered high risk, we recommend a clear determination be made and presented to Cabinet as to whether the financial assistance requested is sufficient for the purpose intended.	Implemented
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	152	Where the financial assistance requested is significant and is considered high risk, we recommend information presented to Cabinet for decisions on financial assistance should include comparisons to industry standards to assess the health of the company requesting financial assistance.	Implemented
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	154	Where the financial assistance requested is significant and is considered high risk, we recommend no financial assistance be granted to a company when significant amounts are outstanding from the shareholders of the company or from affiliated companies. Any exceptions should be rare and well justified.	Implemented
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	156	Where the financial assistance requested is significant and is considered high risk, we recommend management and shareholders be required to make a declaration pertaining to dividends, salaries, bonuses (or other) as needed, as part of the application process, such as: <ul style="list-style-type: none"> <li>• Salaries to key executives for the past three to five years;</li> <li>• Salaries, dividends and bonuses to shareholders and family members for the past three to five years;</li> <li>• Transfers to related/associated/affiliated companies in the past three to five years;</li> <li>• Details of shareholder account activity during the past three to five years; and</li> <li>• Details of dividends, share redemptions and changes in share capital in the past three to five years.</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	158	Where the financial assistance requested is significant and is considered high risk, we recommend that agreements contain a restriction to require the approval of ONB prior to a dividend or bonus payment.	Implemented
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	160	Where the financial assistance requested is significant and is considered high risk, we recommend that statutory declarations made as a condition of financial assistance be verified.	Implemented
Financial Assistance to Atcon: Unanswered Questions	Opportunities NB	2017	2	2	162	Where the Province has personal guarantees as security on financial assistance, we recommend ONB put in place a process whereby, in the event of default by the recipient, personal guarantees are promptly pursued.	Implemented
Financial Assistance to Atcon: Unanswered Questions	Executive Council Office	2017	2	2	164	We recommend the Executive Council Office take responsibility for coordinating the implementation of recommendations in this report by all departments/agencies providing financial assistance to industry.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	42	We recommend Service New Brunswick (Property Assessment Services) follow standard Project Management processes to initiate, plan, execute, control and oversee the work of project teams to achieve specific goals and meet specific success criteria.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	43	We recommend Service New Brunswick (Property Assessment Services) require proponents of projects to develop a detailed business case for each project in order to demonstrate its expected value.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	44	We recommend Service New Brunswick (Property Assessment Services) consult with the Project Management Branch in managing major projects.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	45	We recommend Service New Brunswick (Property Assessment Services) conduct lessons-learned analysis subsequent to implementing new technology and incorporate lessons learned.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Residential Property Assessment – Special Examination	Service New Brunswick Executive Management	2017	3	2	72	We recommend Service New Brunswick executive management ensure key risks associated with project proposals are clearly highlighted within the information presented to the Board for approval.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Board of Directors	2017	3	2	73	We recommend the Service New Brunswick Board of Directors apply an appropriate level of scrutiny to highrisk project proposals as identified in the corporate risk register.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	79	We recommend Service New Brunswick (Property Assessment Services) prioritize its efforts to validate Gross Living Area data on the more complicated types of building.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	82	We recommend Service New Brunswick (Property Assessment Services) utilize aerial photography as a tool to improve, augment or verify data, not as the authoritative record.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	86	We recommend Service New Brunswick (Property Assessment Services) adequately resource future mass appraisal model development and implementation.	Not Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	88	We recommend Service New Brunswick (Property Assessment Services) require peer review for quality assurance when developing new mass appraisal models.	Not Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	91	We recommend Service New Brunswick (Property Assessment Services) regularly review the extent to which each property data element has an impact on property value and the benefit of collecting, maintaining and using such data in all future mass appraisal model development.	Not Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	92	We recommend Service New Brunswick (Property Assessment Services) capture the quality and condition of properties and properly analyze their impact on property value.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	95	We recommend Service New Brunswick (Property Assessment Services) develop and document a formal definition of an error in property assessment.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	109	We recommend Service New Brunswick (Property Assessment Services) identify, correct, track, and publicly report on errors.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	110	We recommend Service New Brunswick (Property Assessment Services): <ul style="list-style-type: none"> <li>• conduct exploratory analysis on existing property data elements to determine completeness, accuracy and consistency; and</li> <li>• formalize and implement a process to monitor the integrity of data.</li> </ul>	Not Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	120	We recommend Service New Brunswick (Property Assessment Services) establish a Quality Assurance functional unit. The unit should: <ul style="list-style-type: none"> <li>• report to the Executive Director to maintain independence, avoid any potential conflict of interest, and ensure key information is provided;</li> <li>• monitor and report on the quality of project management; and</li> <li>• undertake a province-wide program to improve property data quality, with consistent training, tools, and standards in all regions.</li> </ul>	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	132	We recommend Service New Brunswick (Property Assessment Services) enhance quality assurance by: <ul style="list-style-type: none"> <li>• developing parameters, policies and procedures for exception reports; and</li> <li>• ensuring exception reports are properly followed up.</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	133	We recommend Service New Brunswick (Property Assessment Services) discontinue the practice of relying on property owner Requests for Review as a means of quality assurance.	Implemented
Residential Property Assessment – Special Examination	Department of Finance	2017	3	2	139	We recommend the Department of Finance propose to Cabinet that Finance assume responsibility for the administration of all: <ul style="list-style-type: none"> <li>• property tax policy changes; and</li> <li>• property tax benefit and relief programs.</li> </ul>	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	145	We recommend Service New Brunswick (Property Assessment Services) issue annual property assessment notices separate from property tax bills that lists the real and true value of the property and explains clearly why the assessed value has changed from one year to the next.	Implemented
Residential Property Assessment – Special Examination	Finance and Treasury Board	2017	3	2	146	We recommend the Department of Finance issue property tax bills separate from the assessment notice and clearly demonstrate how property taxes are calculated, including all the applicable credits, deductions, and exemptions.	Not Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Property Assessment Services	2017	3	2	150	We recommend Service New Brunswick (Property Assessment Services) appropriately engage staff throughout the organization in the development and implementation of major high risk change initiatives.	Implemented
Residential Property Assessment – Special Examination	Service New Brunswick Executive Director	2017	3	2	155	We recommend Service New Brunswick ensure the Executive Director of Assessment: <ul style="list-style-type: none"> <li>• has adequate time to fulfill his or her statutory obligation; and</li> <li>• encourages group cohesion between the units within Property Assessment Services.</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Residential Property Assessment – Special Examination	Service New Brunswick Board of Directors	2017	3	2	156	To ensure the necessary independence to fulfill the Executive Director’s statutory obligations, we recommend: <ul style="list-style-type: none"> <li>• Service New Brunswick Board of Directors require the Executive Director of Property Assessment Services report directly and independently to the Board;</li> <li>• Service New Brunswick Board of Directors have authority for hiring and termination of Executive Director upon recommendation from the CEO; and</li> <li>• Performance appraisal and other administrative matters rest with SNB senior management as determined by the CEO.</li> </ul>	Implemented
Residential Property Assessment – Special Examination	Executive Council Office	2017	3	2	157	We recommend Executive Council Office provide Service New Brunswick’s Executive Director of Property Assessment Services full discretion to communicate independently as needed with the public.	Implemented
School District Purchase Cards	ASD-West	2017	5	2	36	We recommend school districts use the cardholder agreement in government policy AD-6405 Purchase Card and have cardholders sign the agreement before obtaining their purchase card and annually as required by the new policy.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ovest						Implemented
School District Purchase Cards	Finance and Treasury Board	2017	5	2	39	We recommend Treasury Board issue guidance for the application of government policy AD-2801 Travel Policy in regards to business meeting expenses.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
School District Purchase Cards	ASD-West	2017	5	2	43	We recommend school districts use purchase cards only for purchases that are authorized under government policies.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	Finance and Treasury Board	2017	5	2	47	We recommend the Office of the Comptroller issue guidance for making online purchases, including the risks associated with online shopping and security precautions that should be taken.	Implemented
School District Purchase Cards	ASD-West	2017	5	2	49	We recommend school districts monitor and enforce adherence to guidelines in the cardholder agreement and policy AD-6405 Purchase Card.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	53	We recommend school districts provide education to cardholders on their responsibilities, the appropriate use of purchase cards, consequences for misuse, as well as transaction reconciliation procedures, before new cardholders begin to use their card and regularly for all cardholders.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	54	We recommend school districts provide training to purchase card administrators and transaction approvers on the appropriate use of purchase cards and enforcement procedures.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						N/A
	DSF-Nord Ouest						Implemented



Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
School District Purchase Cards	ASD-West	2017	5	2	60	We recommend school districts segregate incompatible user responsibilities and system accesses as required by government policies AD-6402 Approval of Payments and AD-6405 Purchase Card.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	65	We recommend school districts ensure sufficient documentation in support of purchase card transactions be provided by the cardholder, reviewed against applicable policies and guidelines and filed for future reference.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	69	We recommend school districts monitor and enforce compliance with the provisions of the cardholder agreement in relation to timely submission of supporting documentation.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	72	We recommend school districts review account coding and the amount of sales tax for each transaction entered into the financial system in order to provide accurate financial information.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	85	We recommend school districts review cardholder listings regularly to ensure only active employees who purchase for the school districts have the appropriate type of purchase card with transaction and monthly limits that meet their purchasing needs.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
School District Purchase Cards	ASD-West	2017	5	2	86	We recommend school districts add a formal step in the termination process in order to ensure departing employees' cards are cancelled before their employment with the district ends.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	87	We recommend school districts develop, document and implement procedures for the issuance and cancellation of purchase cards in consultation with the other school districts, with guidance from the Office of the Comptroller as needed, to ensure consistency and efficiency.	Not Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	95	We recommend school districts document their regular monitoring of purchase card transactions to identify violations.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						Implemented
	DSF-Nord Ouest						Implemented
School District Purchase Cards	ASD-West	2017	5	2	96	We recommend school districts develop, document and implement consistent enforcement procedures for non-compliant cardholders to enforce guidelines in consultation with the other school districts, with guidance from the Office of the Comptroller as needed, to ensure consistency and efficiency.	Implemented
	ASD-North						Implemented
	ASD-East						Implemented
	ASD-South						Implemented
	DSF-Sud						Implemented
	DSF-Nord Est						N/A
	DSF-Nord Ouest						Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
School District Purchase Cards	Education and Early Childhood Development	2017	5	2	97	We recommend the Department of Education and Early Childhood Development coordinate work on the implementation of our recommendations by all school districts.	Not Implemented
School District Purchase Cards	Education and Early Childhood Development	2017	5	2	98	We recommend the Department of Education and Early Childhood Development's internal audit function audit and report on school district purchase cards on a regular basis.	Not Implemented
WorkSafeNB Phase I – Governance	Post-Secondary Education, Training and Labour	2018	1	2	61	We recommend the Department of Post-Secondary Education, Training and Labour: <ul style="list-style-type: none"> <li>• initiate a process to ensure appointments are completed in a timely manner;</li> <li>• comply with provincial legislation and government policy when recommending the appointment of board members under the Act; and</li> <li>• clearly document the appointment process and provide clear rationale for appointment recommendations made to government.</li> </ul>	Implemented
WorkSafeNB Phase I – Governance	Post-Secondary Education, Training and Labour	2018	1	2	66	We recommend the Department of Post-Secondary Education, Training and Labour ensure future recommendations to government for WorkSafeNB appointments do not create a conflict of interest or result in reduced independence of the corporation.	Implemented
WorkSafeNB Phase I – Governance	Executive Council Office and the	2018	1	2	83	We recommend the Executive Council Office and the Department of Post-Secondary Education, Training and Labour co-ordinate their efforts to provide timely decisions for future WorkSafeNB appointments.	Implemented
	Post-Secondary Education, Training and Labour						Implemented
WorkSafeNB Phase I – Governance	Post-Secondary Education, Training and Labour	2018	1	2	90	We recommend the Department of Post-Secondary Education, Training and Labour clearly state its requirements and expectations in the mandate letter.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
WorkSafeNB Phase I – Governance	Post- Secondary Education, Training and Labour	2018	1	2	98	<p>We recommend the Department of Post-Secondary Education, Training and Labour comply with the requirements of the <i>Accountability and Continuous Improvement Act</i> by:</p> <ul style="list-style-type: none"> <li>• issuing mandate letters annually; and</li> <li>• enforcing WorkSafeNB submission of annual plan per requirements of the Act.</li> </ul>	Implemented
WorkSafeNB Phase I – Governance	Post- Secondary Education, Training and Labour	2018	1	2	103	We recommend the Department of Post-Secondary Education, Training and Labour monitor and publicly report on the progress of WorkSafeNB in meeting the requirements and expectations provided in Department mandate letters.	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	124	<p>We recommend the WorkSafeNB board of directors review its committee structures and practices to:</p> <ul style="list-style-type: none"> <li>• select participating board members to chair committees;</li> <li>• ensure per diem payments are made only to committee members for committee meetings;</li> <li>• ensure membership is aligned with board needs and competencies are sufficient to address committee requirements;</li> <li>• develop and implement competencies for committee membership; and</li> <li>• develop and implement a plan to evaluate committee performance on an annual basis.</li> </ul>	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	131	<p>We recommend the WorkSafeNB board of directors and the Department of Post-Secondary Education, Training and Labour jointly develop, document and implement a succession strategy to ensure:</p> <ul style="list-style-type: none"> <li>• timely recruitment of all board positions, including the chair and vice-chair and,</li> <li>• effective staggering of board member terms.</li> </ul>	Not Implemented
	Post- Secondary Education, Training and Labour						Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	132	We recommend the WorkSafeNB board of directors develop, document and implement a succession strategy for the President and Chief Executive Officer position.	Not Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	137	We recommend the WorkSafeNB board of directors fully develop, regularly update and utilize a board competency matrix for, at a minimum: <ul style="list-style-type: none"> <li>• evaluating board member development requirements;</li> <li>• identifying development opportunities for board members; and</li> <li>• recruiting new board members to address competency and skillset needs.</li> </ul>	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	141	We recommend the WorkSafeNB board of directors develop performance expectations for board positions and undertake annual performance evaluations for at least the board chair.	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB	2018	1	2	147	We recommend WorkSafeNB provide board information packages well in advance of board meetings and focus information presented to meet the board's decision-making requirements using documentation such as executive summaries.	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	150	We recommend the WorkSafeNB board of directors develop, document and implement an orientation program for new board members and a development plan for all board members.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
WorkSafeNB Phase I – Governance	WorkSafeNB	2018	1	2	160	<p>We recommend WorkSafeNB, as part of its annual planning and reporting processes:</p> <ul style="list-style-type: none"> <li>• fully develop long-term strategic goals and objectives and define measurable targets for all key performance indicators;</li> <li>• include the strategic requirements of the government mandate letter as part of its strategic planning process;</li> <li>• develop an operational action plan designed to implement the long-term strategic direction of the corporation; and</li> <li>• submit an annual plan to the Department focused on goals and objectives it intends to complete over the period of the plan, as required under the <i>Accountability and Continuous Improvement Act</i>.</li> </ul>	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	167	<p>We recommend the WorkSafeNB board of directors:</p> <ul style="list-style-type: none"> <li>• establish a CEO performance agreement that ties CEO performance to the corporation's strategy and results; and</li> <li>• conduct an annual CEO performance evaluation against the documented expectations.</li> </ul>	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB	2018	1	2	186	<p>We recommend WorkSafeNB:</p> <ul style="list-style-type: none"> <li>• include comparable New Brunswick public sector entities when undertaking compensation market comparisons in order to meet mandate letter requirements; and</li> <li>• maintain clearly documented rationale for decisions not in alignment with the Department's mandate letters.</li> </ul>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
WorkSafeNB Phase I – Governance	WorkSafeNB Board of Directors	2018	1	2	207	We recommend the WorkSafeNB board of directors ensure current travel expense policy is enforced and revise it to: <ul style="list-style-type: none"> <li>clearly define acceptable board and employee travel expense practices; and</li> <li>align with public service Part I policy where applicable to board and employee travel.</li> </ul>	Implemented
WorkSafeNB Phase I – Governance	WorkSafeNB	2018	1	2	210	We recommend WorkSafeNB provide full public disclosure of board and executive compensation and expense information.	Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	58	We recommend the Department of Health provide clear direction through legislation and regulation as to who is responsible for health services including addiction and mental health services in provincial correctional institutions.	Not Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	67	We recommend the Department of Health, in consultation with the Department of Justice and Public Safety and other relevant parties, complete an integrated service delivery model for addictions and mental health services in New Brunswick correctional institutions. Existing agreements should be redrafted to meet the requirements of this service delivery model.	Not Implemented
	Justice and Public Safety						Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	72	We recommend the Department of Health and the Department of Justice and Public Safety collaborate to capture and share addiction and mental health data. This data should be used to identify addiction and mental health needs in New Brunswick correctional institutions and develop strategic service delivery plans.	Implemented
	Justice and Public Safety						Not Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Justice and Public Safety (New Brunswick Corrections)	2018	1	3	84	We recommend the Department of Justice and Public Safety (New Brunswick Corrections) in consultation with the Department of Health implement a recognized mental health screening tool in the admissions process.	Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	90	We recommend the Department of Health, in coordination with the Department of Justice and Public Safety, provide training on mental health screening to nursing staff and admission officers.	Not Implemented
	Justice and Public Safety						Not Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	93	We recommend the Department of Health ensure nursing staff within a correctional institution receive access to, or notification of, client records in the Client Service Delivery System (CSDS). This will allow validation of treatment history and treatment options.	Not Implemented



Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Justice and Public Safety	2018	1	3	100	We recommend the Department of Justice and Public Safety amend its admission process to: <ul style="list-style-type: none"> <li>• eliminate duplication of effort in admissions;</li> <li>• improve the quality of inmate mental health data; and</li> <li>• incorporate best practices in mental health screening.</li> </ul>	Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	105	We recommend the Department of Health and the Department of Justice and Public Safety ensure inmates flagged from the screening protocol be referred to a qualified mental health professional for a comprehensive mental health assessment to develop a treatment plan.	Implemented
	Justice and Public Safety						Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	117	We recommend the Department of Health and the Department of Justice and Public Safety collaborate to ensure addiction and mental health counselling and therapy treatment options are available for inmates in provincial correctional institutions.	Implemented
	Justice and Public Safety						Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	118	We recommend the Department of Health and the Department of Justice and Public Safety use integrated clinical teams for assisting adults in custody, similar to the approach taken in the youth facility.	Not Implemented
	Justice and Public Safety						Not implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	119	We recommend the Department of Health and the Department of Justice and Public Safety support community based addiction and mental health programs to treat inmates inside the correctional institution due to the logistical and security challenges of bringing inmates to community treatment centres.	Implemented
	Justice and Public Safety						Not Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	124	We recommend the Department of Health ensure addiction treatment services are made available to inmates in provincial correctional institutions.	Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	130	We recommend the Department of Justice and Public Safety and the Department of Health ensure all provincial correctional institutions have continuous access to emergency mental health services.	Not Implemented
	Justice and Public Safety						Not Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Justice and Public Safety	2018	1	3	134	We recommend the Department of Justice and Public Safety implement a formulary for medications for use within all provincial correctional institutions. Where possible the formulary should be aligned with drug protocols in Federal penitentiaries.	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Justice and Public Safety	2018	1	3	140	We recommend the Department of Justice and Public Safety implement an individualized protocol approach for inmates with mental health issues in segregation such as is used by Correctional Service Canada. Individualized protocols should be integrated into treatment plans and reviewed by mental health professionals.	Not Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	151	We recommend the Department of Health and the Department of Justice and Public Safety map out all services currently available to clients with addiction and mental health issues who are also involved in the criminal justice system. This information should then be used when developing the integrated service delivery model.	Not Implemented
	Justice and Public Safety						Implemented
Addiction and Mental Health Services in Provincial Adult Correctional Institutions	Health	2018	1	3	152	We recommend the Department of Health and the Department of Justice and Public Safety develop appropriate protocols to ensure continued services for addiction and mental health clients who are placed in custody in provincial correctional institutions.	Not Implemented
	Justice and Public Safety						Not Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	58	We recommend the Department of Education and Early Childhood Development maintain the current 10-year provincial education plans until they expire in 2026, to allow the education system to stabilize and allow for evaluation of progress. Any adjustments to the plans should be collaborative.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	59	We recommend the Department of Education and Early Childhood Development prior to implementing major changes that impact student performance, including changes to the French immersion program, prepare a detailed implementation plan with: <ul style="list-style-type: none"> <li>• a realistic time schedule;</li> <li>• consideration of all supports that need to be in place for the change to be successful, such as human resources, curricula, teacher training, tools and methodologies;</li> <li>• adequate funding; and</li> <li>• a comprehensive risk assessment of the change's impact on operations and other ongoing initiatives at department, school district and school levels as well as risk mitigation strategies.</li> </ul>	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	91	We recommend the Department of Education and Early Childhood Development stabilize the provincial assessment programs to allow for trend analysis of student performance results for decision making.	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	47	We recommend the Department of Education and Early Childhood Development in collaboration with the school districts, analyze results of provincial assessments to identify root causes of poor performance and take corrective action to improve student performance in reading, math and science.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	66	We recommend the Department of Education and Early Childhood Development work with school districts, other departments and community-based organizations where applicable to: <ul style="list-style-type: none"> <li>• identify and address the challenges to achieving the provincial targets for reading, math and science;</li> <li>• present to government options to address the challenges;</li> <li>• develop standards for student absence tracking and measurement to better monitor student attendance; and</li> <li>• take corrective action to improve student attendance.</li> </ul>	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	113	We recommend the Department of Education and Early Childhood Development facilitate the sharing of successes and best practices between the Anglophone and Francophone sectors.	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	81	We recommend the Department of Education and Early Childhood Development in collaboration with the school districts: <ul style="list-style-type: none"> <li>• ensure school improvement plans are prepared and reviewed annually as required by the Education Act,</li> <li>• demonstrate school improvement plans align with the provincial education plan, and</li> <li>• monitor the extent to which school improvement goals are being met.</li> </ul>	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	82	We recommend the Department of Education and Early Childhood Development in collaboration with the District Education Councils, ensure District Education Councils self-evaluate their performance annually.	Implemented

