

Chapter 1

Key Messages from the Acting Auditor General

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Key Messages from the Acting Auditor General

Introduction

1.1 The Office’s mission, as included in our 2014 to 2020 strategic plan is:

To provide objective, reliable, and timely information to the Legislative Assembly on government’s performance in its delivery of programs and services to the people of New Brunswick.

1.2 In this Volume of our 2021 Report, we include three audit chapters:

- Funding for Rural Internet;
- Covid-19 Funding – New Brunswick Workers’ Emergency Income Benefit; and
- Government’s Oversight of Crown Agencies – *Accountability and Continuous Improvement Act*.

In this report we noted a concerning theme: lack of oversight, transparency and accountability leading to ongoing unaddressed risks

1.3 In reflecting on the key findings in this report, there is a concerning theme regarding lack of oversight, transparency and accountability. Oversight and accountability are essential for citizens to have confidence in how government delivers programs and services, and to ensure those programs and services are delivered effectively and efficiently. Transparency in government programs enables taxpayers to stay informed of how public funds are being used and what results are being achieved.

1.4 In this report, we note troubling examples of lack of oversight, transparency and accountability leading to ongoing unaddressed risks. We found the following examples in our work.

- **Phase two of the rural internet funding project has now commenced with unmet Phase one deliverables outstanding.** Funding for rural internet was provided to a third-party service provider without having a

governance structure in place or independently establishing outcomes for the project. This led to a lack of accountability as no provincial government agency was held responsible for unmet contract deliverables in Phase one of the funding project.

- **Planning for future provincial emergency response programs needs improvement.** While the New Brunswick Workers' Emergency Income Benefit program successfully aided over 40,000 New Brunswickers, our examination of this program showed details of key decisions for this particular emergency response benefit program were not well documented, public reporting was weak and program monitoring was inadequate.
- **Monitoring of key oversight and accountability documents does not exist.** As a result, Crown agency critical oversight documents did not contain the information required to ensure Crown agency plans and performance are properly reported. This lack of planning and reporting increases the risk that government may not be able to provide effective oversight of Crown agencies. The government and the public may not be fully informed as to whether Crown agencies are meeting their mandated priorities and objectives. An example of this is provincial funding for rural internet as mentioned above.

1.5 This report details many findings and conclusions on these topics, as well as provides recommendations to ensure the deficiencies identified are remedied for the future. A summary of the key points from each chapter in this Volume follows.

Funding for Rural Internet

1.6 Chapter 2 of this Volume presents findings and recommendations from our audit of Funding for Rural Internet at Opportunities New Brunswick (ONB) and Regional Development Corporation (RDC). The purpose of this funding was to provide fast, reliable and affordable internet access to rural New Brunswickers. While we noted funding has contributed to infrastructure upgrades, it remains unclear whether investment by the Province in rural broadband projects has adequately addressed connectivity issues in rural areas as intended.

Governance structure not in place to manage funding for rural internet

1.7 We found the Province did not establish appropriate governance structures with clear accountabilities for funding for rural internet. Neither ONB nor RDC was explicitly assigned a mandate to offer programs leading to the expansion of rural internet. While ONB is the signatory on the contract with the service provider (Xplornet), neither its mandate letter nor its corporate strategy included funding for rural internet.

Province relied on private sector service provider to assess needs, define outcomes and design solution

1.8 We found ONB and RDC relied on Xplornet to prepare the needs assessment, define the outcomes, and design the technical solution to meet the need. We expected a needs assessment would be performed by the Province to determine current gaps and future needs for high speed internet access in rural New Brunswick.

1.9 By allowing the funding recipient to prepare the needs assessment, there was a risk it would be tailored to meet their corporate strategy and goals, rather than the specific needs of rural New Brunswickers.

Unlike other provinces, New Brunswick did not pursue a competitive process in selecting the service provider

1.10 We also found ONB and RDC did not pursue a competitive process for selecting Xplornet to deliver rural internet services. ONB requested approval for a sole source procurement as opposed to issuing a public tender. However, it did not verify that no other potential funding applicant could have proposed similar solutions. By contrast, we noted other Atlantic Provinces considered multiple service providers. For example, Nova Scotia pre-qualified 15 service providers for participation in their rural internet funding program.

Poorly designed contract deviated from eligibility criteria

1.11 We noted funding approved by the provincial government and the resultant contract with Xplornet did not meet all of the eligibility criteria of the Strategic Infrastructure Initiative (SII), under which the funding was provided. Specifically, we noted both the approval and the contract deviated from the following criteria:

- maximum funding on eligible costs for for-profit corporations to be 25%; and
- type of assistance to be conditionally forgivable loan.

