

Chapter 1

Introductory Comments

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Introductory Comments

Auditor General's concern with the sustainability of the Province's infrastructure

- 1.1** In the 2012 Auditor General Report, I made introductory comments to the Public Accounts Committee regarding the Province's need for a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province.
- 1.2** This followed a number of past Auditor General Reports regarding concerns with deferred maintenance on Highways (2012) and schools (2011, 2005). This year we report our findings on Provincial Bridges in Chapter 3.
- 1.3** In an effort to follow up on the long term infrastructure plan, I asked the Department of Transportation and Infrastructure (DTI) to indicate recent progress, if any, on each of the key elements of the plan as suggested in my 2012 report.
- 1.4** I was pleased to note DTI indicated long term infrastructure planning is a high departmental priority. Exhibit 1.1 details progress to date on each of the elements. However, as the response indicates much work remains by the DTI, GNB Horizontal Committee and the decision makers of government.
- 1.5** I would encourage member of the Public Accounts Committee to pursue this important issue with DTI officials when they appear before the committee.

Exhibit 1.1 - Summary of Recommendations

Recommendations	Department's Response
<p>We recommend the Department of Transportation and Infrastructure develop and implement a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges, and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province.</p> <p>Key elements of the plan should include:</p>	<p><i>I would be pleased to articulate the progress made by DTI in respect of a long term infrastructure plan, but would like to begin by thanking you for the attention you have given to this important undertaking. It is evident that you have invested significant effort in reviewing infrastructure planning and asset management and we welcome the focus on an issue which is a high departmental priority.</i></p> <p><i>I propose to address, in turn, the key elements of a comprehensive long-term infrastructure plan, as articulated in your recommendation:</i></p>
<p>1. the rationalization of assets (i.e. if not considered essential, remove from service and dispose in an appropriate manner);</p>	<p><i>As part of the Department's proposed "Decision Framework and Methodology for Long Term Strategic Capital Infrastructure Planning and Prioritization", the rationalization of non-essential or redundant assets will be addressed.</i></p> <p><i>In respect of the identification of non-essential or redundant asset candidates for potential elimination through decommissioning, divesting or disposal, DTI has developed a redundancy algorithm for bridges which can determine whether a bridge is redundant.</i></p> <p><i>While not directed at removal of assets from service, the DTI road surface policy has been developed to rationalize types of road surfaces. For example, it is projected that significant savings can be realized through the use of chipseal rather than asphalt on roads with low traffic volume.</i></p>
<p>2. a long term approach to budgeting which includes life cycle maintenance of capital assets;</p>	<p><i>As noted, the Department's proposed "Decision Framework and Methodology for Long Term Strategic Capital Infrastructure Planning and Prioritization" will include the prioritization of capital rehabilitation projects to minimize the cost of rehabilitating infrastructure over its life cycle.</i></p> <p><i>This type of approach is currently in place for highways and bridges, with a proposed expansion to the categories of culverts and DTI buildings. A Government of New Brunswick (GNB) Horizontal Committee is reviewing the potential for an expansion of this model to other sectors of government.</i></p>
<p>3. a protected stream of a base level of funding determined necessary to adequately maintain assets in service;</p>	<p><i>DTI is utilizing long term planning models to demonstrate the impact on infrastructure of budget reductions and the importance of a base level of funding sufficient for maintenance of assets.</i></p>

Exhibit 1.1 - Summary of Recommendations (continued)