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Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	79	We recommend the Department of Education and Early Childhood Development in consultation with school districts, review the <i>Education Act</i> in light of the current operating environment to ensure expectations are clear, relevant and realistic.	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	80	We recommend the Department of Education and Early Childhood Development track, receive, review and take action on school district plans and reports, and hold all parties accountable as required by the <i>Education Act</i> .	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	87	We recommend the Department of Education and Early Childhood Development develop standards for teacher performance and provide tools to support the school districts in: <ul style="list-style-type: none"> <li>• evaluating staff performance regularly as required by the <i>Education Act</i>; and</li> <li>• taking action to improve staff performance where needed.</li> </ul>	Not Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	35	We recommend the Department of Education and Early Childhood Development publicly provide plans to improve when assessment results show targets for reading, math and science were not met.	Implemented
Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	36	We recommend the Department of Education and Early Childhood Development make it easy to find the results of provincial assessments by displaying them prominently on its website.	Implemented

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Improving Student Performance: A New Brunswick Challenge	Department of Education and Early Childhood Development	2018	2	2	102	We recommend the Department of Education and Early Childhood Development publicly report New Brunswick students' performance on national and international tests on its website and inform the public when these results are available.	Implemented
WorkSafeNB Phase II – Management of Injured Workers' Claims	WorkSafeNB	2018	2	3	36	We recommend WorkSafeNB automate the claims management system to allow electronic submission and processing of claims documents, to reduce work and speed up intake and adjudication processes.	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers' Claims	WorkSafeNB	2018	2	3	40	We recommend claims be sent directly to an adjudicator after initial intake team gathers personal information and accident details.	Implemented
WorkSafeNB Phase II – Management of Injured Workers' Claims	WorkSafeNB	2018	2	3	41	We recommend WorkSafeNB uses separate "Report of Accident" forms for the employer and employee.	Implemented
WorkSafeNB Phase II – Management of Injured Workers' Claims	WorkSafeNB	2018	2	3	48	We recommend WorkSafeNB focus on return to work during adjudication by: <ul style="list-style-type: none"> <li>• identifying risks to return to work;</li> <li>• prioritizing complex claims, and</li> <li>• initiating a plan to address barriers.</li> </ul>	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers' Claims	WorkSafeNB	2018	2	3	49	We recommend WorkSafeNB communicate a detailed case plan with: <ul style="list-style-type: none"> <li>• return to work goals;</li> <li>• proposed treatments; and</li> <li>• forecast date for recovery.</li> </ul>	Implemented

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WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	53	We recommend WorkSafeNB develop a treatment plan right after a claim is accepted and enable the adjudicator to communicate it to the injured workers.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	54	We recommend WorkSafeNB use disability duration guidelines to provide a forecast of return to work and include it in the initial decision letter sent to injured workers.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	59	We recommend WorkSafeNB require case managers discuss with injured workers their abilities, functional limitations and restrictions in determining the modified return to work plan.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	60	We recommend WorkSafeNB improve the adjudication decision making process by requiring adjudicators to document in the claim management system decision rationale with the key legislation and operational policy.	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	63	We recommend WorkSafeNB include a clear explanation of potential eligible benefits with the initial decision letter to injured workers.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	66	We recommend WorkSafeNB develop specific competencies for the adjudication role and require all successful applicants to meet those competencies.	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	75	We recommend WorkSafeNB update its guidance to promote early referrals to the workers rehabilitation centre, to maximize return to work outcomes.	Implemented



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WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	81	We recommend WorkSafeNB formalize the authority and role of the medical advisor and ensure both medical advisors and case managers understand their respective roles regarding medical opinions.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	82	We recommend WorkSafeNB: <ul style="list-style-type: none"> <li>• require medical advisor opinions to be formally documented and be restricted to the specifics of the medical condition; and</li> <li>• have templated, specific questions for case managers to ask medical advisors.</li> </ul>	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	84	We recommend WorkSafeNB have a plan to: <ul style="list-style-type: none"> <li>• follow up with the injured worker in relation to treatment progress;</li> <li>• closely monitor claims with modified return to work to ensure the modified work is suitable; and</li> <li>• communicate with health care providers involved in relation to Workers’ progress.</li> </ul>	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	88	We recommend WorkSafeNB develop expertise for complex and sensitive conditions among case managers by allocating specific types of injuries to certain case managers and offering professional development opportunities.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	97	We recommend WorkSafeNB: <ul style="list-style-type: none"> <li>• expand the duration and level of detail in case manager training; and</li> <li>• enhance ongoing training for existing staff.</li> </ul>	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	98	We recommend WorkSafeNB monitor claims managed and provide feedback to staff on an ongoing basis to ensure adherence to policy and consistency among regions.	Not Implemented

