

Chapter 1

Introductory Comments

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Introductory Comments

Overview

1.1 Monitoring its programs and providing information to the public. These are two areas the government needs to improve. They are the two issues that kept coming up in the projects we are reporting on in this volume of our 2008 Report. They are two areas that can only be improved if the government recognizes their importance and requires Departments and Crown agencies to make improvements. In my opinion, better program monitoring and more information being provided to the public will result in better delivered programs.

1.2 In this volume of our 2008 Report, we are reporting on six projects: our analysis of the investment performance and cost structure at the New Brunswick Investment Management Corporation; our audit of the role of the Superintendent of Credit Unions; our audit of the Environmental Impact Assessment (EIA) process; our review of timber royalties; our audit of adult literacy services; and our review of departmental annual reports. We have also included in this volume our follow-up work on some of the recommendations we made in prior years.

Monitoring of programs

1.3 In our work related to the Superintendent of Credit Unions, we found that the Superintendent's office has less involvement in the monitoring of credit unions than we expected. Because of this the Superintendent's office should be testing the accuracy and reliability of the information it receives to ensure that the reliance they place in the credit union system is warranted. We also found that even though the *Credit Unions Act* requires the Superintendent's office to regularly inspect the stabilization boards, the last time an inspection was carried out was in 1999.

Providing information to the public

1.4 In our work on the EIA process we found the level of monitoring activity to be inconsistent from file to file. We recommended that the Department of Environment should implement a formal monitoring process that allows it to adequately monitor whether project proponents have complied with the conditions placed on their projects.

1.5 In our work on adult literacy services we found that there is not a consistent method for monitoring the program that is intended to improve literacy levels in the Province.

1.6 Our follow-up work on salmon aquaculture revealed that the departments involved either disagreed with or had not implemented a number of our recommendations relating to monitoring different aspects of the program.

1.7 In our work at the New Brunswick Investment Management Corporation we recommended that the corporation should be providing more information in its annual report about individual unit trust fund performance and about its employee incentive pay program.

1.8 In our work related to the Superintendent of Credit Unions, we identified that, at the time of our audit, the annual report on credit unions had not been published since 2004, even though the report was referenced in the annual report for the Department of Justice and Consumer Affairs in each of the years ended 31 March 2006 and 31 March 2007.

1.9 In our work on the EIA process we recommended that the Department should use its website to explain to the public, on a project by project basis, the rationale for allowing projects to proceed and explanations about how major concerns raised during the process were addressed. We also recommended that the website be used to keep the public informed about the proponent's compliance with conditions attached to the project.

1.10 In our work on adult literacy services we found that the Department of Post-Secondary Education, Training and Labour does not report publicly on the performance of its adult literacy support.

1.11 In our review of departmental annual reports we concluded that the government's departmental annual reports do not have many of the features called for under a modern accountability framework.

Our assessment is that the annual reports are getting worse, not better.

1.12 The lack of progress on providing information to the public is also obvious in our follow-up work where we identified that the only outstanding recommendation we made in our 2004 work on the beverage container program was related to performance reporting. Also, even though the Department of Social Development has made progress on twenty-one of the twenty-four recommendations, relating to nursing home services, we made in our 2004 Report, one of the recommendations that has not been implemented was related to improved performance reporting. And the Regional Development Corporation has still not fully implemented our 2004 recommendation that its annual report comply with government policy.

Other items

1.13 While program monitoring and public information were two common themes of our work reported in this volume, we also identified many other important items.

New Brunswick Investment Management Corporation

1.14 In our work at the New Brunswick Investment Management Corporation (NBIMC) we have provided an analysis of the corporation's investment performance. The intent of this chapter is to help Members of the Legislative Assembly understand the corporation's performance. We identified that over the ten year period ended 31 March 2007, government's decision to diversify the pension fund investments along with NBIMC's asset mix decisions added about \$80.6 million a year on average to the pension funds. It will be interesting to see if this value-added continues over the next few years.

1.15 We identified that NBIMC's performance in the five years from 1 April 2002 until 31 March 2007 was better than its performance in the five preceding years. This provides an indication that NBIMC went through some challenges in the early years of the organization, but then made some changes resulting in better performance. We encourage Members of the Legislative Assembly to use our analysis as a basis to monitor the corporation's performance over the next five-year period.

