



# 2018 Report of the Auditor General of New Brunswick

Volumes II & III

AUDITOR GENERAL  
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL  
DU NOUVEAU-BRUNSWICK

# Presentation Chapters

- Improving Student Performance: A New Brunswick Challenge
- WorkSafeNB – Phase II – Management of Injured Workers' Claims
- Comments on the Province's Financial Position
- Follow-up on Recommendations from Prior Years' Performance Audit Chapters



# Improving Student Performance: A New Brunswick Challenge

Department of Education and Early Childhood Development

Volume II Chapter 2

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# Background

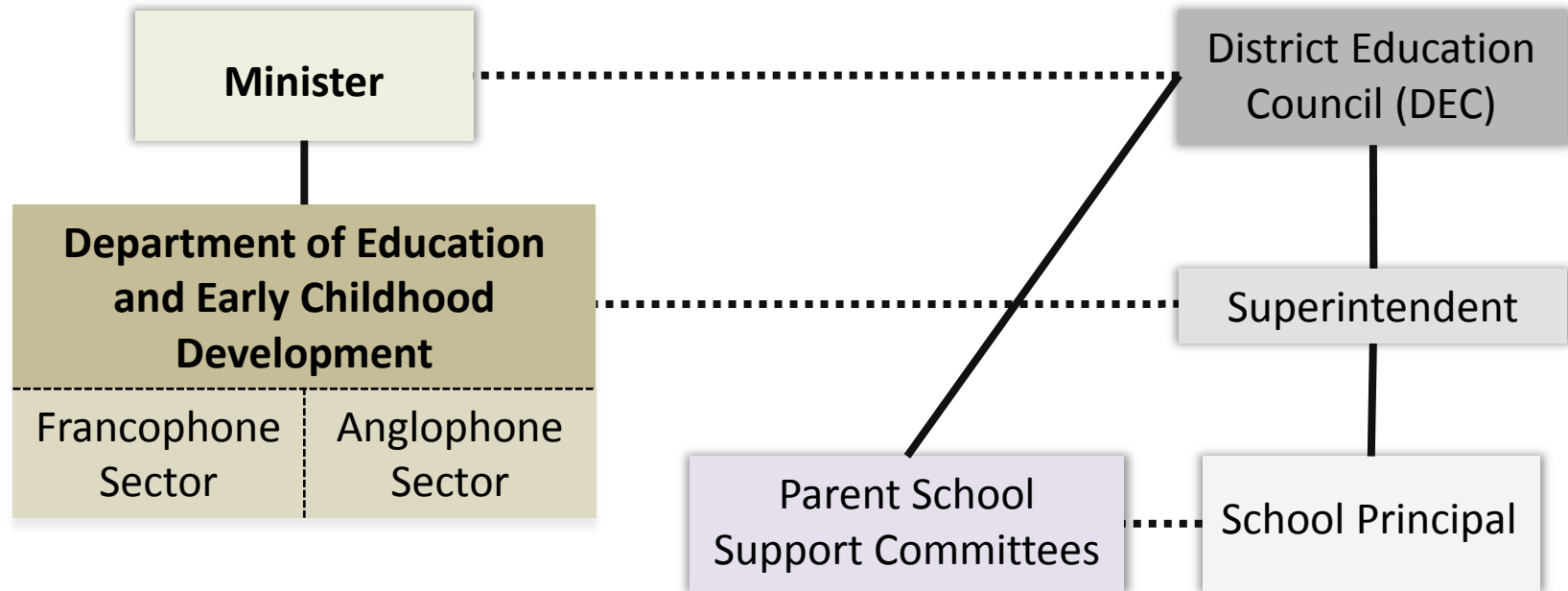
## New Brunswick Education System

- About 98,000 students in 300 schools
- Cost over \$1 billion to operate school districts
- 7 school districts:
  - 4 Anglophone (70% of students)
  - 3 Francophone (30% of students)
- Education system based on linguistic duality since the 1970's
- *Canadian Charter of Rights and Freedom* safeguards minority language educational rights





# Key Roles and Responsibilities in NB's Education System



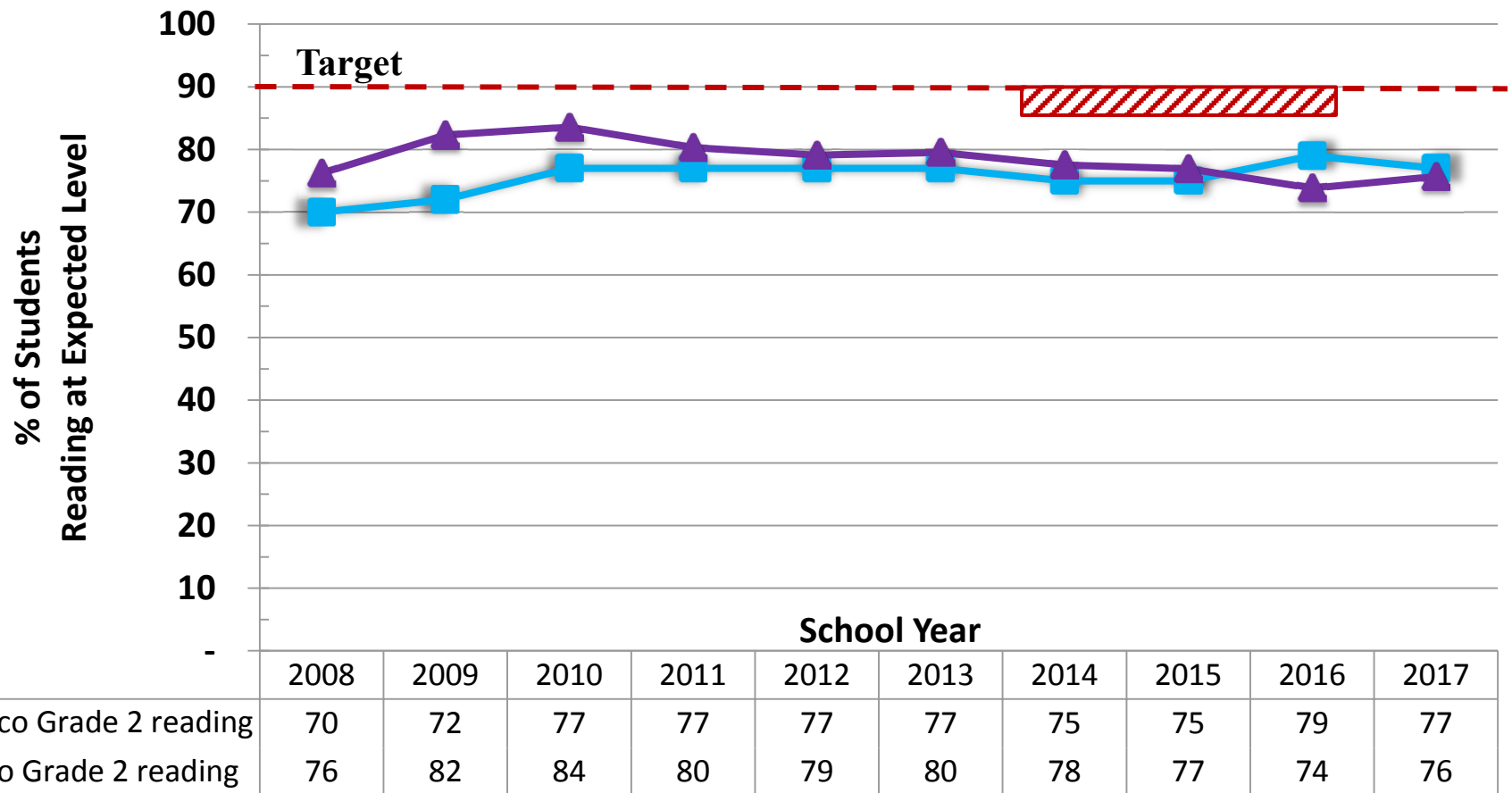
# Why We Did This Audit



- Education is a priority for New Brunswickers
- Student performance on provincial assessments has never met targets in the last 15 years.

# NB Grade 2 Reading Assessment Results

## Ten Year History



# NB Math & Science Assessment Results

## Examples from 2016-17

- **Performance gap** = Target - Result

### **Students who Passed Provincial Assessment**

<u>Assessment</u>	Department's Target	Actual Results	Performance Gap
Anglo Grade 6 Math	90%	38%	52%
Anglo Grade 6 Science	90%	32%	58%
Franco Grade 6 Math	85%	63%	22%
Franco Grade 8 Science	85%	77%	8%

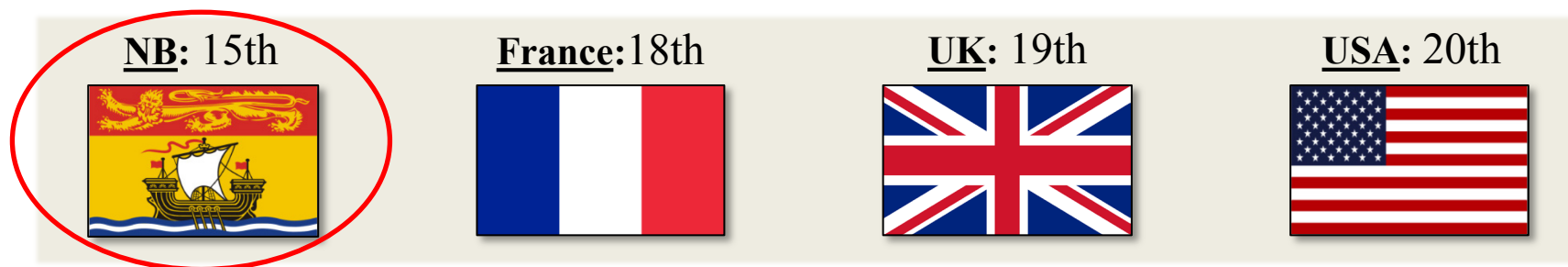


# National & International Assessments

## 2016 Canadian Assessment (PCAP)

- NB's mean score was the second lowest in Canada
  - However, most NB students (82%) performed at expected level or above in reading
- 

## 2015 International Assessment (PISA)



- As a country, NB would rank 15<sup>th</sup> in the world in reading

# Objective of our Audit

**To determine if the Department of Education and Early Childhood Development (the Department):**

- Sets goals for student performance in reading, math and science,
- Monitors student performance,
- Acts to improve student performance, and
- Publicly reports on student performance compared to goals.