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WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	101	We recommend WorkSafeNB annually review long term disability clients with a potential for return to work (for example, a change in functional abilities or a change in the labour market availability) to determine if the claim is still suitable for long term disability.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	104	We recommend WorkSafeNB propose to amend the legislation so that appeals go to the Issues Resolution Office of WorkSafeNB as a mandatory first step before an appellant can file an appeal with the Workers Compensation Appeals Tribunal.	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	107	We recommend WorkSafeNB develop Key Performance Indicators which are relevant to the performance of its internal processes.	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	109	We recommend WorkSafeNB define targets for its Key Performance Indicators and clearly state these on performance reports.	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	111	We recommend WorkSafeNB link: <ul style="list-style-type: none"> <li>• key performance indicators to strategic goals; and</li> <li>• improvement initiatives to the Key Performance Indicators identified.</li> </ul>	Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	115	We recommend WorkSafeNB reallocate administrative tasks, such as loss of earnings benefit calculations, from case managers to administrative staff.	Implemented

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WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	119	We recommend WorkSafeNB build tools into the claims management system to free up staff from routine and repetitive tasks so they can focus on progress and treatments of injuries. Such tools would include: <ul style="list-style-type: none"> <li>• enhanced data mining capabilities;</li> <li>• system reminders to update client information;</li> <li>• auto-complete forms; and</li> <li>• automated medical claims processing.</li> </ul>	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	131	When tendering the contract for medical services again in 2019, we recommend WorkSafeNB: <ul style="list-style-type: none"> <li>• ensure tender requirements are comprehensive to minimize the need for significant changes after the tender is issued; and</li> <li>• follow procurement regulations and best practices to ensure transparency, fairness, and competitiveness of the bidding process.</li> </ul>	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	133	We recommend WorkSafeNB use a shorter initial term with an option to renew, when the contract for medical services is tendered in 2019.	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	135	We recommend that WorkSafeNB include contract terms addressing intellectual property rights in future contracts for medical and rehabilitation services.	Not Implemented
WorkSafeNB Phase II – Management of Injured Workers’ Claims	WorkSafeNB	2018	2	3	141	We recommend WorkSafeNB use progress reports received from physiotherapy clinics to monitor injured workers during treatment.	Implemented

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Medicare Cards	Department of Health	2019	1	2	37	We recommend Medicare develop an online application process similar to other provinces to allow individuals to apply directly to Medicare for a Medicare card.	*
Medicare Cards	Department of Health	2019	1	2	38	We recommend Medicare work with the Government of Canada to expedite the receipt of documentation required to process applications for a Medicare card for new immigrants residing in New Brunswick.	*
Medicare Cards	Department of Health	2019	1	2	45	We recommend Medicare analyze whether it would achieve a positive payback by investing additional resources in identifying individuals with a NB Medicare card who have become ineligible. If Medicare determines there are benefits to doing more in this area, it should enhance its processes for monitoring the continued eligibility of cardholders.	*
Medicare Cards	Department of Health	2019	1	2	58	We recommend Medicare determine if the anticipated cost savings from moving to an automatic Medicare card renewal process were achieved, and whether those cost savings are sufficient to offset the additional risk associated with adopting that process.	*
Medicare Cards	Department of Health	2019	1	2	59	We further recommend if the savings achieved by the change were not sufficient to offset the additional risks it has taken on, Medicare reverse the automatic renewal process.	*
Medicare Cards	Department of Health	2019	1	2	60	Regardless of the renewal process it employs, we recommend Medicare develop procedures to verify mailing addresses before sending out renewal documents in the future.	*

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Medicare Cards	Department of Health	2019	1	2	66	We recommend Medicare evaluate associated risks as well the necessity of having two private organizations contracted to produce and distribute Medicare Cards instead of one.	*
Medicare Cards	Department of Health	2019	1	2	67	We recommend Medicare obtain a CSAE 3416 report on controls annually from Medavie/CPI in connection with the card production and distribution services provided by the two third party providers.	*
Medicare Cards	Department of Health	2019	1	2	75	We recommend Medicare, as a minimum, add photo identification to NB Medicare cards to enhance card security.	*
Medicare Cards	Department of Health	2019	1	2	76	We recommend Medicare provide information on its website as to the circumstances in which the public should report suspected cases of inappropriate use of Medicare cards, and how that reporting should be done. Fully addressing this area would likely require Medicare to develop and promote a direct tip line.	*
Medicare Cards	Department of Health	2019	1	2	77	We further recommend Medicare assign responsibility for following up on any tips received.	*
Medicare Cards	Department of Health	2019	1	2	82	We recommend that Medicare upgrade their registration system to reduce the number of manual procedures required to administer the registration process.	*
Medicare Cards	Department of Health	2019	1	2	88	We recommend Medicare negotiate a reciprocal billing arrangement with the Province of Quebec, based upon the arrangements now in place between New Brunswick and other provinces.	*

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Medicare Cards	Department of Health	2019	1	2	91	We recommend Medicare's contracts with Service New Brunswick and Medavie Blue Cross be amended to include performance metrics and related reporting requirements.	*
Medicare Cards	Department of Health	2019	1	2	96	We recommend that Medicare prepare a staffing plan to help it develop the capacity to implement necessary changes to the Medicare card program while maintaining current operations at an acceptable level.	*
Medicare Cards	Department of Health	2019	1	2	99	We recommend Medicare: <ul style="list-style-type: none"> <li>• develop key performance indicators to allow assessment of Medicare performance;</li> <li>• set performance targets and measure actual results against those targets; and</li> <li>• publicly report the results on an annual basis.</li> </ul>	*
Outsourcing of Highway Maintenance and Construction Work	Department of Transportation and Infrastructure	2019	1	3	34	We recommend the Department of Transportation and Infrastructure develop an evidence based outsourcing policy and a decision making framework to guide which programs and activities to outsource.	*
Outsourcing of Highway Maintenance and Construction Work	Department of Transportation and Infrastructure	2019	1	3	39	We recommend the Department of Transportation and Infrastructure assess the risk of over dependence on a single supplier when making outsourcing decisions.	*
Outsourcing of Highway Maintenance and Construction Work	Department of Transportation and Infrastructure	2019	1	3	47	We recommend the Department of Transportation and Infrastructure record, track and regularly report on the extent and composition of outsourced maintenance and construction work.	*

