

Chapter 1

Introductory Comments

Contents

Decision-making Process	3
Contract Administration and Leasing	5
Failure to Follow Legislation and Policies	6
Failure to Have Contracts Signed	6
Governance, Environment and Public Safety	7
Performance Measurement and Effectiveness Reporting	7
Opportunity for Public Accounts Committee	8
Our Office Performance	8
Acknowledgements	8

Introductory Comments

Decision-making Process

1.1 The Annual Report of the Auditor General normally includes comments on the Province's financial results, and, starting last year, a chapter on financial indicators. This year, due to the lateness in government closing the accounts for the year ended 31 March 1999, we were not able to include such comments in this volume. We intend to prepare a Volume 2, which will include financial observations, after the release of the Province's financial statements. We also plan to include in that volume the work we are finalizing on food service establishments and work in the Department of Transportation on the purchase of engineering services and the management of road construction materials inventory.

1.2 Every day decisions are made by government that affect the lives and welfare of New Brunswickers. Decisions are made on public policy issues, operational programming and on administrative matters which have a bearing on how taxpayers' money is spent. Taxpayers in general, and Members of the Legislative Assembly in particular, share a common goal in ensuring that all such decisions are the best ones that could have been made after a careful consideration of alternatives. It is important that decisions and the process that led to them are defensible and readily explained. As Auditor General, I am interested in the decision-making process because of my mandate to ensure that taxpayers' money is being spent with due regard to economy and efficiency. A good decision-making process that delivers good decisions on policies, programs and procedures will go a long way in ensuring the objectives of economy and efficiency are met.

1.3 It is important that a rigorous process be followed to ensure that government makes the best decisions possible, and is accountable for them. Decisions should only be made after a careful consideration of alternatives. Alternatives should only be identified after there has been a clear understanding of the issue being addressed. And, finally, all decision makers, at whatever level, should be given the best information possible. Only then should a decision be made.

1.4 How are decisions made in government? Are they made only after professional staff has been given time to analyze options and bring forward an appropriate recommendation? Or are they made at a high level without the benefit of professional analysis and advice? Are solutions developed before there is a definition of the problem? Or is the problem clearly identified and understood before solutions are identified?

1.5 One theme of our work this year was to acquire an insight into the decision-making process in government. A number of the projects that we are reporting on this year were undertaken with this in mind. We looked at how the decision was made to integrate the Extra-Mural Hospital with the eight regional hospital corporations. We examined the process followed by the Regional Development Corporation in deciding which projects are to receive funding from the Economic Development Fund. Our work on the Fredericton-Moncton highway focused on the government's decision to select the public-private partnership approach to undertake this project. In addition, we examined the quality of the analysis performed in support of decisions to buy or lease various pieces of equipment. And we also examined the government's decision-making process to implement the Tire Stewardship Program.

1.6 We found the implementation of the Tire Stewardship Program to be an example of a good decision-making process. The problem had been clearly identified, alternatives were considered and the process was well documented.

1.7 The other projects which we looked at revealed some shortcomings, which led us to conclude that there is opportunity for improvement. For instance, the objective behind the decision to merge the Extra-Mural Hospital with the eight regional hospital corporations was not clear. Was the reason to save money or was it to improve the continuity of health care? While either reason may be valid, depending on the one selected, different solutions might be developed. Alternatives to save money might differ from alternatives to improve the continuity of care. In the case of this particular decision, we noted that no alternatives were considered; the decision was simply to accept or reject the decision to merge.

1.8 In the case of the Fredericton-Moncton highway, we noted that certain government objectives were key in the process that led to the selection of the public-private partnership approach to development. For instance, the objective of avoiding an increase in provincial debt ruled out the possibility of government using its own borrowing power and its own favourable financing rate in pursuing this project. We believe that the selection of this objective and the other government objectives that had a bearing on the project were in themselves the result of various decisions. For the most part we found that these decisions were made at the ministerial level and we were unable to find any documentary evidence or analysis for the objectives chosen.