# Conclusions

- Overall, **multiple complex factors** affect student performance
- Frequent changes in education strategy **create instability** and **shift focus away** from educating students
- Management cycle to improve student performance is **not operating as intended**

# Overall Highlights & Topics - *Improving Student Performance: A New Brunswick Challenge*

- Education system lacks stability
- Accountability process required by *Education Act* is not followed
- Other complex issues affect NB students & more collaboration is needed



# Education System Lacks Stability

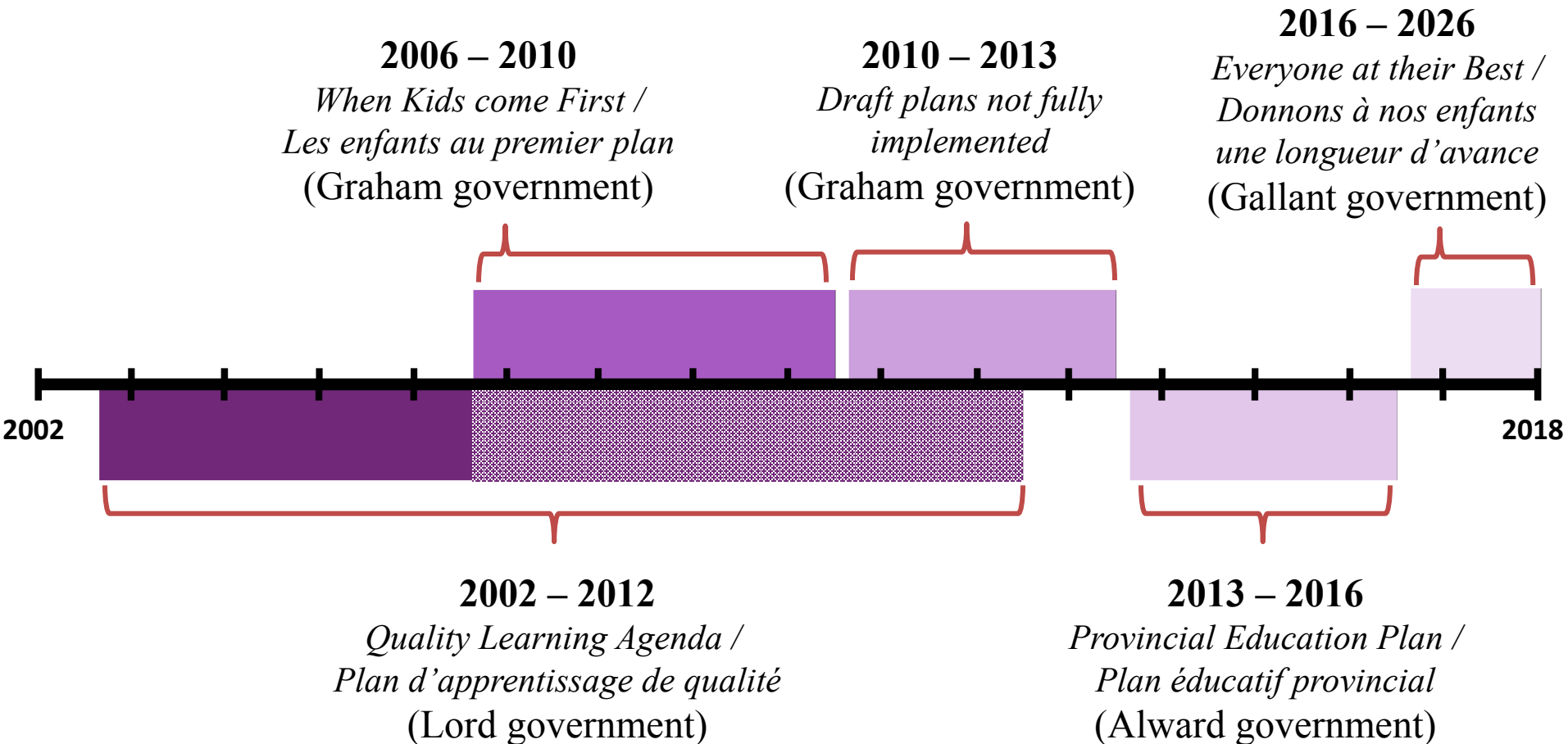
# New Brunswick's Education System Suffers From Lack of Stability

- It is difficult for schools and districts to operate effectively in a constantly changing environment.

**Events reported to us for disrupting the education system, taking focus away from educating students:**

- Changing provincial education plans
- Changes to the French immersion program
- Amalgamation of 14 districts into 7 in 2012

# 5 Different Education Plans in 15 Years



# New 2016-2026 Education Plans

- Stakeholders consulted at every level
- Plans intended to provide autonomy to school districts
- Plans have objectives with performance indicators and targets
- Education professionals believe targets are reasonable





# AGNB Recommendation

## 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.

# Rushed Implementation of Changes

## French Immersion Program



- **Program adds to the complexity** of operations and **changes create instability** in the Anglophone sector

### **3 major changes to program in 10 years, e.g.:**

- The 2017 program entry point **change was rushed**, not part of the new education plan and resulted in hiring teachers lacking required language skills
- With only one year to implement, labour market could not meet demand

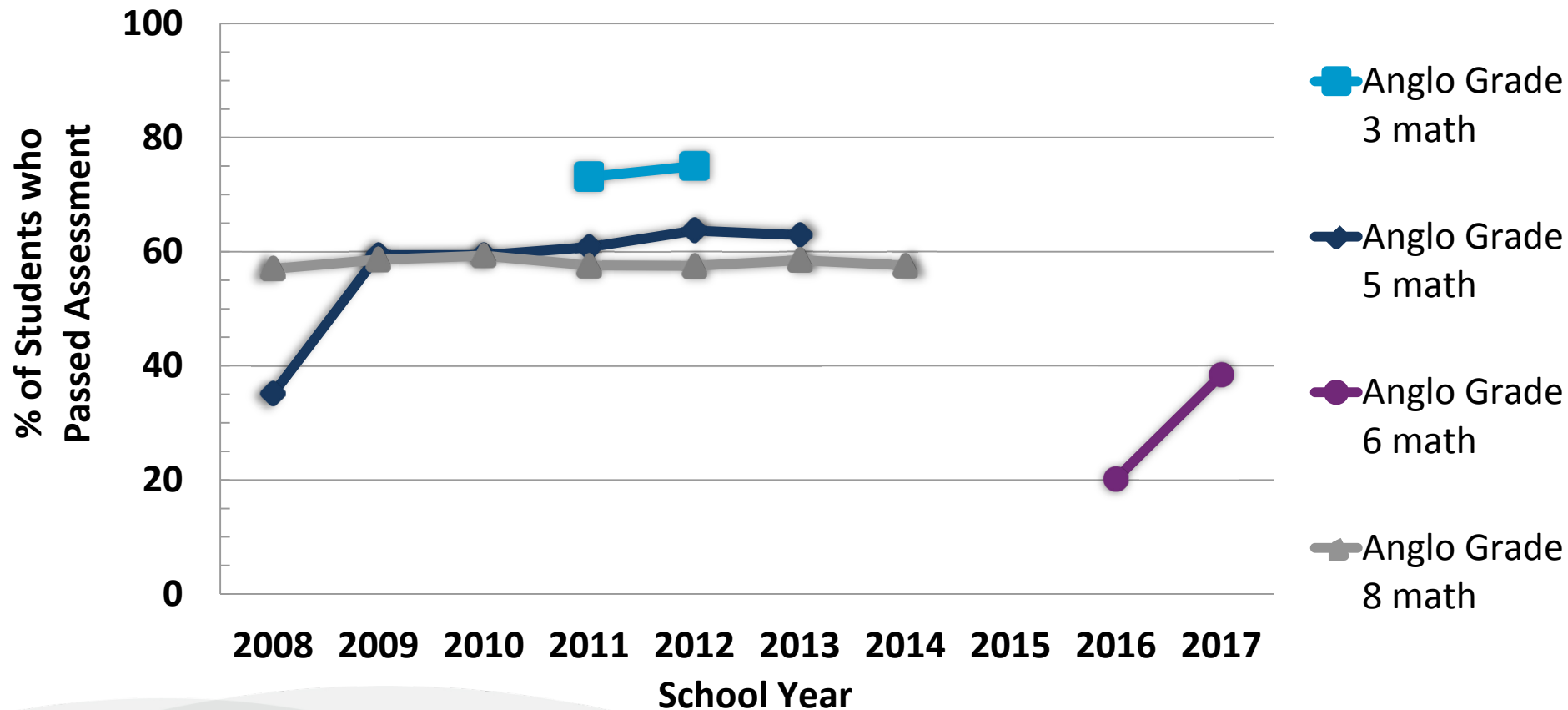
# AGNB Recommendation

**We recommend the Department**, prior to implementing major changes that impact student performance, prepare a detailed implementation plan with:

- Realistic time schedule
- Consideration of all needed supports
- Adequate funding
- Comprehensive risk assessment of impact on operations

# Provincial Assessment Programs Lack Stability

- Constantly changing assessments programs impair usefulness of results. E.g.: Anglophone results in math





# AGNB Recommendation

## **We recommend the Department**

- Stabilize the provincial assessment programs to allow for trend analysis of student performance results for decision making

**Accountability process required  
by *Education Act* is not followed**

# Monitoring & Reporting on Student Performance



## Department monitors student performance:

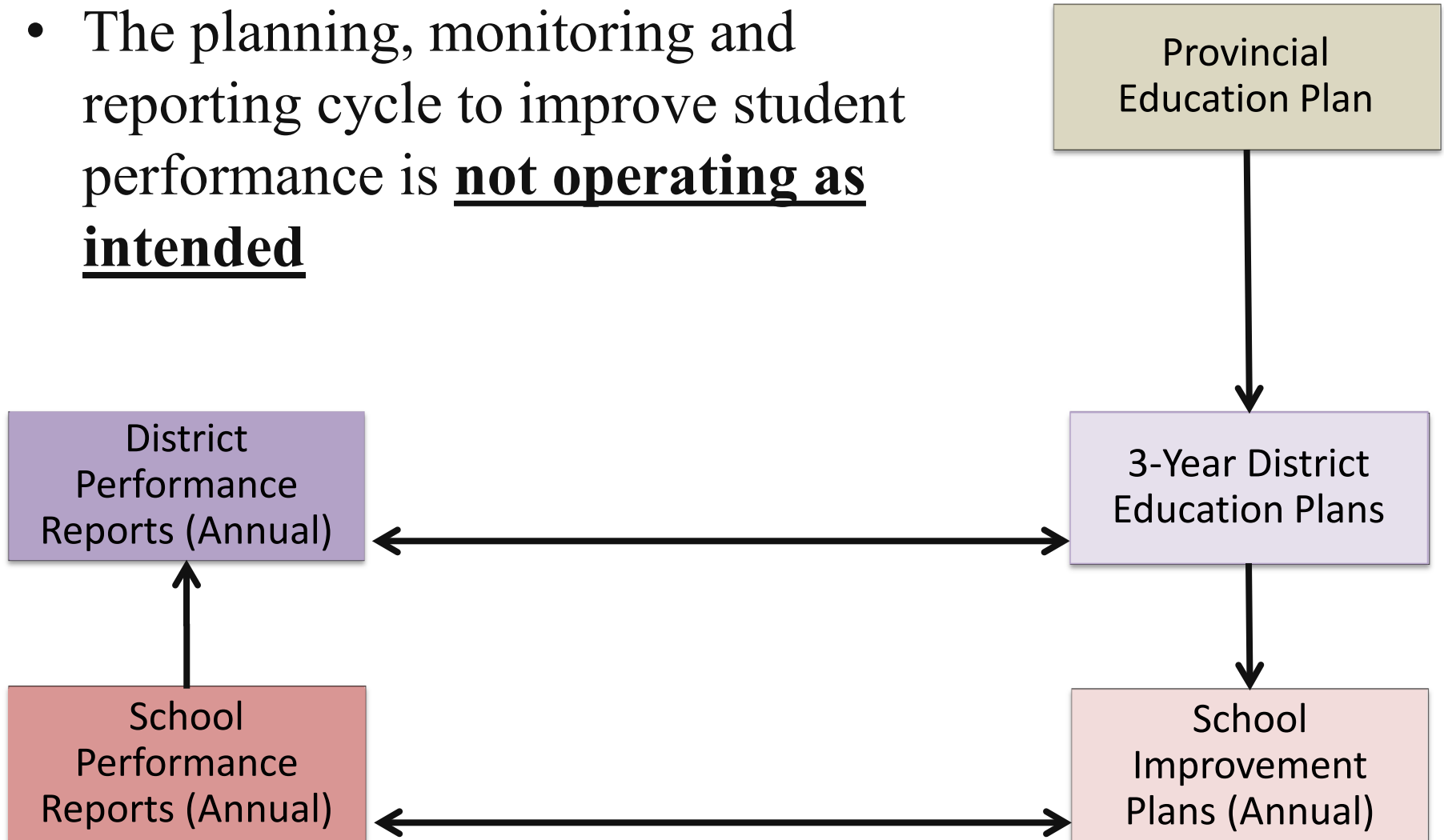
- School districts submit quarterly performance reports
- Provincial assessments in reading, math and science
- Students participate in national and international testing

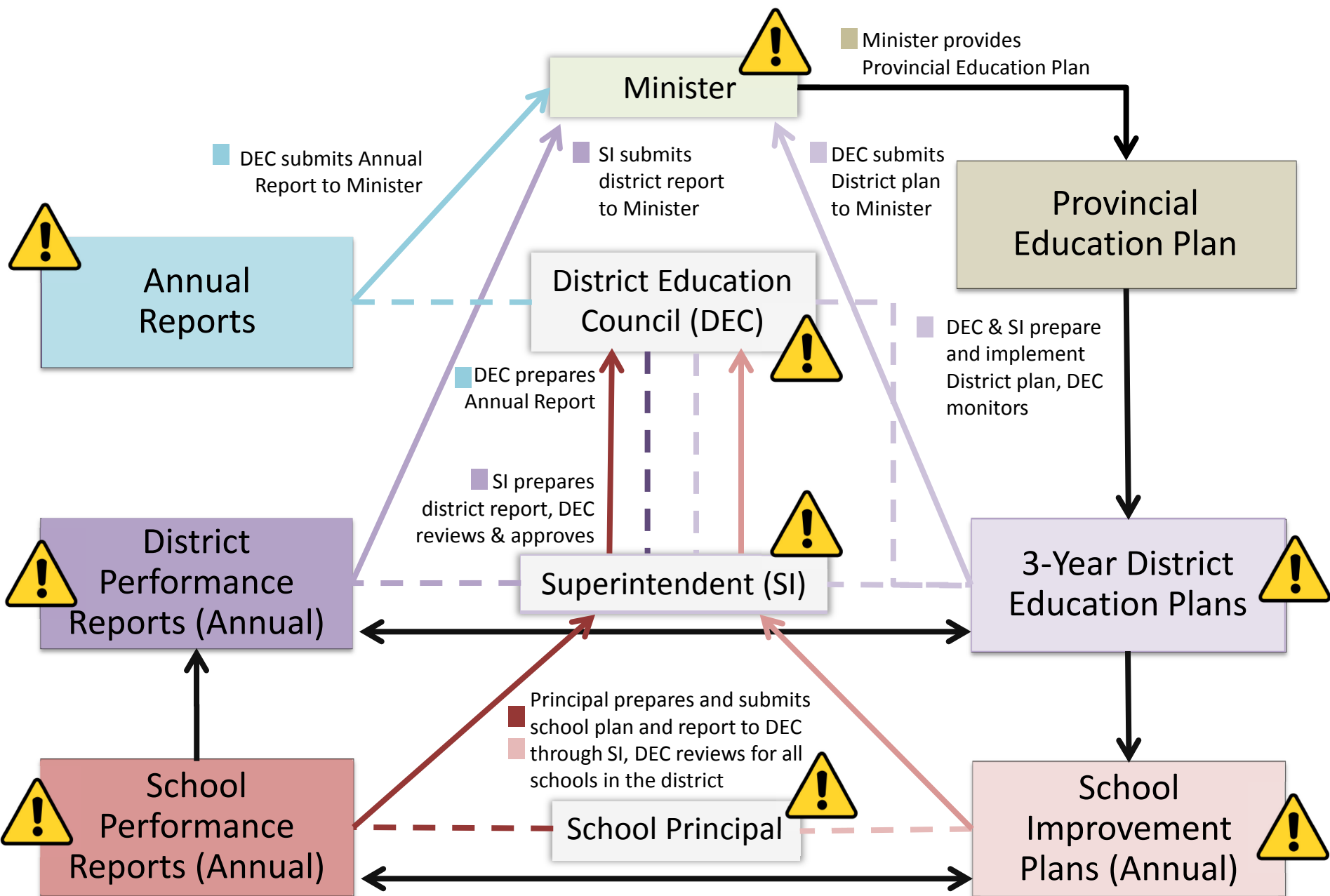
## Department also publicly reports on student performance:

- Provincial assessment results
- The Department's annual report
- *Grade 12 Exit Survey* reports