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Outsourcing of Highway Maintenance and Construction Work	Department of Transportation and Infrastructure	2019	1	3	55	We recommend the Department of Transportation and Infrastructure evaluate how road work such as chipsealing is sourced and delivered in all districts following an objective and evidence-based cost benefit analysis.	*
Outsourcing of Highway Maintenance and Construction Work	Department of Transportation and Infrastructure	2019	1	3	62	We recommend the Department of Transportation and Infrastructure include capital investment in critical equipment when planning the most cost-effective manner to deliver road repairs.	*
Outsourcing of Highway Maintenance and Construction Work	Department of Transportation and Infrastructure	2019	1	3	68	We recommend the Department of Transportation and Infrastructure source capital equipment through the most cost-effective means as demonstrated by a business case analysis.	*
Outsourcing of Highway Maintenance and Construction Work	Department of Transportation and Infrastructure	2019	1	3	78	We recommend the Department of Transportation and Infrastructure source bridge and culvert replacement work in an evidenced-based, cost-effective and timely manner.	*
Overdue Property Tax: Collections and Forgiveness	Department of Finance	2019	1	4	34	We recommend the Department of Finance develop a policy for its use of section 25 of the Real Property Tax Act to improve collections of overdue property tax. This section states that a person in whose name real property is assessed, who fails to pay the taxes on that real property, commits an offence punishable under part II of the Provincial Offences Procedure Act.	*
Overdue Property Tax: Collections and Forgiveness	Department of Finance	2019	1	4	35	We recommend the Department of Finance calculate and track the impact of forgiven municipal property tax on the Province's expenses.	*

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Overdue Property Tax: Collections and Forgiveness	Department of Finance	2019	1	4	36	We recommend the Department of Finance: <ul style="list-style-type: none"> <li>• clarify performance expectations of Service New Brunswick in collecting overdue property tax; and</li> <li>• monitor Service New Brunswick's performance against pre-defined performance indicators and targets.</li> </ul>	*
Overdue Property Tax: Collections and Forgiveness	Department of Finance	2019	1	4	51	We recommend the Department of Finance set detailed eligibility criteria for property tax forgiveness to ensure consistency of forgiveness decisions.	*
Overdue Property Tax: Collections and Forgiveness	Department of Finance	2019	1	4	52	We recommend the Department of Finance request the Office of the Comptroller internal audit group perform periodic reviews of system controls.	*
Overdue Property Tax: Collections and Forgiveness	Department of Finance	2019	1	4	53	We recommend the Department of Finance consult with Treasury Board to determine whether the 2014 directive to review the <i>Real Property Tax Act</i> is still appropriate.	*
City of Saint John Agreement – Special Review	Executive Council Office	2019	1	5	29	We recommend the Executive Council Office ensure funding decisions by Cabinet: <ul style="list-style-type: none"> <li>• follow due process with proper approval by all relevant parties;</li> <li>• are justified by a documented business case, detailed financial analysis and clear rationale for critical decisions; and</li> <li>• are supported by a documented legal review prior to decisions being made</li> </ul>	*
City of Saint John Agreement – Special Review	Executive Council Office	2019	1	5	33	We recommend the Executive Council Office develop a records retention policy to ensure key records are maintained in the Premier's Office throughout government transitions.	*

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City of Saint John Agreement – Special Review	Executive Council Office	2019	1	5	54	We recommend the Executive Council Office/Treasury Board Secretariat ensures: <ul style="list-style-type: none"> <li>• funding agreements do not effectively override the spirit and intent of legislation, such as:</li> <li>• subsection 100(8) of the <i>Local Governance Act</i> discouraging ongoing deficits; and</li> <li>• the need for an appropriation in advance of expending provincial funds as per the <i>Financial Administration Act</i>;</li> <li>• a detailed risk analysis is completed when developing funding agreements and necessary clauses are included to address identified risks to the Province; including: <ul style="list-style-type: none"> <li>• an appropriations clause based on legal advice to ensure proper budget authority is obtained; and</li> <li>• a clause requiring financial reports follow Public Sector Accounting Standards;</li> <li>• a sufficient multi-year appropriation is obtained to cover all legally committed funding over the life of the agreement.</li> </ul> </li> </ul>	*
	Finance and Treasury Board					*	
City of Saint John Agreement – Special Review	Executive Council Office	2019	1	5	64	We recommend the Executive Council Office involve all relevant provincial entities when planning, developing and reviewing future contracts and agreements for Cabinet approval.	*

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City of Saint John Agreement – Special Review	Executive Council Office	2019	1	5	71	<p>We recommend the Executive Council Office ensure agreements approved by Cabinet:</p> <ul style="list-style-type: none"> <li>• are complete and authorized prior to making payments under the agreement;</li> <li>• contain clauses to mitigate risk and protect the taxpayer;</li> <li>• include clear, measurable deliverables;</li> <li>• include monitoring mechanisms; and</li> <li>• are monitored to ensure key deliverables, such as committee reports, are completed as required</li> </ul>	*
City of Saint John Agreement – Special Review	Finance and Treasury Board	2019	1	5	85	<p>We recommend Treasury Board Secretariat/ provincial <i>Comptroller review and update the Financial Administration Act</i> to:</p> <ul style="list-style-type: none"> <li>• modernize the Act with respect to payments, accruals and conformance with Public Sector Accounting Standards;</li> <li>• increase clarity for key financial officers processing payments throughout government to know if proper budget authority exists; and</li> <li>• provide for budget appropriations for multi-year agreements at the time in which funds are legally committed.</li> </ul>	*

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Provincial Funding to Universities and Maritime College of Forest Technology	Legislative Assembly	2019	2	2	28	We recommend the Legislative Assembly select a standing committee, such as the Public Accounts Committee, to hold funding recipients such as universities accountable for funds received and performance achieved and require annual appearances before the committee, or as the committee determines appropriate.	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	30	We recommend the Department develop and execute a workplan to fulfill the accountability mechanisms included in the 2017/18 to 2020/21 MOU.	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	32	We recommend the Department, as a minimum, implement the following accountability mechanisms for university funding: <ul style="list-style-type: none"> <li>• Establish measurable outcomes;</li> <li>• For initiatives or areas of interest, establish working committees who report annually to the Minister on progress and achievement of objectives;</li> <li>• Use key performance indicators;</li> <li>• Require annual reporting to the Minister using a standard template; and</li> <li>• Require executive compensation contracts be publicly available.</li> </ul>	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	38	We recommend the Department report publicly on the outcomes achieved from the funding provided to universities and MCFT.	*

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Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	44	We recommend the Department require MCFT make available online its current and past (five years minimum) audited financial statements, as well as an annual report of its activities, to ensure it is publicly accountable for the funding it receives from the Province.	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	50	We recommend the Department communicate the restrictions on the use of funding in the annual funding letter to universities.	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	51	We recommend the Department obtain assurances from the universities that the restrictions or conditions on the use of unrestricted funds have been complied with. For example, this could be achieved by requiring a certification from the head of the institution and a senior financial representative or by requesting a compliance opinion from the universities' auditors.	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	58	To achieve better performance on desired outcomes, we recommend the Department provide funding for program expansion, or other agreements, only after desired outcomes or targets have been achieved.	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	65	We recommend the Department take corrective action in a timely manner when expected performance targets have not been achieved.	*

