

# Chapter 1

## 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 and the people of New Brunswick on government’s performance in its delivery of programs and services.*

1.2 In this volume of our 2019 Report, we include three performance audit related chapters:

- Provincial Funding to Universities and Maritime College of Forest Technology (MCFT);
- Group Homes and Specialized Placements; and
- Follow-up Work and Financial Assistance Case Studies (Blueberries and Naval Centre).

## Provincial Funding to Universities and Maritime College of Forest Technology

1.3 Chapter 2 of this volume presents our findings and observations regarding the allocation and monitoring of provincial funding to universities and MCFT. We found the Department of Post-Secondary Education, Training and Labour is not holding universities and MCFT accountable for the funds provided.

1.4 While funding, for the most part, was allocated in accordance with agreements, the Department is not monitoring the use of over \$210 million a year.

## *PETL takes a “hands-off” approach with universities and MCFT funding*

1.5 In the last decade, we found the Department provided these institutions over \$2 billion in operating grants. While I believe our universities are facing many challenges, including financial ones, I am surprised government has

such a “hands-off” approach to monitoring university funding despite the significant tax dollars involved.

***More monitoring required against measurable key performance indicators***

**1.6** I expect government to establish key performance indicators with measurable targets for all funding provided to universities and MCFT. Government should also take a more active approach in monitoring funding performance and outcomes to ensure targets are achieved and the desired outcomes are realized.

***PETL failed to take timely corrective action on lack of performance***

**1.7** In cases where PETL monitored a targeted program, we found it failed to take timely corrective action to improve the program or discontinue funding. This was in regard to funding provided for the expansion of the nursing program at UNB and UdeM. Although the Department monitored enrollment levels associated with the program, it continued funding under the same conditions for several years while knowing the targets were not being met.

***Government has a duty to hold funding recipients accountable***

**1.8** In fulfilling its stewardship function over taxpayers’ money, government is expected to hold all funding recipients accountable for monies received and results achieved. I encourage all government departments to ensure adequate accountability measures are clearly specified and enforced in all future funding agreements.

***Publicly funded universities should routinely appear before a Legislative Committee***

**1.9** More rigorous oversight and scrutiny by the appropriate legislative committees is required to complete the accountability cycle. Publicly funded universities, as recipients of significant streams of public funds should be prepared to routinely appear, as requested, by a legislative committee such as the Public Accounts Committee. In my view, this should not need to be a condition of a written agreement in order for it to happen.

***Group Homes and Specialized Placements***

**1.10** Chapter 3 contains findings and observations from our audit of the Department of Social Development’s management of placement and care of children in group homes and specialized placements. We found the Department does not effectively manage placement and care of children and youth in group homes and specialized placements. We also found an increased use of group homes and specialized placements and increased number of young children in group homes, in recent years.

- 1.11** Children and youth placed in group homes and specialized placements are among the most vulnerable. They often suffered from neglect, abuse, addiction and/or mental health issues within the family when taken into care. Their future outcomes may depend entirely on the quality of service they receive while under the care of the Province.
- Unacceptable to have children as young as 5 years old in group homes**
- 1.12** In my 2013 report, I raised the issues of insufficient availability of foster homes and recommended more should be done by the department to improve recruitment of foster parents. Yet the numbers of foster homes continued to decline, resulting in children as young as 5 years old being placed in group homes. In my view, this is not acceptable. I believe young children will have a better opportunity to achieve positive outcomes in a family setting. It is also far less costly to care for children in foster homes than in group homes and specialized placements.
- Our current system is not set up to address increasingly complex cases**
- 1.13** We found children and youth are coming into care with increasingly complex needs and behaviours. Addressing such needs will require increased and systematic collaboration between various government departments and other stakeholders to tailor and deliver the appropriate services to each individual case.
- Social Development needs to improve planning and focus on measurable outcomes**
- 1.14** I am aware Social Development has several initiatives aimed at improving its services including legislative changes and implementation of the Integrated Service Delivery Model and the network of excellence. However, more improvement is required in planning and caring for children and youth in group homes and special placements. More focus on outcomes, better forecasting of placement needs and improved planning for transition to independent living would help improve outcomes for children and youth.
- Follow-up on Recommendations from Prior Years**
- 1.15** Chapter 4 presents our follow-up on recommendations from prior year performance audit chapters released in 2015, 2016 and 2017 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.

***AGNB focused on two large financial assistance files with significant provincial exposure***

**1.16** This year we focused on two significant ongoing financial assistance cases: Acadian Wild Blueberry Company Limited and New Brunswick Naval Centre. In addition, we present self-reported progress made by Departments, Commissions and Agencies against our recommendations. We intend to perform an in-depth review of both 2015 and 2016 recommendations as well past “Atcon” recommendations, in our 2020 follow-up report.

**1.17** The case studies included in this report are intended to inform taxpayers of the risks assumed by the Province in relation to financial assistance deals, while reminding government of the continuous need for proper due diligence and sound risk management when making financial assistance decisions.

***Province provides significant financial assistance to industry***

**1.18** The Province of New Brunswick provides significant financial assistance to industry in the form of loans, loan guarantees, grants, payroll rebates, non-repayable contributions and forgivable loans. This assistance is provided with the objectives of inducing or sustaining economic growth and creating jobs for New Brunswickers, among other objectives.

***Provincial assistance on the two files nearly \$100 million***

**1.19** We found the combined approved provincial financial assistance relating to these two files is nearly \$100 million. A total of \$69 million of provincial loan and grants was extended to the Acadian Wild Blueberry Company. Approved provincial assistance in connection with the New Brunswick Naval Centre amounted to \$29 million.

***I am deeply concerned that the essence of some Atcon recommendations have not been implemented***

**1.20** I made several recommendations to mitigate the risks associated with provincial financial assistance in my last two reports on Financial Assistance to Atcon Holdings Inc and Industry, issued in 2015 and 2017. The intent of my recommendations was to strengthen due diligence and risk management practices to help avoid another catastrophic failure, as was the case in the Atcon file. I am deeply concerned that the essence of some of those recommendations have not been implemented in subsequent decisions relating to the Acadian Wild Blueberry and the New Brunswick Naval Centre files.

*Taxpayers  
inadequately  
informed of total  
financial assistance  
provided and  
outcomes achieved*

**1.21** I continue to believe central delivery and monitoring of financial assistance would ensure consistency in assessing and controlling risks to the taxpayer and the province overall. Without a centralized and streamlined approach, there continues to be a lack of provincial perspective on financial assistance. Further, it is unacceptable taxpayers remain “in the dark” with regard to the total amount of funds extended as financial assistance and the outcomes achieved.

**1.22** Implementation of our performance audit recommendations by departments, commissions and agencies is a key measure of performance audit impact. I encourage Members of the Legislative Assembly to seek opportunities to pursue the status of unimplemented performance audit recommendations with the involved departments, commissions and agencies.

*We remain  
unsatisfied with the  
overall  
implementation rate  
of our performance  
audit  
recommendations*

**1.23** Overall, audited entities self reported they implemented 85% of recommendations from our 2015, 2016 and 2017 performance audit reports. This remains well below our target of 100%.

**Acknowledgements**

**1.24** 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.



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