# Cycle to Improve Student Performance

- The planning, monitoring and reporting cycle to improve student performance is **not operating as intended**





# Accountability

- We found the Department **does not** have processes to track, receive, review and take action in regards to district reports
- We found the Minister **does not**:
  - hold the school districts accountable
  - enforce the *Act* by ensuring he/she receives plans and reports
- However, interviewees reported the *Act* may be outdated and may not reflect current practices

# AGNB Recommendations

## We recommend the Department:

- Review the *Education Act* in consultation with school districts
- Ensure school improvement plans are prepared and reviewed annually
- Hold all parties accountable as required by the *Education Act*

# Lack of Teacher Performance Reviews



- School districts do not monitor to ensure all teachers have regular performance reviews
  - The lack of teacher performance reviews can go undetected by school districts for 20 years

**We recommend the Department** develop standards and provide tools to support school districts in evaluating and improving teacher performance



**Other complex issues affect  
NB students &  
more collaboration is needed**

# Chronic Student Absenteeism

- When students miss school, they miss the learning opportunity
- Department **does not monitor student absences** because data from schools is inconsistent
- However, we found **chronic student absenteeism** is present in at least one district

<u>One school district's student absences</u>	
School Type	Absence Rate
K-2	13%
K-5	13%
6-8	15%
9-12	27%

# Unaddressed Needs in Education System

## **Inclusive education system has unaddressed needs:**

- Complexity and diversity of student needs and behaviours exceed teachers' professional training
- At least 4 school districts funded part of their educational assistant positions from other areas of their budgets

# Further Complexities in Anglophone Sector

## Comparing English program to French immersion program:

- Significant gaps in students' performance
- Significantly more students with personalized learning plans
- Four times more combined classes
- Overall, **nine times more combined classes** than Francophone sector

# Complex Socioeconomic Issues

- Poverty, adult illiteracy and other socioeconomic issues exist in NB
  - Adds to the complexity of education process and ultimately affects student performance
- Before educators can focus on teaching, they often need to deal with students who arrive at school:
  - Hungry
  - Without proper clothing
  - Late

# Collaboration to Address Basic Needs

- More collaboration with other departments and local communities is required to address basic needs to ensure teachers' efforts are devoted to student learning.



# More Collaboration Needed Between Sectors

- Anglophone and Francophone sectors rarely communicate with one another
- Currently, there are no forums or tools to facilitate collaboration and sharing between the two sectors
- We found school districts have initiatives to improve their operations that could be adapted by other districts



# AGNB Recommendations

## **14 recommendations** to the Department of Education and Early Childhood Development:

- Stabilize the education system
- Hold the school districts accountable
- Comply with (or review) the *Education Act*
- Improve public reporting





# WorkSafeNB

## Phase II – Management of Injured Workers' Claims

### Volume II Chapter 3

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# Objective of the Audit

## **Reminder: Phase I (June 2018):**

- To determine if the WorkSafeNB governance framework is structured to enable the organization to meet its mandate, goals and objectives.
- 

## **Phase II (January 2019):**

- To determine if WorkSafeNB has an effective claims management framework

# Why This Audit is Important

- Claims costs have risen by over \$300 million in five years
- Impact on vulnerable workers is significant
- An effective and efficient claims management framework is necessary to balance the needs of the injured workers and employers

# Why This is Important

## Impact on Vulnerable Workers is Significant

- Injured workers and their families can suffer hardship if adequate compensation benefits are not provided
- Benefits can range from income replacement to health care services

**28 days**

average work days before  
first payment issued

**65 days**

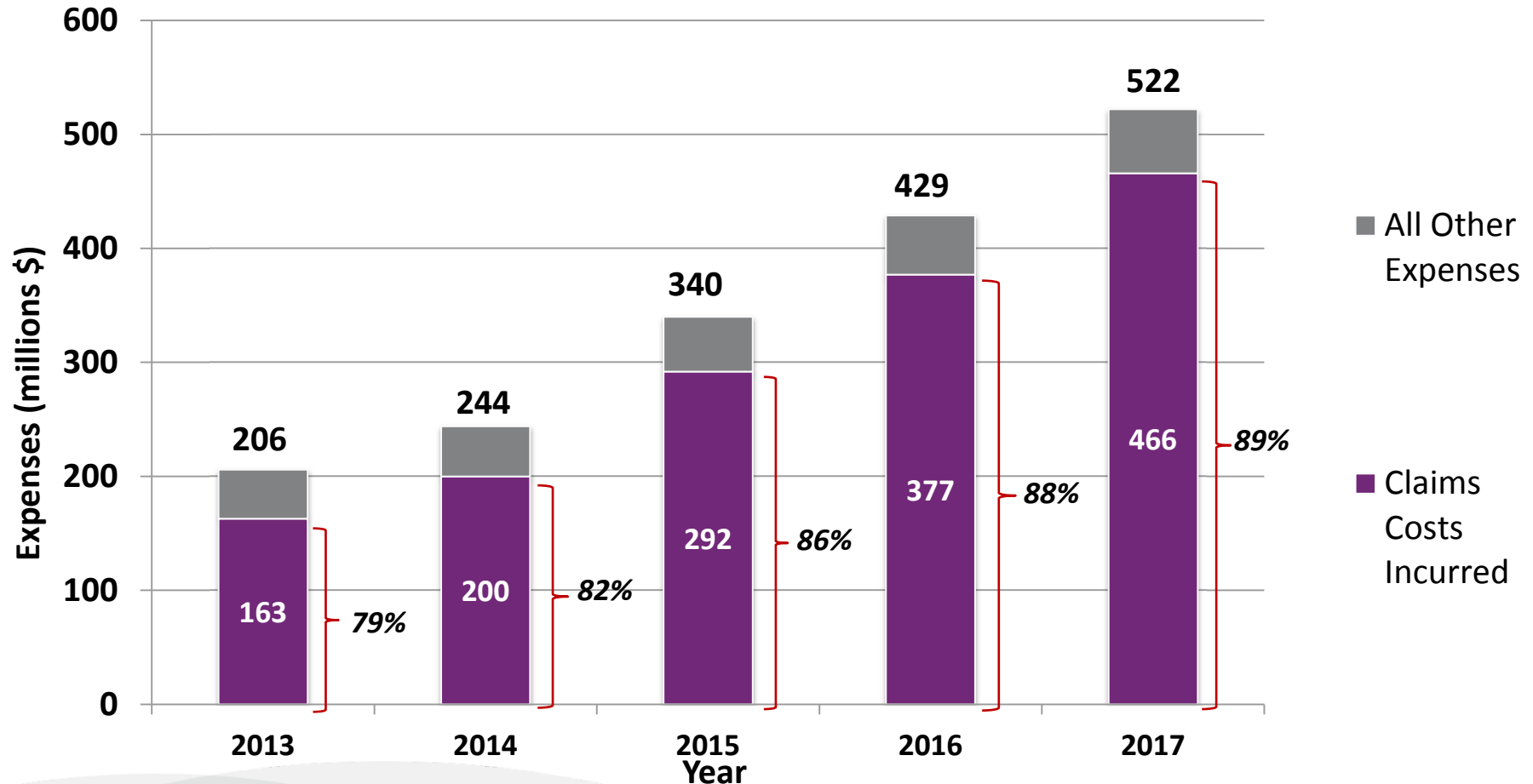
average lost work days  
per lost-time claim