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Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	69	We recommend the policy for restricted operating grants be followed, or the Department reconsider the appropriateness of the 1-year carry forward limit and amend the policy accordingly.	*
Provincial Funding to Universities and Maritime College of Forest Technology	Department of Post-Secondary Education, Training and Labour	2019	2	2	88	We recommend the Department, in consultation with the universities, re-examine the relevance of the current funding formula and its components, such as the weighting of the various programs, to ensure it continues to be the most suitable choice to allocate funding to universities and to motivate the achievement of funding objectives.	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	53	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>• develop and implement Child in Care practice standards to specifically address children taken into temporary care; and</li> <li>• develop and implement standards for specialized placements.</li> </ul>	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	59	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>• include in their standards, specific key performance indicators for each standard;</li> <li>• set a minimum level of performance in line with the performance indicator(s) specified; and</li> <li>• update monitoring procedures to include guidance in measuring the performance indicator(s) for each standard.</li> </ul>	*

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Group Homes and Specialized Placements	Department of Social Development	2019	2	3	66	We recommend the Department of Social Development integrate key procedures, guidelines, policies and standards into their current and future standards.	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	67	We recommend the Department of Social Development revise the: <ul style="list-style-type: none"> <li>Children's Residential Services Practice Standards for Child in Care Residential Centres; and</li> <li>Children's Residential Centre Service Standards for Operators to increase integration with policies, guidelines, procedures and other mandatory standards.</li> </ul>	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	95	We recommend the Department of Social Development develop and implement standardized service level agreements across all regions for all specialized placement facilities.	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	101	We recommend the Department of Social Development develop and implement a documented strategy to address group home capacity and service delivery challenges facing the Province. This strategy must align with current Provincial child welfare strategies.	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	108	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>forecast regional and provincial demand for placement services; and</li> <li>standardize resource planning procedures to be used by regions and implemented provincially.</li> </ul>	*