1.12 We believe, due to the above noted deviations, other potential vendors would not have known funding was available in the form of non-repayable contributions at a higher rate of eligible costs. In our view, this reduced the

competitiveness and transparency of the selection process for funding recipients as other eligible service providers did not have equal opportunity to participate in funding for rural internet.

We found ONB paid \$5.1 million for ineligible costs

1.13 We found ONB paid \$5.1 million for costs ineligible under the contract, including maintenance and spectrum licenses. We evaluated the claims review process to determine if claims met the criteria for approval. Payments were made contrary to the contract, the SII guidelines and the list of qualified capital expenditures.

ONB and RDC did not enforce the terms of their respective contracts

1.14 We also found RDC and ONB did not enforce the terms of their respective contracts to ensure relevant terms and conditions were adhered to throughout the duration of the project. We observed instances where supporting records submitted with the claim did not meet the contract requirements, yet ONB approved the claims and transferred funds to Xplornet. This lack of contract enforcement increases the risk of paying for deliverables that may not meet the quality requirements.

Recommendations

1.15 We made 10 recommendations to ONB and RDC addressing the issues we identified in relation to contract design, evaluation of claims, as well as monitoring and reporting of contract outcomes. We also made three recommendations to ECO to ensure responsibility and accountability for government programs, including funding for rural internet, are clearly assigned to specific government entities with clearly identified outcomes and performance metrics.

Covid-19 Funding – New Brunswick Workers’ Emergency Income Benefit Program

1.16 Chapter 3 of this Volume presents our findings and recommendations regarding how the Department of Post-Secondary Education, Training and Labour (PETL) provided benefits to eligible applicants under the New Brunswick Workers’ Emergency Income Benefit (NBWEIB) program the during the Covid-19 pandemic. This program provided a single \$900 payment to eligible applicants as a bridge for New Brunswickers impacted by the pandemic until Federal program funding was available.

Department operated under a tight timeline

1.17 We realize PETL was required to plan and implement the NBWEIB program in a very short timeframe due to the nature of the pandemic and the need to respond quickly to the needs of impacted New Brunswick citizens. The aim of our review was to provide recommendations for future

improvements when government departments are faced with similar situations.

Planning process resulted in a weak service contract and a lack of key processes during program delivery

1.18 We found PETL contracted with a service provider to implement the program and complete the \$900 payment to eligible applicants without clearly specifying the roles and responsibilities of the contracted parties. Because of the restricted timeline, PETL crafted a contract that did not include key program elements such as an appeals process or required program-critical activities that needed to be addressed later, outside the contract terms. This resulted in complaints made through members of the Legislative Assembly and PETL staff having to be redeployed to assist the contracted service provider.

Poor controls over program processes

1.19 We noted PETL advanced over \$50 million to the service provider without adequate controls to verify the eligibility of potential beneficiaries of the program. We found various issues with the use of Social Insurance Numbers which increased the risk of fraud in the program and PETL has yet to validate payments made to the service provider for administration and other charges under the contract, totaling over \$2 million.

Inadequate program monitoring

1.20 We also found PETL did not adequately monitor the program or ensure the service provider submitted reports required by the contract. There was no active monitoring of the program against contract terms and requirements. The final program report was not finalized for nearly six months after the program delivery ended.

Lack of transparency and accountability

1.21 Finally, we found PETL could provide little evidence to support key decisions made during the planning process. In addition, there has been no public reporting of this program's performance by PETL to date.

Recommendations to help improve government oversight

1.22 We have made 14 recommendations to PETL addressing planning, contracting, and monitoring weaknesses in the program planning and implementation processes. We also made one recommendation to the Executive Council Office to support departments tasked with new activities during an emergency situation such as the pandemic.

Government’s Oversight of Crown Agencies – Accountability and Continuous Improvement Act

We found non-compliance with the Act when preparing critical documents needed for oversight

Recommendations to help improve government oversight

Acknowledgements

1.23 In Chapter 4 of this Volume, we present our findings regarding government’s oversight of Crown agencies as required by the *Accountability and Continuous Improvement Act* (the Act). This Act outlines the roles and responsibilities of the Executive Council Office and Crown agencies in the oversight process. These roles and responsibilities include preparing critical documents such as mandate letters, annual plans and annual reports which are needed for effective government oversight.

1.24 We found overall, the Executive Council Office and most Crown agencies did not comply with all of the requirements of the *Accountability and Continuous Improvement Act* when preparing critical documents needed for oversight.

1.25 In our view, if critical oversight documents do not contain the information required by the Act:

- the best interests of New Brunswickers may not be served; and
- the government and the public may not be fully informed if Crown agencies are meeting their mandated priorities and objectives (such as in the delivery of health care or economic development programs).

1.26 We have made five recommendations to the Executive Council Office to help improve government’s oversight of Crown agencies and to address areas of non-compliance with the Act when preparing critical oversight documents.

1.27 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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