

Chapter 1

Introductory Comments

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Introductory Comments

Volume II Reports our 2012 Value-for- Money/Performance Work

1.1 In this volume of our 2012 Report, we report on the following value-for money/performance projects:

- Medicare – Payments to Doctors;
- EHealth – Procurement and Conflict of Interest;
- Solid Waste Commissions;
- Capital Maintenance of Highways; and
- Follow-up work on recommendations from past value-for-money/performance reports.

Medicare – Payments to Doctors

1.2 The objective of our work on Medicare – Payments to Doctors was to determine if the Department of Health is maximizing its recovery of incorrect Medicare payments to doctors, through the practitioner audit function.

E-Health

1.3 The objective of our work on EHealth – Procurement and Conflict of Interest was to determine:

- if the Department of Health complied with government procurement policy for purchase of Information Technology services related to the E-Health initiative; and
- if conflict of interest existed in the use of consultants/contractors.

Solid Waste Commissions

1.4 The objective of our work on Solid Waste Commissions was to assess the adequacy of the governance and oversight structures and processes for New Brunswick solid waste commissions.

Capital Maintenance of Highways

1.5 The objective of our work on Capital Maintenance of Highways was to determine whether capital road repairs, identified as necessary by the Department of Transportation and Infrastructure, are made on a timely basis.

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

1.6 The chapter highlights our Province's significant challenge regarding the long term sustainability of New Brunswick's 20,000 kilometers of highways. We have concluded that although the Department of Transportation and Infrastructure (DTI) has appropriate tools in place to identify and prioritize required capital highway maintenance projects, current funding levels do not allow the completion of optimal maintenance treatments on a timely basis. This will result in deferring required maintenance to future periods at greater overall cost to the Province.

Two very different approaches for maintaining New Brunswick highways

1.7 Conversely, during the prior three year period of higher funding levels (fiscal 2009, 2010 and 2011), the Department made progress on a key objective to prevent deterioration of highways. However, during this time, the fiscal state of our Province declined through increased deficits and debt.

Trade off between the approaches

1.8 These two very different approaches were each intended to achieve worthy objectives. However, each approach has unfortunate secondary consequences. There is a tradeoff between the fiscal sustainability of our Province and the sustainability and safety of our highways.

Schools - deferred maintenance concerns

1.9 On two former occasions (2011 and 2005), Auditor General Reports have included similar concerns with respect to the deferred maintenance of New Brunswick schools. The 2011 Report stated that if the situation continues, additional unanticipated school closures like the 2010 mid-year school closure of Moncton High School and Polyvalente Roland-Pépin in Campbellton will continue.

1.10 The Province's infrastructure is here for the long-term. Many capital assets (including highways, hospitals, schools, bridges, etc.) are intended to provide essential service for 40 years or more. However, the Province's approach to maintaining these important assets is short-term focused.

1.11 The only exception to this practice is assets constructed using Public Private Partnerships (P3). Such arrangements involve a long-term contractual agreement which binds the Province and effectively protects the funding stream, thus ensuring P3 assets

are maintained.

Long term infrastructure sustainability plan required

1.12 Our Province needs a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of all essential infrastructure, including highways, hospitals, schools, bridges, etc while respecting the fiscal challenges faced by the Province.

Key elements of a long-term infrastructure sustainability plan

1.13 Key elements of the plan should include:

- the rationalization of assets (i.e. if not considered essential, remove from service and dispose in an appropriate manner);
- a long term approach to budgeting which includes life cycle maintenance;
- a protected stream of a base level of funding determined necessary to adequately maintain assets in service;
- a 20 year planning horizon;
- 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;
- 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; and
- 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.

Fiscal discipline required over the long-term

1.14 In order to be successful there must be fiscal discipline to adhere to the long-term infrastructure sustainability plan.

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

1.15 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.

1.16 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. New this year is 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

1.17 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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