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Group Homes and Specialized Placements	Department of Social Development	2019	2	3	115	We recommend the Department of Social Development design and implement case planning procedures for regional personnel, including: <ul style="list-style-type: none"> <li>• standardized content requirements supporting achievable outcomes for children taken into care; and</li> <li>• regular case plan review and revision requirements to conform with standards.</li> </ul>	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	121	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>• comply with standards and jointly develop care plans with group home and specialized placement Operators;</li> <li>• standardize requirements and documented procedures for care plans to include objectives and actions that align with Department case plans; and</li> <li>• set specific requirements for regular review of care plan changes by Department social workers.</li> </ul>	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	131	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>• ensure required training is completed in regional offices, group homes and specialized placement facilities before caseloads are assigned to personnel; and</li> <li>• provide cultural awareness training across regional offices, group homes and specialized placement facilities.</li> </ul>	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	138	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>establish independent living and transition to adulthood planning requirements and documented procedures to be completed well in advance of the child's anticipated transition date; and</li> <li>require regular reviews of the preparation for independent living plan by Department social workers in conjunction with Operators of group homes and specialized placement facilities.</li> </ul>	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	145	We recommend the Department of Social Development evaluate options to improve or replace the NB Families information system with the aim of increasing efficiency and effectiveness in case management practices.	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	146	We recommend the Department of Social Development collect and maintain high quality residential placement capacity and service capability data from group home and specialized placement Operators for use in Department planning, monitoring and reporting processes.	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	154	We recommend the Department of Social Development: <ul style="list-style-type: none"> <li>document responses and actions taken to address feedback and concerns raised when reviewing Operator completed evaluation forms; and</li> <li>follow-up on Operator feedback and the results of actions taken to address issues identified in the annual review.</li> </ul>	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	160	We recommend the Department of Social Development design and implement documented procedures for monitoring and evaluating the performance of specialized placement facilities.	*
Group Homes and Specialized Placements	Department of Social Development	2019	2	3	164	We recommend the Department of Social Development publicly provide current statistical information on child welfare programs and publicly report on program performance.	*
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	29	We recommend the Department, in collaboration with school districts, develop a standardized major capital project submission form for school districts to collect and present major capital project information.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	31	We recommend the Department create a centralized repository for all historical and current QBL assessments and their supporting documents.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	49	We recommend the Department implement a formal change management process for the Quadruple Bottom Line Multi-Criteria Analysis. The process should include but not be limited to: <ul style="list-style-type: none"> <li>• Clear approval path depending on the significance of the change;</li> <li>• Consultation with all key stakeholders such as school districts changes; and</li> <li>• Formal approval and documentation of changes before they are applied.</li> </ul>	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	50	We recommend the Department implement a data validation and quality review process for Quadruple Bottom Line Multi-Criteria Analysis.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	54	We recommend the Department use a rolling average method to predict the student enrolment trends.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	55	We recommend the Department improve the Quadruple Bottom Line Multi-Criteria Analysis tool to: <ul style="list-style-type: none"> <li>• Address the weaknesses in the indicators listed in Appendix IV of the report and increase its overall objectivity; and</li> <li>• Incorporate a scoring mechanism to capture space deficiencies, instead of the tiering approach.</li> </ul>	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	56	We recommend the Department publicly report the annual major capital project rankings and scores based on the Quadruple Bottom Line Multi-Criteria Analysis.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	58	We recommend the Department re-evaluate the document submission requirements for school districts in Policy 409 “ <i>Multi-year School Infrastructure Planning</i> ” and enforce the policy.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	71	We recommend the Department establish a clear definition of “special project” and apply it consistently to minimize potential for subjective interference in capital improvement funding allocation.	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	72	We recommend the Department, in consultation with school districts, develop consistent criteria for the provincial prioritization of capital improvement projects. In developing the criteria, building conditions, life cycle costs, and industry standards should be used.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	103	We recommend the Department, in consultation with school districts, re-evaluate the student enrolment projection method and implement a province-wide student population forecasting approach.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	104	We recommend the Department develop a long-term province-wide capital plan for school infrastructure. The plan should include items such as: <ul style="list-style-type: none"> <li>• Projects that are fully scoped, estimated and ready to be delivered in the short to medium term (3 to 5 years);</li> <li>• A broad long-term funding allocation based on an analysis of school facility data and projected budget plan; and</li> <li>• All key elements of the long-term infrastructure sustainability recommendation AGNB made in 2012: <ul style="list-style-type: none"> <li>○ the rationalization of assets (i.e. if not considered essential, remove from service);</li> <li>○ a long-term approach to budgeting which includes life cycle maintenance;</li> <li>○ a protected stream of a base level of funding determined necessary to adequately maintain schools in service;</li> <li>○ a 20-year planning horizon;</li> </ul> </li> </ul>	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	104	(continued) <ul style="list-style-type: none"> <li>○ a process whereby new schools are constructed only when there is a business case to support the need. This should include redirecting savings from rationalized assets (school closures) to the new school’s life cycle maintenance costs; and</li> <li>○ provide annual public performance reporting, which includes the 5-year project delivery plan, the actual facility condition of schools versus pre-established targets, explaining the reason for any significant variances.</li> </ul>	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	116	We recommend the Department, in consultation with school districts, develop and maintain a centralized asset inventory that contains details of all major facility components to support the Department’s capital planning.	**
School Infrastructure Planning	Department of Education and Early Childhood Development and School Districts	2020	1	2	117	We recommend the Department develop and enforce data collection standards and requirements for the uniform collection and aggregation of facility data across all school districts.	**
Ambulance Services	Department of Health	2020	1	3	51	The Department formalize the mandate and governance for EM/ANB in legislation and provide mandate letters to EM/ANB with the annual budget approval.	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Ambulance Services	EM/ANB Board of Directors	2020	1	3	56	The board by-laws be amended to change the composition of the board to include members independent of the Department.	**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	61	The board enforce its conflict of interest policy and periodically review the effectiveness of the policy in mitigating conflict of interest risk.	**
Ambulance Services	Department of Health	2020	1	3	70	EM/ANB enabling legislation strengthen and clarify board authority with respect to hiring, compensation, performance and termination of the CEO.	**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	71	The board hire an independent CEO upon future contractual amendment or renegotiation.	**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	77	The board evaluate EM/ANB's annual corporate plans as part of its review of the CEO and MHSNB's performance and compare them to EM/ANB's annual report and obligations to the Department.	**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	78	The board establish a performance management framework for EM/ANB and evaluate its performance annually.	**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	94	The terms of reference of each standing committee require an annual written report to the Board of Directors to demonstrate the sub-committees are operating as intended.	**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	95	The board improve its recording of minutes to increase transparency.	**
Ambulance Services	EM/ANB Inc.	2020	1	3	103	EM/ANB calculate budget surplus payments based on flexible budget amounts which reflect the anticipated spending for the fiscal year.	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Ambulance Services	EM/ANB Board of Directors	2020	1	3	108	The board define restrictions around budget surplus payments to exclude circumstances which may decrease the quality of the delivery of ambulance services.	**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	113	The board ensure EM/ANB or MHSNB substantiate how savings are achieved to demonstrate the value provided through cost savings claimed under the contract for ambulance services.	**
Ambulance Services	EM/ANB Inc.	2020	1	3	135	EM/ANB introduce a more balanced suite of key performance indicators as the basis for performance-based payments to incentivise MHSNB toward high performance in all New Brunswick communities.	**
Ambulance Services	Department of Health	2020	1		152	The Department and EM/ANB introduce controls to minimize the frequency of use of full deployment exemptions or discontinue the use of exemptions.	**
	EM/ANB Inc.						**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	153	The EM/ANB board require MHSNB revise the System Status Plan to update the detailed specifications as to the ambulances, facilities and human resources required to be deployed to achieve performance standards.	**
Ambulance Services	Department of Health	2020	1	3	163	The Department and EM/ANB revise the exemption approval guide to prevent the invalid use of full deployment exemptions or discontinue the use of exemptions	**
	EM/ANB Inc.						**
Ambulance Services	EM/ANB Board of Directors	2020	1	3	191	The board implement progressive performance targets to incentivize MHSNB to achieve continuous improvement for the duration of the contract.	**
Ambulance Services	EM/ANB Inc.	2020	1	3	192	EM/ANB improve tracking, and follow-up of strategic and corporate initiatives and include measurable outcomes in its plans.	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Ambulance Services	EM/ANB Board of Directors	2020	1	3	193	The board expand key performance indicators for performance-based payments to include all areas of operations, such as human resources, fleet and official languages.	**
Ambulance Services	Department of Health	2020	1	3	194	The Department coordinate with the Regional Health Authorities and EM/ANB to implement solutions to reduce the impact of off-load delays.	**
Ambulance Services	Executive Council	2020	1	3	206	The Executive Council Office review the Conflict of Interest Regulation under the Conflict of Interest Act and amend the regulation to include all relevant Crown corporations in Schedule A, including EM/ANB Inc.	**
Follow-Up:2008 Timber Royalties	Department of Natural Resources and Energy Development	2020	1	4	51	We recommend the Department of Natural Resources and Energy Development develop a comprehensive Crown timber royalty rate-setting manual that includes, at a minimum: <ul style="list-style-type: none"> <li>a detailed description of the stumpage appraisal methodology and associated processes in place to arrive at fair market values; and</li> <li>examples of all calculations required to update Crown timber royalty rates.</li> </ul>	**
Follow-Up:2008 Timber Royalties	New Brunswick Forest Products Commission	2020	1	4	64	We recommend the New Brunswick Forest Products Commission develop and implement a methodology to better capture stumpage transaction data from independent contractors and/or landowners.	**
Follow-Up:2008 Timber Royalties	New Brunswick Forest Products Commission	2020	1	4	68	We recommend the New Brunswick Forest Products Commission complete the implementation of accounting and wood tracking software across all marketing boards.	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Follow-Up:2008 Timber Royalties	New Brunswick Forest Products Commission	2020	1	4	71	We recommend the New Brunswick Forest Products Commission enhance the Stumpage Study Methodology and annual Stumpage Study Results reports to: <ul style="list-style-type: none"> <li>• articulate clear objectives;</li> <li>• provide detailed methodology information with any year over year changes; and</li> <li>• present the annual stumpage study results in a complete, consistent, comparable manner.</li> </ul>	**
Follow-Up:2008 Timber Royalties	Department of Natural Resources and Energy Development	2020	1	4	79	We recommend the Department of Natural Resources and Energy Development clearly define what “ <i>fair market value</i> ” means in the context of the <i>Crown Lands and Forests Act</i> , either through regulatory changes or Department policy.	**
Follow-Up:2008 Timber Royalties	Department of Natural Resources and Energy Development	2020	1	4	85	We recommend the Department of Natural Resources and Energy Development ensure Crown timber royalty rates are reviewed annually and updated as required by the <i>Crown Lands and Forests Act</i> .	**

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Follow-Up:2008 Timber Royalties	Department of Natural Resources and Energy Development	2020	1	4	102	<p>We recommend the Department of Natural Resources and Energy Development:</p> <ul style="list-style-type: none"> <li>• undertake changes to the <i>Crown Lands and Forests Act</i> to give the Minister of Natural Resources and Energy Development authority to make more timely updates to Crown timber royalty rates to be more responsive to changes in the private wood stumpage market; and</li> <li>• work toward getting adequate real-time data and information from all sources to better facilitate accurate and timely changes to Crown timber royalty rates, if required.</li> </ul>	**
Follow-Up:2008 Timber Royalties	Department of Natural Resources and Energy Development	2020	1	4	107	<p>We recommend the Department comply with the <i>Crown Lands and Forests Act</i> and re-establish an advisory board or, alternatively, undertake revisions to the Act and/or regulation to accurately address the ongoing status of the advisory board.</p>	**

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