

Chapter 1

Performance Audit – Key Messages from the Auditor General

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Introduction

1.1 As I stated in Chapter 1 of Volume III of this Report, the work on which I am reporting in this Volume was completed and the chapters were drafted prior to my arrival in the Office of the Auditor General. Except for this introductory chapter, I have not edited the chapters, or made any comments on the material since I became Auditor General. The chapters were managed to completion by the Deputy Auditor General, Janice Leahy, who was Acting Auditor General from May 3, 2021 to December 31, 2021. However, I acknowledge that, as Auditor General, I am responsible to present this Report to the Legislative Assembly and I stand behind and fully support its contents.

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

- Residential Energy Efficiency Programs;
- Salary and Benefits Practices in Selected Crown Agencies and
- Follow-up on Recommendations from Prior Years Performance Audit Chapters.

Crown agencies do not always have a clear mandate or direction for implementing government policies or strategies

1.3 In reflecting on the key findings in this report, there is a significant theme of Crown agencies not always having a clear mandate or direction for implementing government policies or initiatives. This leads to unintended consequences or unaddressed risks in not having government expectations addressed, or having government expectations addressed inconsistently.

1.4 In this report we note the following examples with signs of unclear mandate or direction from government:

- The Department of Natural Resources and Energy Development has not communicated a clear mandate to NB Power in relation to energy efficiency. The Department did not set measurable energy saving targets for NB Power. As a result, the Department was unable to hold NB Power accountable for implementing government’s strategic direction on energy efficiency;
- Our survey of Crown Agency Salary and Benefits Practices showed that government direction to Crown agencies was not always clear with key terms, such as consistency, not being clearly defined. As a result, salaries and benefits practices were inconsistent among Crown agencies and also between the Crown agencies and government; and
- Our follow-up chapter provides an update on the implementation status of prior year recommendations, one of which was our 2017 special examination over residential property assessment. This is also an example of a government initiative without clear direction and communication that had significant implementation issues and impacts to taxpayers.

1.5 We recognize government needs to balance providing direction while not being overly prescriptive. Issues arise though where lack of clear direction leads to unintended consequences or unaddressed risks such as those in the examples described above. 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.

**Residential Energy
Efficiency
Programs**

1.6 Chapter 2 of this Volume presents findings and recommendations from our audit of Residential Energy Efficiency Programs at the Department of Natural Resources and Energy Development and NB Power. While NB Power is delivering its existing energy efficiency programs in an effective manner, we found the Department needs to exercise proactive leadership and clarify its mandate and expectations of NB Power, as the Province’s primary delivery agency for energy efficiency.

Oversight and accountability gaps inhibit the Province’s ability to achieve energy efficiency and reduce greenhouse gas

1.7 We found the Department did not communicate a clear mandate to NB Power in relation to energy efficiency, including the setting of specific energy saving targets. NB Power was left to set its own targets. We also found the Department never challenged those targets, even when they were lowered by NB Power. In my view, these oversight and accountability gaps impede the Province’s ability to make the desired progress in energy efficiency and greenhouse gas reduction.

1.8 In order for the Department to demonstrate leadership and tighten accountability over energy efficiency, it would need to:

- exercise its authority by setting a clear mandate and specific, measurable energy saving targets for NB Power,
- monitor NB Power’s performance against these targets and;
- take corrective action when performance falls below expectations.

NB Power must balance energy efficiency spending with other competing priorities

1.9 My Office made recommendations in past reports for NB Power to prioritize debt reduction and develop a firm and well-defined plan to achieve its mandated debt to equity ratio. The *Electricity Act* also requires NB Power to maintain low and stable electricity rates. However, NB Power must balance these priorities with the need to achieve greater energy savings through sustainable, comprehensive, and affordable energy efficiency programs.

Sustainable funding model needed to achieve broader access to energy efficiency programs

1.10 We believe greater progress in reducing greenhouse gas emissions and more energy savings can be achieved if wider access to energy efficiency programs is made possible. We encourage the Province and NB Power to work together on establishing a sustainable funding model for energy efficiency that would enable more New Brunswickers to participate in energy efficiency programs.

Recommendations

1.11 We made seven recommendations to the Department of Natural Resources and Energy Development and NB Power addressing the issues we identified in relation to:

- energy efficiency mandate and performance expectations;

- sustainability of the funding model;
- barriers to accessing energy efficiency programs; and
- quality assurance and public reporting.