# Why This is Important

## Claim Costs Have Been Rising Rapidly

WorkSafeNB Claims Costs to Total Expenses



# Background - WorkSafeNB

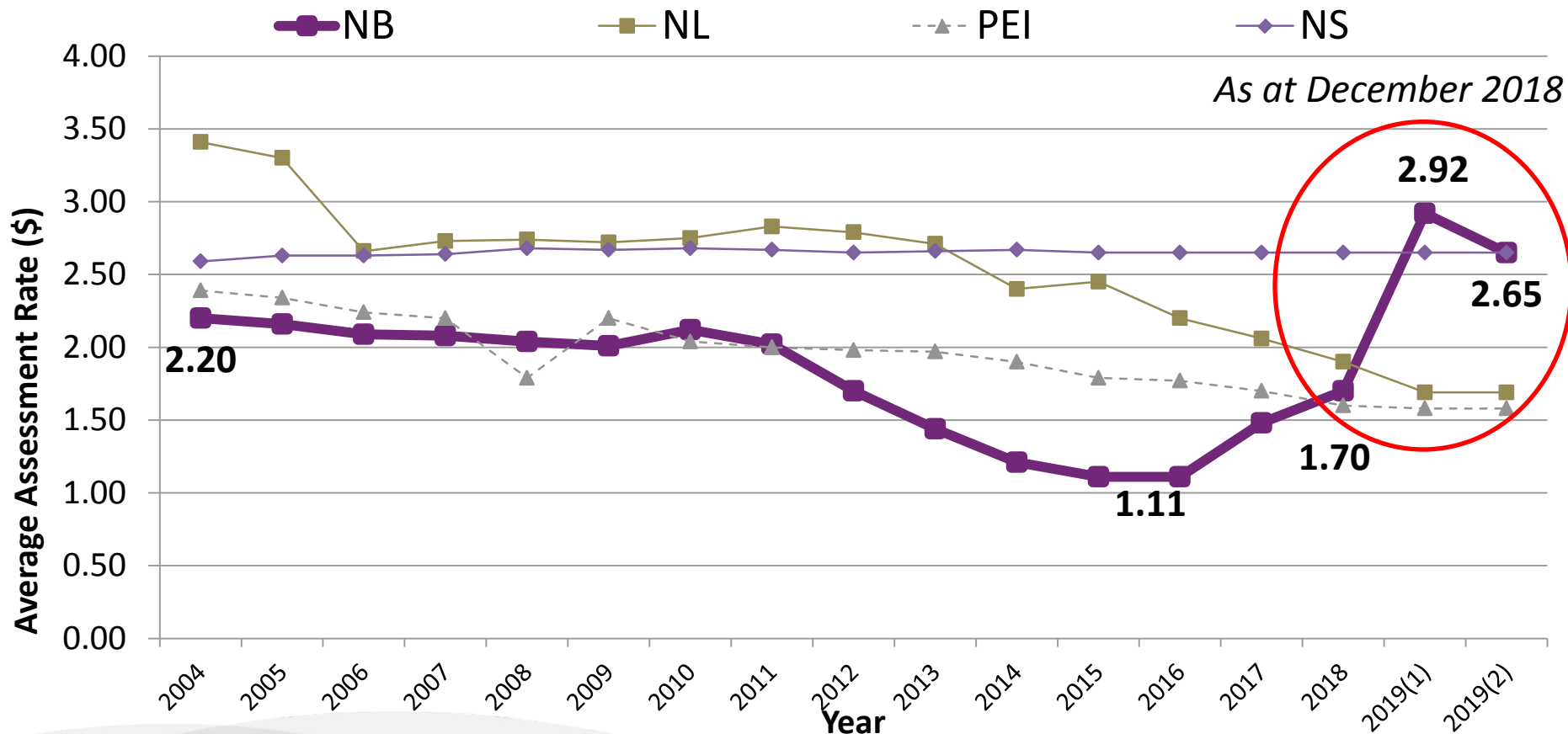
- Crown corporation with over 450 employees
- Submits reports to the Minister of Post-Secondary Education, Training and Labour
- Governed by a board of directors
- Oversees provincial Acts which govern:
  - Workers' compensation
  - Occupational health and safety



# WorkSafeNB is Funded by Employers

## Rate Now Highest in Atlantic Canada

15 Year Comparison of the Average Assessment Rate (\$/\$100 payroll)



# Conclusion

- In general, the claims management framework adopted by WorkSafeNB is reasonable and many of its policies are consistent with industry best practice
- However, numerous process deficiencies hinder WorkSafeNB's ability to actively manage cases to achieve timely return to work



# Overall Highlights & Topics - WorkSafeNB

## *Phase II – Management of Injured Workers' Claims*

- “Return to work” goal not embedded in WorkSafeNB processes
- Time sensitive treatments can be delayed
- Workers Compensation Appeals Tribunal “WCAT” is different than most of Canada
- Ineffective claims system lacks automation

# **“Return To Work” Goal Not Embedded in WorkSafeNB Processes**

# Concept of Return to Work

- Establishing an expectation for when injured workers would be ready to return to work is a critical part of overall recovery process
- We believe worker motivation is one of the most important aspects in prompt return to work
- Concept of return to work and a realistic plan to employers and injured workers should be communicated as early as possible

# Plan for Returning to Work –

## WorkSafeNB is missing an early opportunity

- Return to work is one of the primary goals of WorkSafeNB but not embedded into the claims management process
- We found WorkSafeNB is missing the early opportunity to communicate return to work options to injured workers during initial process
- WorkSafeNB did not create a comprehensive case plan after a claim is accepted
- Without such a plan, it would be difficult for WorkSafeNB to motivate injured workers to return to work

# AGNB Recommendations

## **We recommend WorkSafeNB:**

- Focus on return to work during adjudication by:
  - identifying risks to return to work;
  - prioritizing complex claims; and
  - initiating a plan to address barriers.
- Communicate a detailed case plan (*to injured workers*) with:
  - return to work goals;
  - proposed treatments; and
  - forecast date for recovery.

# Time Sensitive Treatments Can Be Delayed

# Lack of Communication Between WorkSafeNB & Injured Workers



- **No personal contact** with injured worker to assess nature of injury, determine immediate steps needed or to discuss treatment plans
  - Only a *“please submit the specific document”* letter
- WorkSafeNB **provides little explanation** of benefits and entitlements to the injured worker
  - An information kit is only sometimes sent out
  - Only verbally explains decision and awarded benefits

# Not Monitoring According to Guidelines

- We found WorkSafeNB claims are **not monitored** in accordance with Disability Duration Guidelines (DDGs)
- Comparing diagnoses to **DDGs can help forecast** disability duration and dates for recovery
- We found WorkSafeNB's claims management **lacks timelines** associated with follow-ups and recovery monitoring





# Time Sensitive Treatments Can Be Delayed

**We found issues which could cause delays in getting appropriate treatments at the right time:**

- Referrals for specialized treatment often only used as last resort
- System does not track medical progress of injured workers
- Staff appointments to Adjudicator position are not competency based



**Case Example: Paragraph 3.83 on page 121**

# Inconsistency Between Regions

- Decentralized processing of medical claims creates inconsistency between regions
  - Medications authorized in one region could be rejected in others
- We observed inconsistency in the awarding of benefits among the regions
  - Care needs assessments were not always performed
  - Post-surgery care allowance (for informal caregiver) denied in some regions but not in others

# Case Managers Lack Training

- WorkSafeNB case managers felt **training was not adequate** to learn all requirements of the role
- Case managers are **not specialized** based on types of injuries, and some lacked confidence to make decisions
- Case managers over-rely on opinions of WorkSafeNB internal medical advisors (for interpretation of benefit entitlement policies)

# Workers Compensation Appeals Tribunal “WCAT” is Different Than Most of Canada

# WCAT Authority Different Than Most of Canada\*

- Tribunal's authority to change operational policy happens only in New Brunswick and Quebec
- Paying benefits for non-compensable injuries in New Brunswick is **inconsistent** with other Workers' Compensation Boards in Canada

## Policy changes, as a result of WCAT decisions:

- Created uncertainty with case managers
- Added \$102 million liability to accident fund

*\*Subsequent Event: On December 12, 2018, WorkSafeNB announced that a new legislation impacting NB's workers compensation system has been proclaimed. The new legislation restricts ability of the WCAT to override existing WorkSafeNB policies.*

# AGNB Recommendation

- In other jurisdictions, before a file goes to the Appeals Tribunal an internal review is mandatory, but not in New Brunswick.



## 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 WCAT.

# Ineffective Claims System Lacks Automation

# Ineffective Claims System Lacks Automation

- System allows incomplete electronic forms to be submitted
- Electronic form submissions are not transferred automatically into the claims management system
  - Electronic forms are printed and manually scanned into the system
- No system trigger to alert staff when a claim has gone past an estimated disability duration



# Ineffective Claims System Lacks Automation

- Case managers' time consumed by administrative tasks
  - E.g. Calculating benefits
- No convenient way to pull data for review and analysis
  - No area of the system that a case manager can review as a quick summary of the claim



# AGNB Recommendations

## **29 recommendations to WorkSafeNB aimed to:**

- Promote timely return to work
- Reduce claim duration, and
- Ultimately assist in reducing claims costs and maintaining sustainability