1.9 The Board of Management makes all decisions with respect to which projects receive funding from the Economic Development Fund, that is administered by the Regional Development Corporation. We found the role of staff and directors of the Regional Development Corporation, and the Office of the Premier, confusing from an

accountability standpoint and we believe significant improvements could be made in the information given to the decision-makers.

1.10 Our work in the area of leasing versus purchasing of equipment revealed that in some instances there was no supporting analysis for the decision. And in others the quality of the analysis could be improved.

1.11 During our work we were pleased to see a publication titled Procedures Manual for Executive Council Documents, which sets out the procedures to be followed to ensure decisions “are based on a complete knowledge of the circumstances that necessitate a decision and of the effect of the recommended action.” While the Manual only applies to decisions made by the Executive Council and its Committees, we recommend that the principles be applied to all decisions in government. One area where we feel the guidance could be strengthened is with respect to the identification and analysis of alternative solutions to the issue being addressed.

Contract Administration and Leasing

1.12 This year we undertook two projects which crossed departmental lines. One was contract administration and the other was the decision-making process related to leasing or buying equipment. Both projects examined the experience in a number of departments with our objective being to draw conclusions that may be beneficial to all departments and not just the ones we reviewed.

1.13 We believe the review of contract administration was relevant because more and more government services are being delivered by contracting out to the private sector. What we found was that there was not always a registry that listed the contracts in existence. We believe such a registry, that should include key financial and non-financial information, would greatly facilitate monitoring to ensure that government got what was contracted for, at the time and price agreed. We were very pleased with the positive response received from the Departments of Health and Community Services and Supply and Services in connection with our recommendations. We recommend that Board of Management ensure our recommendations are applied to all government departments.

1.14 We examined leasing decisions because we were interested in seeing if government was receiving value for money. Our conclusion is that it was not. What we found was that a government policy called “Present Value Analysis of Expenditure Decisions”, which if followed should have resulted in better decisions being made, was either not followed or followed improperly. What was most disturbing however is that in a number of cases the explanation departments provided for not following the policy related to balanced budget legislation. In other words, more expensive decisions may have been made due to the objective of having a balanced budget.

Failure to Follow Legislation and Policies

1.15 As a result of this work we made a number of recommendations to the specific departments we audited. We recommend that Board of Management ensure that all departments follow these recommendations. We also recommend that the Board of Management put in place mechanisms (either policies, directives or guidance) that will ensure all departments are making decisions on the basis of good value for money.

1.16 Last year I expressed a concern over the fact that legislation and government policy was not always being followed. There are more examples this year.

1.17 In regards to legislation, the New Brunswick Liquor Corporation Act requires the Board of Directors to appoint the General Manager (CEO), subject to the approval of the Lieutenant Governor in Council. Instead, the Lieutenant Governor in Council on its own has made the appointment. The Financial Administration Act requires that all government contracts be submitted to the Comptroller, but this is not happening. Our third example relates to the Tire Stewardship Regulation under the Clean Environment Act. We observed that the Tire Stewardship Board was not in compliance with the annual report section of the regulation.

1.18 With respect to policies not being followed, we noted that a number of leases were improperly classified, in violation of the government's policy "Classification of Expenditures." Also the policy to be followed in making lease versus buy decisions has, as indicated earlier, not been followed. And our work on the collection of consumption tax accounts pointed out that some uncollectable accounts were not being written off promptly. This too is a violation of the government's policy.

1.19 I believe that following legislation and policy is a fundamental issue. Legislators and policy makers must have the confidence that their wishes are being fulfilled. If the legislation or policy is no longer appropriate then it should be changed, but until it is changed it must be followed. In this regard we recommend that the government take the necessary steps to ensure that all legislation and policies are followed.

Failure to Have Contracts Signed

1.20 In my Report for the past two years I have commented on the failure of government to have contracts signed before goods or services are received. This year we found further examples of this happening. In the Department of Health and Community Services we examined fourteen Family and Community Social Services contracts and none of them were signed prior to the services being provided. This is another fundamental issue, not only to ensure that the government's position is clearly protected, but also to ensure there is proper authority to make expenditures.