Crown Agency Salary and Benefits Practices

Increased comparability, transparency, and accountability

We found overall the salary and benefits practices of certain Crown agencies were not consistent with government or between Crown agencies

We found government has not clearly defined the term consistent in its directives to Crown agencies resulting in inconsistent practices

Three Crown agencies stood out as having notably different salary and benefits practices

A government policy has been out of date for over 10 years

1.12 Chapter 3 of this Volume presents our findings and recommendations regarding Crown Agency Salary and Benefits Practices. The purpose of this Chapter was to compare the salary and benefits practices of 14 Crown agencies with government, and between Crown agencies. We also wanted to present salary and benefits practice information of selected Crown agencies in one place. In our view, this will allow for increased comparability, transparency, and accountability to taxpayers and Members of the Legislative Assembly.

1.13 We found overall the salary and benefits practices of certain Crown agencies were not consistent with government, nor between the Crown agencies. These certain Crown agencies were legally permitted to set their own practices; however, the government did direct that the salary and benefits practices for non-bargaining employees of these Crown agencies remain consistent with similar staff in government.

1.14 We found government has not clearly defined the term consistent in its directives to Crown agencies and, as a result, the salary and benefit practices were not always “consistent” with government or between Crown agencies. In our view, a lack of clear expectations from government increases the risk government intentions are not being carried out. As a result, we believe government should clearly define what it expects of Crown agencies with regards to non-bargaining salary and benefits practices.

1.15 We found three Crown agencies stood out as being noticeably different – NB Power, the Research and Productivity Council and the Financial and Consumer Services Commission. These three Crown agencies all offered some of the highest, or more generous, salary and benefits practices to their employees.

1.16 As part of our work, we also found one of the government’s pay administration policies has not been updated to reflect policy changes made over 10 years ago. This may have resulted in inconsistent salary practices.

We made one recommendation to the Executive Council Office and one to the Department of Finance and Treasury Board

1.17 We made two recommendations – one to the Executive Council Office to clearly define what it expects for certain Crown agencies salary and benefits practices. We made the other recommendation to the Department of Finance and Treasury Board, recommending it revise its pay administration policy to reflect current government practices.

Follow-up on Recommendations from Prior Years Performance Audit Chapters

1.18 Chapter 4 of this Volume presents our follow-up on recommendations from prior years performance audit chapters. 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.

Chapters selected for detail follow-up

1.19 In addition to self-reported updates by departments, Commissions and Crown agencies, this year we performed detailed follow-up work on all chapters from 2017 and select chapters from the 2015 AGNB reports, as follows:

- Advisory Services Contract (2017)
- Climate Change (2017)
- Residential Property Assessment – Special Examination (2017)
- School District Purchase Cards (2017)
- Financial Assistance to Atcon Holdings Inc. and Industry (2017 and 2015)
- Centennial Building (2015)
- Public Debt (2015)

1.20 We are disappointed with the low rate of implementation of our past recommendations by some departments, including:

- Finance and Treasury Board implemented only 25% of the recommendations from our 2015 “Public Debt” chapter;
- Social Development implemented only 38% of the recommendations from our 2017 “Advisory Services Contract” chapter; and

- Environment and Local Government implemented only 40% of the recommendations from our 2017 chapter on “Climate Change”.

1.21 We are also disappointed in the response by Finance and Treasury Board and the Executive Council Office who have not implemented the recommendations made to them in the 2017 “Service New Brunswick Property Assessment Services” Chapter.

We remain unsatisfied with the implementation rate of our recommendations

1.22 Overall, audited entities implemented 62 % of recommendations from select 2015 and 2017 performance audit reports. We encourage departments, Commissions and Crown agencies to implement our recommendations in a timely manner.

1.23 We also encourage members of the Public Accounts Committee to discuss and question the status of unimplemented performance audit recommendations with the involved departments, Commissions and Crown agencies.

Acknowledgements

1.24 I want to thank all the Office’s staff for their commitment and dedication to fulfilling the mandate of the Office of the Auditor General of New Brunswick. The Report I am presenting here today reflects their hard work and professionalism.



Paul Martin, FCPA, FCA
Auditor General

Janice Leahy, CPA, CA, CIA
Deputy Auditor General