# Comments on the Province's Financial Position

Volume III Chapters 2, 3 & 5

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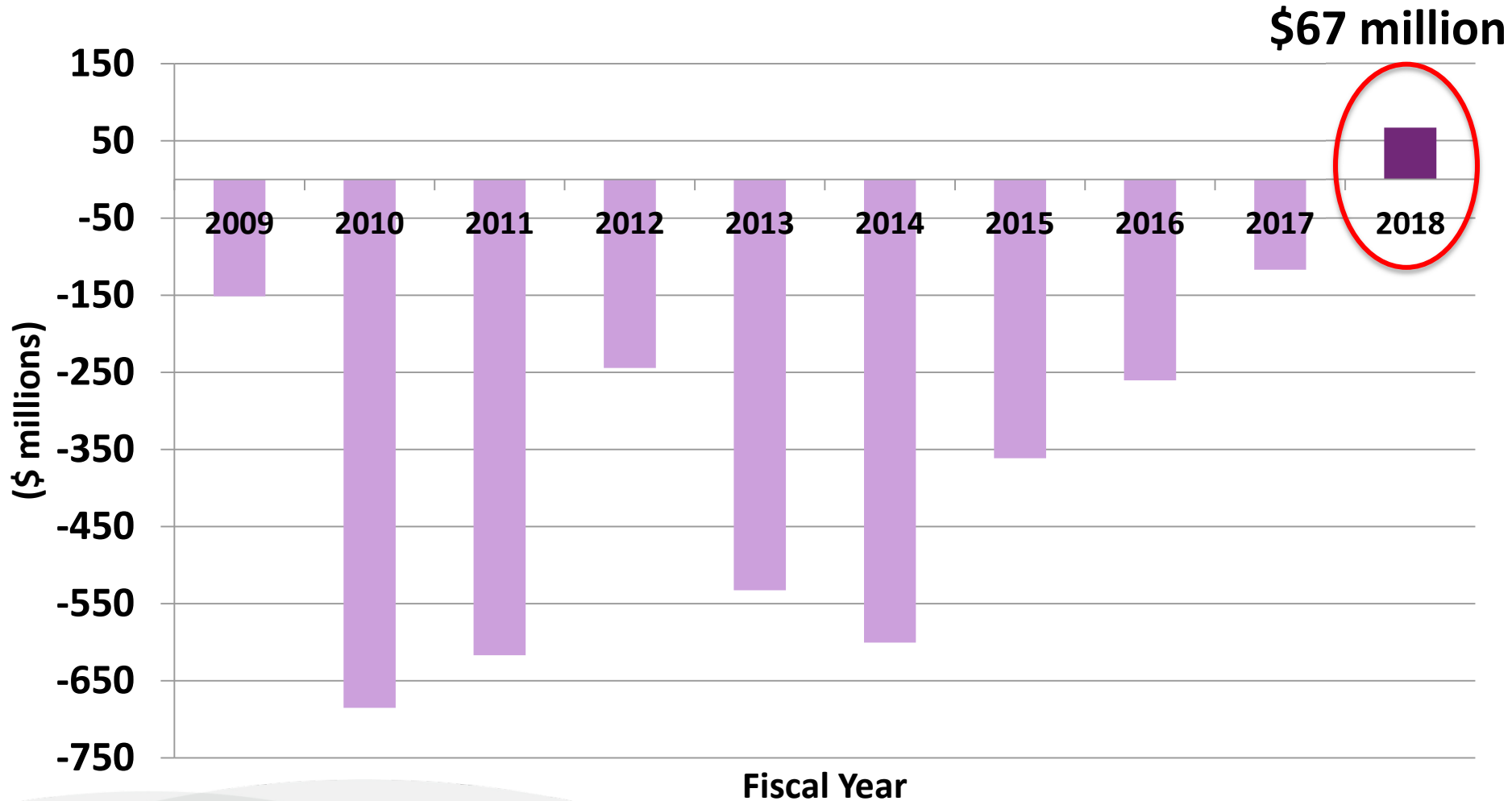
# Province's 2018 Financial Results

- Annual surplus of \$67 million
- Net debt increase smaller than past years
- Encouraging signs of fiscal progress in the short-term