Governance, Environment and Public Safety

1.21 For the past few years we have been doing some work in three topical areas: corporate governance, the environment and public safety. In this Report you will find a chapter on the New Brunswick Liquor Corporation. This continues our examination of corporate governance. The Tire Stewardship Program was our environmental project and it can be found in chapter 2. Our public safety project was a review of the inspection of food service establishments. This work is not complete and will appear in Volume 2 of our 1999 Report.

Performance Measurement and Effectiveness Reporting

1.22 This year we undertook a review of the progress made by the province over the past ten years in the areas of performance measurement and effectiveness reporting. We also reviewed the 1997-98 annual reports of government departments, in order to determine the level of compliance with government policy. The results of this work can be seen in chapter 6. One of the observations made as a result of this work is that the performance measurement system is improving each year, and we are now seeing questions and discussion on performance measurement during meetings of the Public Accounts Committee. The future of accountability in government lies in this area of performance measurement.

1.23 We encourage departments to continue to develop performance indicators that clearly relate to program objectives, and to objectively comment on the reasons why indicators have or have not been met. This initiative, however, needs more attention and I believe this could be given by the Public Accounts Committee.

1.24 Each year departments are required to table annual reports by 1 November, which provide performance measurement information on the previous fiscal year. The Public Accounts Committee would have a very positive impact on the process if public meetings of the Committee were scheduled shortly after the reporting deadline. It would also be very beneficial if the annual reports and the performance measurement information were given more attention by committee members in their lines of enquiry with the departments. We have already seen some examples of excellent lines of questioning by members in this regard, and we encourage their further development.

1.25 At the present time only departments are subject to the performance measurement initiative of government. Crown agencies have been excluded. Furthermore, there are no government wide goals and related performance measures issued in a "corporate level" report.

1.26 We would encourage government to bring Crown agencies into the performance measurement initiative and to establish government wide goals that reflect the highest priority items for government and New Brunswickers. It would then be appropriate for the government to issue an annual report, in addition to departmental ones, which would comment on the progress made in achieving the government wide goals.

Opportunity for Public Accounts Committee

1.27 Throughout our work we make recommendations as a result of our findings. These recommendations are found in the various chapters of this Report. Also we follow up on recommendations from previous years to see if they have been accepted and more importantly if they have been implemented. The results of our work in this area can be found in chapter 11. We could always use more support for our recommendations and in this regard I believe there is a proactive role that could be played by the Public Accounts Committee. From time to time recommendations are made that are directed towards the government as opposed to a particular department. In this opening chapter there are a number of examples of such recommendations. It would be very helpful, and I believe most appropriate, for the Committee to consider endorsing and supporting these types of recommendations.

Our Office Performance

1.28 During our work on performance measurement and effectiveness reporting we were certainly reminded of our own responsibility in this area, because we too must be efficient and accountable. Chapter 12 represents our annual accountability report, which we believe is in compliance with the government's annual report policy. There we report on our goals, performance indicators and results. I am pleased with the results on six of our indicators but strongly believe that we can do a better job on timeliness of our audits and on performing work within budget. While I am not satisfied with our performance in these two areas, I can certainly use our experience as an example of the value in having performance indicators. By having them, we as an Office have identified two areas where improvement can be made, something that may not have happened without them. We look forward to reporting next year with better results in these two areas.

Acknowledgements

1.29 During the year we met on a number of occasions with the Public Accounts Committee and the Crown Corporations Committee. In addition we were invited to participate in orientation sessions for the new Members of the Legislative Assembly and new committee members. We are most appreciative of these opportunities because we firmly believe that our contribution to the Legislative Assembly and New Brunswickers will be most effective by working closely with these committees.

1.30 Although it is my honour to submit this Report, I am indebted once again to the staff members in my Office who worked so hard and diligently to make it possible.

Daryl C. Wilson, FCA
Auditor General