1.16 We also have raised the concern that it is unlikely that in the foreseeable future NBIMC will be able to meet its primary return objective which is to achieve the long term real rate of return outlined by the pension plan actuary of 4% per year.

Superintendent of Credit Unions

1.17 In our work on the Superintendent of Credit Unions, we were pleased that reviews had recently been conducted on the processes for inspecting credit unions. Some weaknesses were identified in these reviews and it is important for the Superintendent to assess the significance of those weaknesses. We also identified that since there is one organization providing a range of services to the caisses populaires, including external audit services, the Superintendent needs to ensure this does not pose a threat to the independence required of external auditors.

1.18 We found that the Superintendent has had problems finding qualified, experienced people to take positions in the branch. Given the importance of the responsibilities placed on the Superintendent, government needs to find ways to attract qualified staff to the Superintendent's office.

1.19 We are also concerned about the many different roles played by the Superintendent of Credit Unions and the potentials for conflicts of interest that this creates.

1.20 Finally, we raised the question of why there are two separate regulatory regimes for credit unions operating in New Brunswick.

Environmental Impact Assessments

1.21 Most of our observations in this chapter are related to monitoring and the release of public information. However we also made the following observations.

1.22 The Department is carrying out most of its key roles and responsibilities with due regard for economy, efficiency and effectiveness. They have also identified most of the key risks in the EIA process and are managing them adequately.

1.23 We feel that the process for getting public input needs to be improved.

1.24 We recommended the Department bring forward changes addressing weaknesses in the current regulation.

Timber royalties

1.25 We found that while the Department of Natural Resources does meet its legal requirement to annually review and establish royalty rates, and does use market information in the process, the flaws in the system mean that the royalties do not reflect fair market value – in some instances the royalty rates appear to be below market rates and in others they appear to be above.

1.26 In our review of the process for establishing royalties for timber harvested from Crown land, we identified problems both with the design of the system for determining royalties and with the implementation of that system.

1.27 We identified that some of the costs related to Crown forest management are deducted from royalty revenue. For the year ended 31 March 2008, if these costs had not been netted, the Province's timber royalty revenue and related forestry management expenditures would both have been approximately \$29 million higher. As importantly, the \$29 million expenditure would have been subject to the annual appropriation process of the Legislative Assembly.

Adult literacy services

1.28 When discussing rates of adult literacy, it is important to first understand the definition of literacy. We found that the dictionary definition of literacy can be very different from the definition of literacy used in surveying rates of literacy. What is measured is not just the ability to read and write, but may also include the ability to locate and use information in schedules, maps, tables and charts as well as problem solving skills.

1.29 We found that the Department of Post-Secondary Education, Training and Labour does have strategic documents related to adult literacy, however at the time of our audit there were questions about the status of those strategic documents.

1.30 We also found that the Department needs to implement better control procedures related to its adult literacy support services. It also needs to improve the way it measures the results of its support services.

Prior years' recommendations

1.31 We are once again concerned about the government's lack of willingness to implement our recommendations, although there were some positive signs over the past year. Our concern is centered on the fact that only about 50% of the recommendations we made in our 2004 Report were fully implemented even after four years. Also, only 22% of the recommendations we made in our 2006 Report were fully implemented after two years – the lowest percentage of recommendations implemented after two years in the eight years we have tracked.

1.32 However, the positive signs are, first, that the 2004 percentages are influenced by the government's lack of progress on our salmon aquaculture recommendations. All other

recommendations have about a 60% implementation rate. Also, this year, for the first time we had a department show interest in implementing some recommendations we made in our 2003 Report and which we had stopped tracking.

1.33 In the whole though, these positive signs are not enough to alleviate our concerns, and we feel that the government needs to do a better job implementing our recommendations.

Acknowledgements

1.34 I wish to acknowledge the hard work of the staff in the Office in completing this volume of our Report. I believe we tackled some difficult topics, and I believe that each chapter in the Report contains information that is useful to the Members of the Legislative Assembly.



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