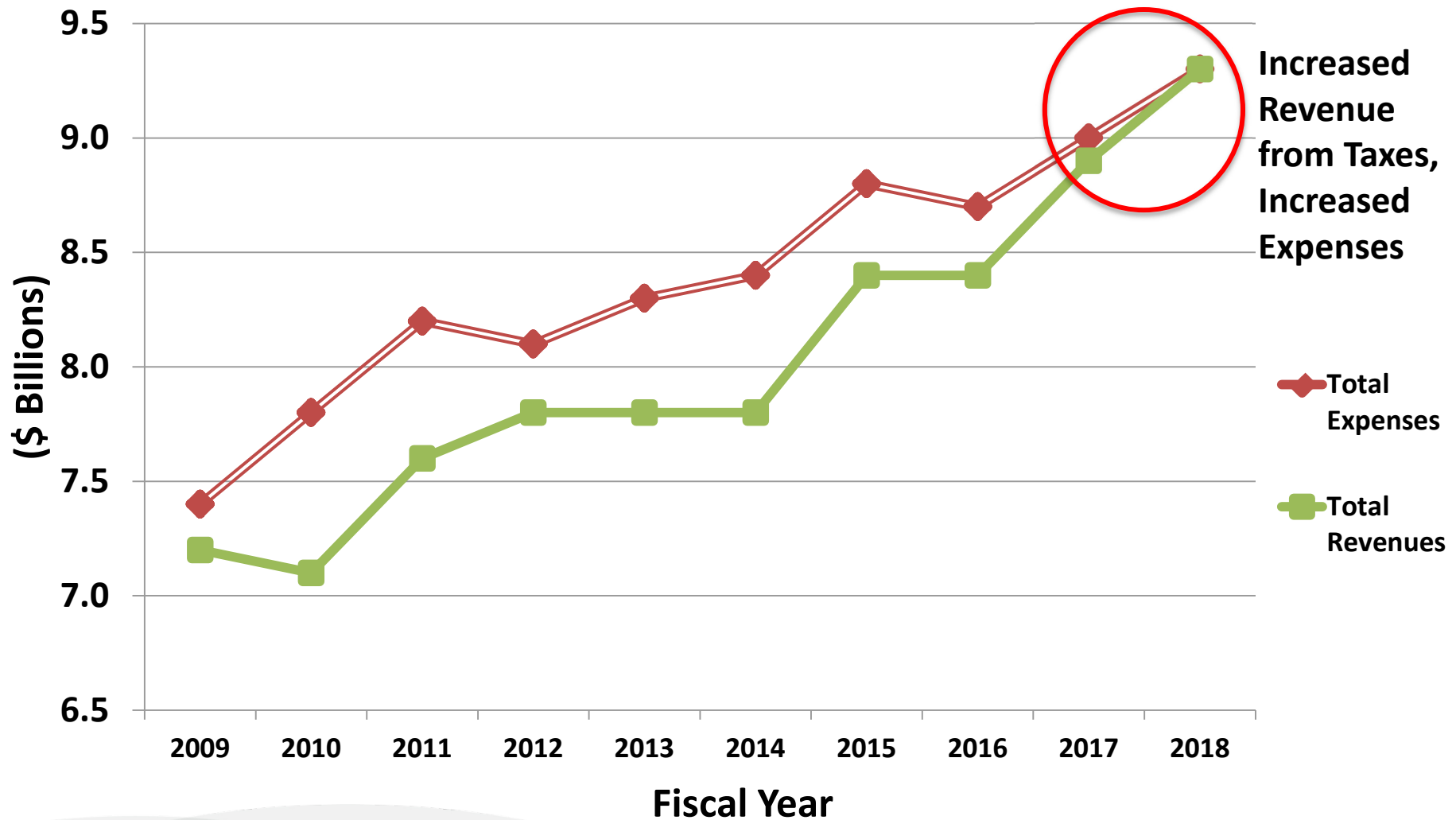


# Province's Annual Surplus & Deficit

## First Surplus in a Decade



# Revenue and Expenses Continued to Climb

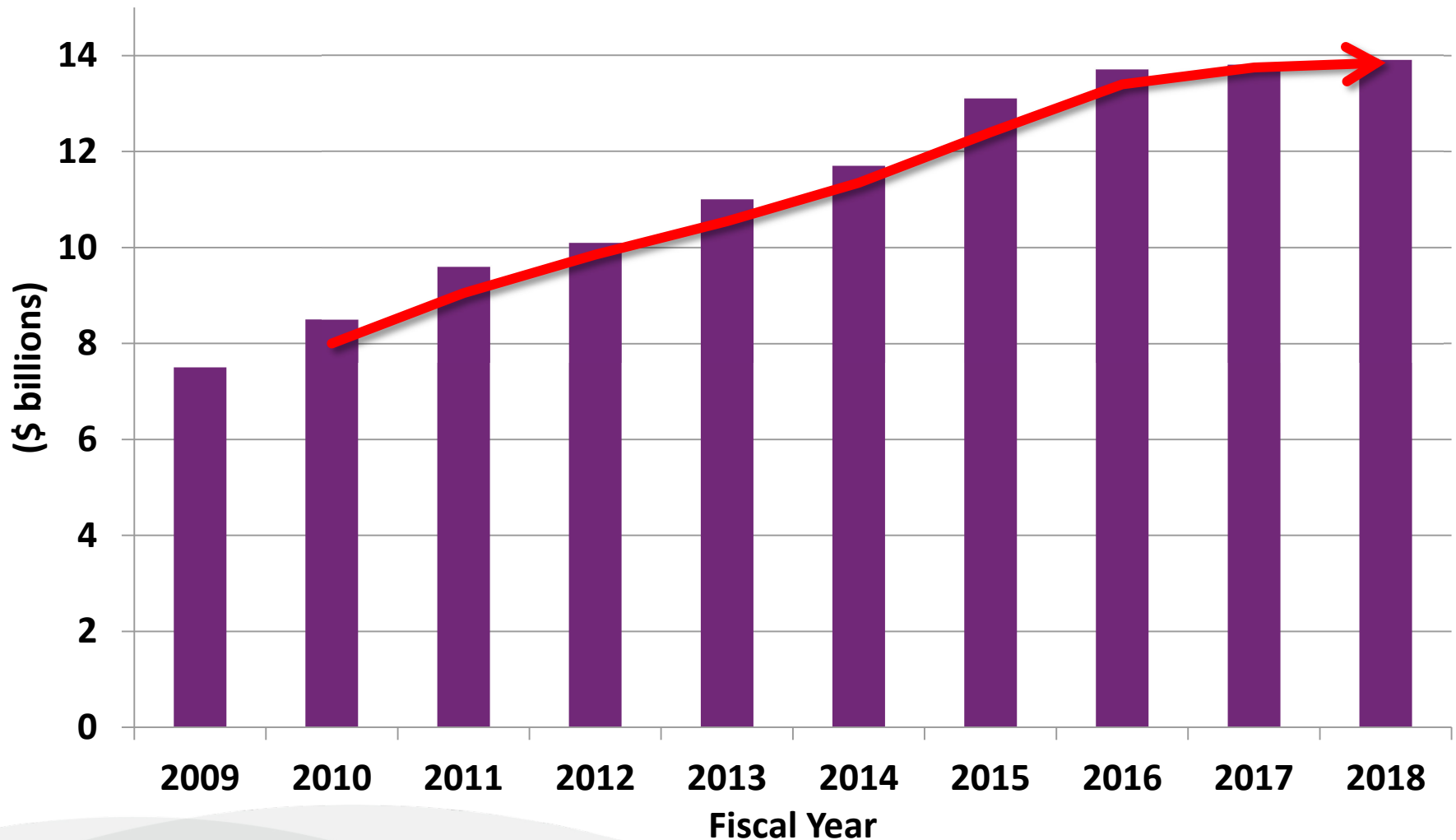


# Sustainability Indicators of Financial Condition

Indicator	Short-term Trend	Long-term Trend
Assets-to-liabilities	Favourable	Unfavourable
Financial asset-to-liabilities	Favourable	Unfavourable
Net Debt-to-total annual revenue	Favourable	Unfavourable
Net Debt-to-GDP	Favourable	Unfavourable
Accumulated deficit-to-GDP	Favourable	Unfavourable
Total expenses-to-GDP	Neutral	Unfavourable

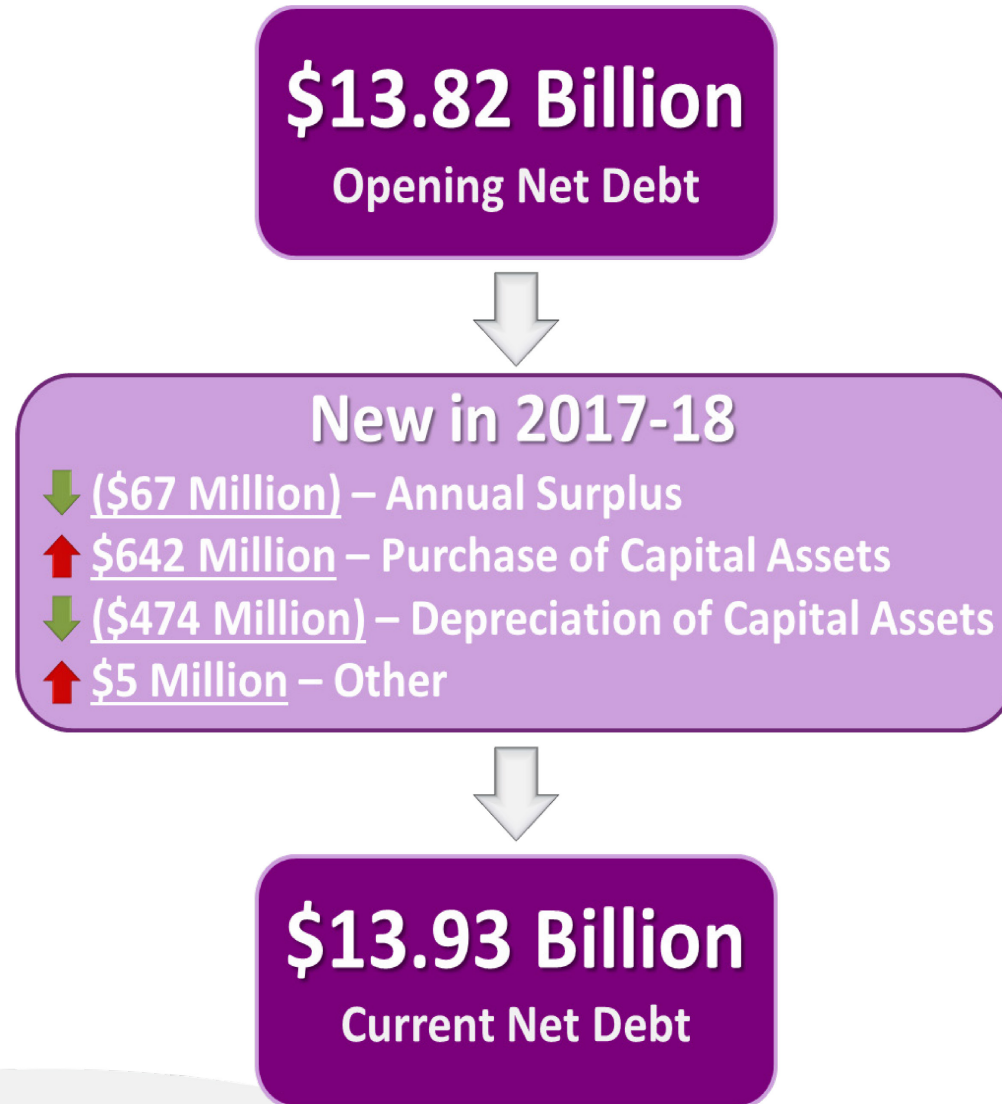
# Net Debt \$13.9 Billion as of March 31, 2018

## Almost Doubled in 10 Years

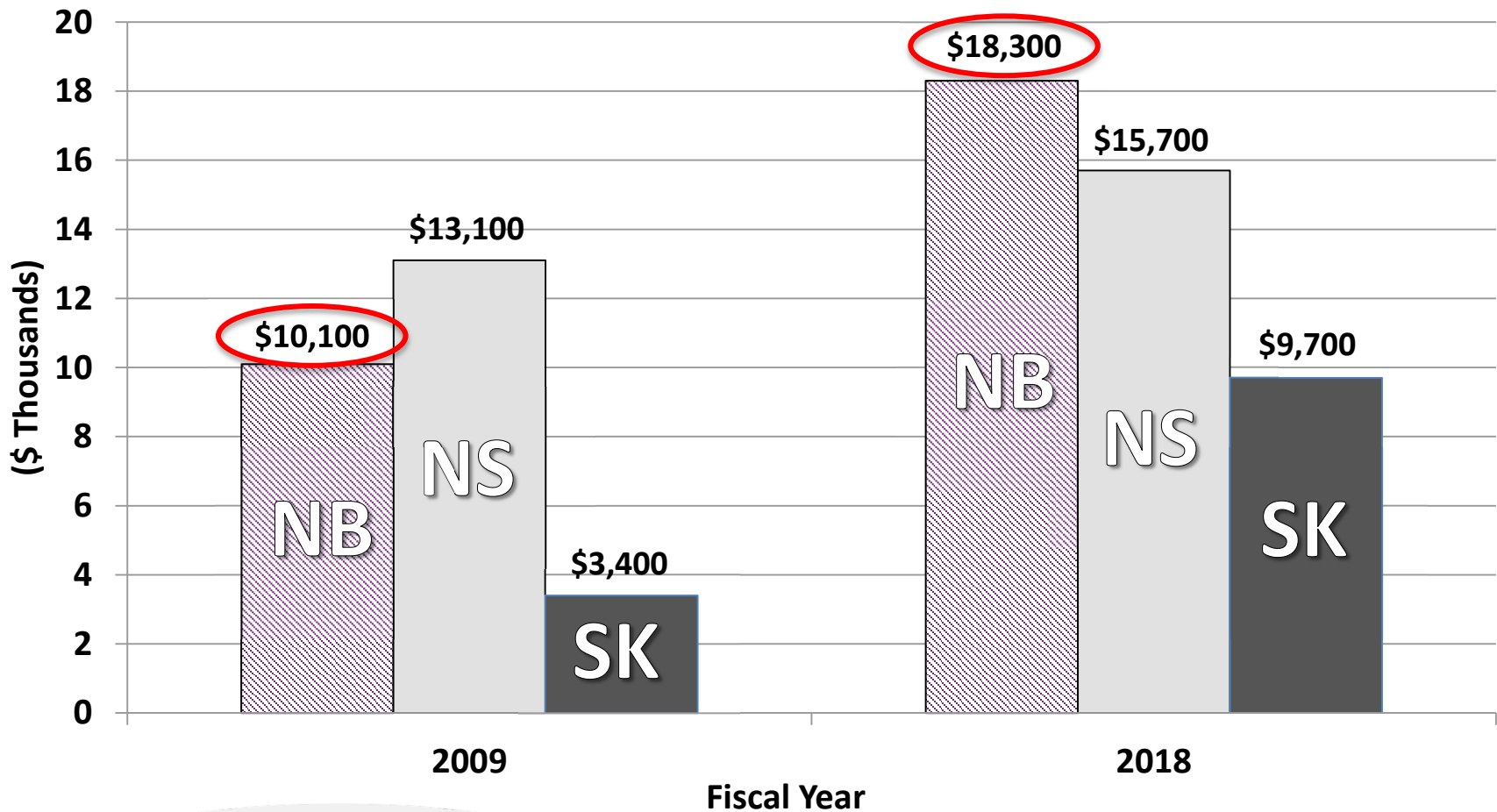




# Why Did Net Debt Increase When There Was a Surplus?



# Net Debt Per Capita Higher Than Other Provinces With Similar Populations



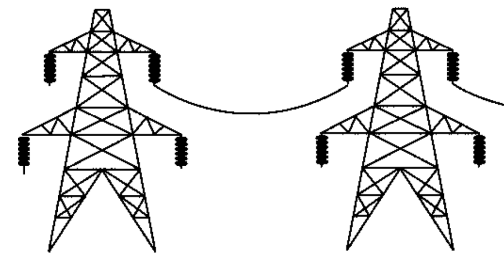
# Province paid \$667 million in interest in 2018

- If this interest cost was a department, its budget would be larger than the Department of Transportation and Infrastructure.
- If interest rate goes up by 1% now, by the third year interest expense would be \$60 million more
- Such an increase would further restrict government program spending.