Recommendations	Department's Response
4. a 20 year planning horizon;	<i>A 20 year planning horizon would be the minimum utilized for most assets. With respect to a possible expansion of this plan to incorporate buildings, the planning horizon could vary depending on the asset.</i>
5. a process whereby new assets are constructed only when there is a business case to support the need. This should include redirecting savings from rationalized assets to the new asset life cycle maintenance costs;	<p><i>As part of the Department's proposed "Decision Framework and Methodology for Long Term Strategic Capital Infrastructure Planning and Prioritization", DTI has incorporated methodology including a Multi-Criteria Analysis matrix tool to assist in prioritizing both new capital construction and asset decommissioning/divestiture/disposal projects. As a continuous improvement to complement the Multi-Criteria Analysis matrix, DTI is considering adding a planning level Benefit/Cost element to provide for a business case assessment.</i></p> <p><i>The Department's decision framework contemplates redirecting savings from assets in the case of decommissioning/ divestiture/ disposal.</i></p>
6. apply the current DTI strategy and asset management system to all essential assets. This would result in a corporate approach which applies the least cost lifecycle prioritization to all essential assets;	<p><i>This approach is in place with respect to a number of DTI assets and will eventually be extended to all essential DTI assets. Continuous improvements to the system are being undertaken in conjunction with the asset management system including, but not limited to, safety, traffic volumes, surface condition rating and visual inspection rating.</i></p> <p><i>As noted, a GNB Horizontal Committee is reviewing the potential for an expansion of this model to other sectors of government.</i></p>
7. provide annual public performance reporting, which includes the actual physical condition of our essential assets versus pre-established targets, explaining the reason for any significant variances; and	<i>DTI is reviewing the appropriate model for public reporting and is working with the Office of Strategy Management within the Executive Council Office, to ensure alignment with the overall GNB performance reporting.</i>
8. a process or mechanism that ensures fiscal discipline is adhered to over the long-term (such as legislative change, statutory funding, contractual arrangements).	<i>DTI is reviewing options to determine the best model to ensure fiscal discipline.</i>

**Volume II Reports
our 2013 Value-for-
Money/Performance
Work**

1.6 In this volume of our 2013 Report, we report on the following value-for money/performance projects:

- Foster Homes
- Provincial Bridges
- Procurement of Goods and Services – Phase I
- Collection of Accounts Receivable
- Point Lepreau Generating Station Refurbishment – Phase I
- Pre-mixed Asphalt Procurement
- Follow-up work on recommendations from past value-for-money/performance reports.

Foster Homes

1.7 The primary objective of our work on Foster Homes was to determine if the Department of Social Development follows departmental standards for providing a safe and secure environment for children in foster care.

Provincial Bridges

1.8 The objectives of our work on Provincial Bridges in the Department of Transportation and Infrastructure was to determine:

- if the Department performs bridge inspections in accordance with professional standards and uses the inspection results to identify and prioritize necessary capital maintenance and other remedial measures;
- whether the Department maintains the service level of its bridge inventory based on a long term least life cycle cost approach; and
- whether the Department publicly reports on the condition of designated Provincial bridges and the effectiveness of its bridge inspection activities.

**Procurement of Goods
and Services – Phase I**

1.9 The objective of our work on the Procurement of Goods and Services – Phase I in the Department of Government Services (DGS) was to determine if the public purchasing practices used by government comply with key components of the regulatory framework and best practices; and if the DGS publicly reports on the

effectiveness of the procurement function.

Collection of Accounts Receivable

1.10 The objective of our work on Collection of Accounts Receivables was to review and comment on provincial policies and initiatives for the collection of accounts receivable across departments.

Point Lepreau Generation Station Refurbishment – Phase I

1.11 Our work regarding the Point Lepreau Generating Station Refurbishment will be approached in two phases. This report includes Phase I, the objectives of which were to:

- describe key aspects of NB Power’s planning and execution of the Point Lepreau refurbishment; and
- present summaries of the amounts making up the \$2.4 billion in costs related to the refurbishment.

1.12 In Phase II, we intend to look in more detail at costs associated with the refurbishment and to assess the reasonableness of the amounts charged to the project. We intend to report the results of Phase II in our 2014 Report.

Asphalt Procurement

1.13 Our work's objective regarding Pre-Mixed Asphalt Procurement was to determine if purchases are being made with due regard to economy and transparency.

Follow up on recommendations from past value-for-money/performance work

1.14 This volume of our Report contains Follow-up work on department and Crown agency progress in implementing our recommendations. We hope Members of the Public Accounts and Crown Corporations Committees will find the information presented useful during committee deliberations.

1.15 Also included are:

1. Appendix A which contains a “Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years”
2. Appendix B, a “Detailed Status Report of Recommendations Since 2008.”
3. Appendix C, a Glossary referencing report sections relevant to each department or Crown agency. This is intended to make it easier for committee members to find all department or Crown specific report comments throughout as

they appear before the committee(s).

Acknowledgements

1.16 Staff of the Office has worked very hard in carrying out the work contained in this volume of our Report. This report is a reflection of their level of commitment, professionalism and diligence. I would like to express my appreciation to each one for their contribution and continuing dedication to fulfilling the mandate of the Office of the Auditor General.



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