# Understanding Key Financial Audit Issues

# Future Interference in NB Power Rates May Have Serious Accounting Consequences

- NB Power is considered an independent business
- Respect for the independent rate setting regulatory process must exist in substance and form
  - Interference examples: rate caps or freezes
- This could significantly impact Province's accounting, such as increased Net Debt



# Major IT Systems Out of Date

**Civil Service &  
Pension Payroll  
System  
\$1.3 billion**

**Teachers'  
Payroll  
\$806 million**

**Provincial  
Payments  
billions**

# How are Spending Announcements Recorded?

## CURRENT YEAR SPENDING (EXPENSES IN FINANCIAL STATEMENTS)

**\$9.3 BILLION FOR 2018**

### Examples

- New initiatives
- Economic development grants

## COMMITTED FUTURE SPENDING (FINANCIAL STATEMENT NOTES)

**\$ 4.7 BILLION FOR 2019 - 2023+**

### Examples

- |   |                 |
|---|-----------------|
| - Nursing home services                         | \$678.6 million |
| - Route 1 Gateway highway                       | 640.5 million   |
| - Regional and community development agreements | 296.0 million   |

## ANNOUNCED SPENDING PROMISES (NOT RECORDED ANYWHERE)

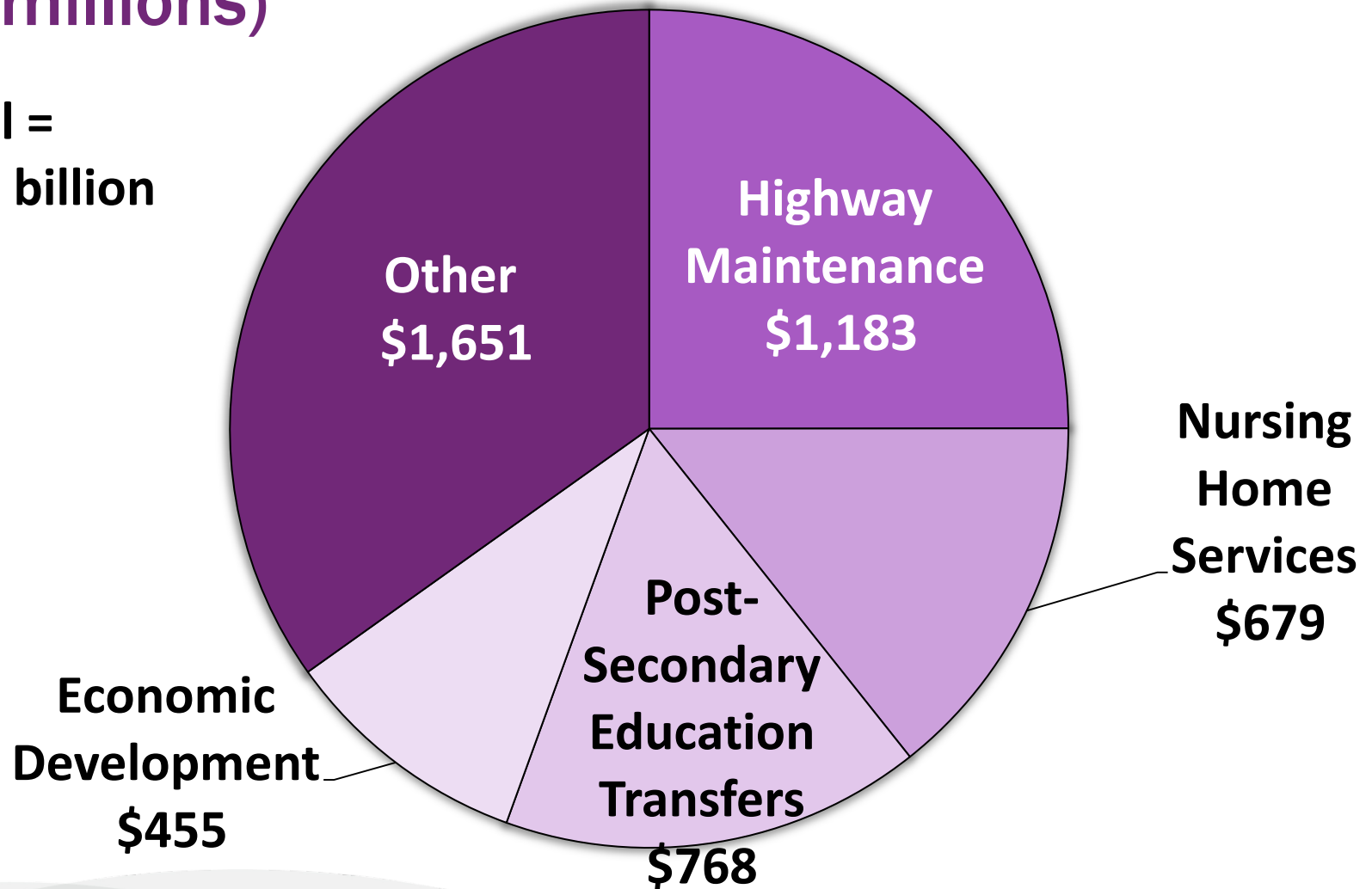
**\$MILLIONS FOR 2019 - 2023+**

### Examples

- Nursing home beds
- Infrastructure
- Multi-year promises

# Total Contractual Obligations 2019 and After (\$ millions)

**Total =  
\$4.7 billion**





# Centralizing Collection - Accounts Receivable

- Province is owed almost **\$3 billion**
- Little progress on centralizing accounts receivable collection
  - Has been ongoing since 2011
- SNB collections branch has not been given a clear direction to centralize collections of all accounts receivable
- No timeline for completion of centralization of accounts receivable



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

## Volume II Chapter 4

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# Implementation of Recommendations

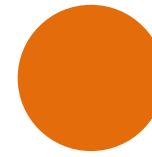
Year	Recommendations			
	Total	Implemented	Agreed/Not Implemented	Percentage Implemented
Self-reported by departments and agencies				
2016	44	30	14	68%
2015	93	60	33	65%
Verified by AGNB				
2014	17	12	5	71%

# Heat Map – Online Reporting

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

Department and Project Name	Report Release Date	2018 Status	
		Department Self-Reporting	Auditor General Follow-up
<b>Opportunities NB</b> <i>Financial Assistance to Atcon Holdings Inc. and Industry</i>	2015		
<b>Executive Council Office</b> <i>Financial Assistance to Atcon Holdings Inc. and Industry</i>	2015		
<b>NB Power</b> <i>Point Lepreau Generating Station Refurbishment – Phase II</i>	2014		
<b>Service New Brunswick</b> <i>Data Centre Power Interruption</i>	2014		
<b>Office of the Chief Information Officer</b> <i>Data Centre Power Interruption</i>	2014		
<b>Transportation and Infrastructure</b> <i>Long Term Infrastructure Sustainability Plan</i>	2013		
<b>Legislative Assembly and Executive Council Office</b> <i>Constituency Office Costs for Members of the Legislative Assembly and Executive Council</i>	2011		

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

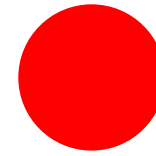


50% – 74% of  
Recommendations  
Implemented

## **ONB made progress to implement recommendations:**

- 12 of 18 recommendations implemented by ONB; improvement over last year (4 of 18 implemented)
- 1 recommendation to ECO was not implemented

# Long Term Infrastructure Plan (2012)

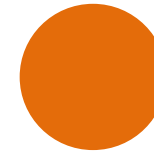


< 50 % of  
Recommendations  
Implemented

## **Recommendation has not been fully implemented:**

- ✓ DTI has implemented 2 of 8 key components of the recommended plan, but more work remains
- ✗ Systematic rationalization of assets is still an area of weakness
- ✗ No protected stream of funding for maintenance
- ✗ Lack of fiscal discipline to optimize infrastructure maintenance over long term

# Point Lepreau Refurbishment – Phase II (2014)

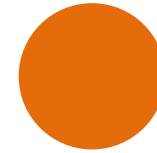


50% – 74% of  
Recommendations  
Implemented

## **3 of 10 recommendations not implemented:**

- Though NB Power reported 3 remaining recommendations as implemented, our detailed review found they were not.
- These recommendations addressed concerns in:
  - Soliciting competitive bids
  - Using industry standardized format for external contracts
  - Benchmarking market rates for services by contractors

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



50 - 74 % of  
Recommendations  
Implemented

## 2 key recommendations still not implemented:

- × Constituency costs for Ministers are still not being authorized, paid, recorded, monitored or reported through the Office of the Clerk
- × Total constituency costs claimed by each Member, including Ministers, are not publicly reported



# Auditor General Closing Remarks

# Questions?