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Chapter 1
Introductory Comments

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1.1 On 9 December 2003 I released Volume 1 of our 2003 Report. At that time I indicated that due to the government’s lateness in closing its accounts, we were not able to provide our normal commentary on the Province’s financial results. The financial statements of the Province have now been issued, and our 2003 Report can now be completed.

1.2 In this volume you will find a chapter dealing with the Province’s financial condition, a chapter on the management of employee absenteeism, and a chapter on financial audits we have completed in departments and Crown agencies. I will provide highlights from this work later in this chapter, but first I would like to comment on two aspects of the Province’s financial statements: timeliness and transparency.

### Timeliness of financial statements

1.3 The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB) sets the accounting and reporting standards for governments in Canada. PSAB has identified a number of basic qualities that are essential to the usefulness of government financial statements. One of these qualities is timeliness. PSAB says “Information should be timely. Financial statements issued long after the end of the fiscal period are of historical interest only. ... The usefulness of information for decision making and assessing accountability declines as time elapses.”

1.4 In Volume 1 I talked about the lateness of this year’s financial statements and commented that the taxpayers were still waiting to see how their money was spent. I can now report that the audited financial statements were issued on 21 November and Volume 1 of the Public Accounts was available in hard copy on 25 November 2003, almost eight months after the end of the fiscal year. An examination of the past ten years indicates that for eight of those years the Province’s financial statements were not issued until the 30th of September or later. On six occasions the financial statements were issued in November or December. This analysis indicates that this year is really no exception; the statements have traditionally been released to the Legislature and the public well after the end of the year.

1.5 I would like to see an improvement in this area. Such an improvement will only happen if the government commits itself to
releasing the statements by a certain date, say 31 July. I am confident that, with such a commitment, government accounting staff and ourselves as auditors can work together to meet the target. Our review of other provinces indicated that Alberta tabled their 31 March 2003 Public Accounts on 24 June, British Columbia on 27 June and Saskatchewan on 21 July. I see these as good examples of timeliness.

**Transparency**

1.6 The transparency of the Province’s financial statements would be greatly enhanced if they were accompanied by an easy to read discussion and analysis of the financial results, and if the transactions in the Fiscal Stabilization Fund were not used as a means of obscuring the actual financial results.

**Financial statement discussion and analysis**

1.7 Last year, in chapter 2 of my Report, I pointed out the need for a discussion and analysis of financial results so that readers would have a “better understanding of government financial statements, and government financial condition.” I then explained the type of information that could be provided, including financial statement highlights, a review of financial risks and uncertainties, an analysis that clearly explains the reasons behind major budget to actual variances and an assessment of revenue and expenditure trends. Unfortunately, there has been no improvement this year in the Province’s explanation of its financial results. All that has been provided is a one page news release on 21 November and four pages of variance analysis in Volume 1 of the Public Accounts. The quality of the variance analysis is unchanged from last year when I indicated that “we find some of this information unhelpful. It answers the “what” question, but provides little insight into “why”.”

1.8 I am raising the issue again this year because I strongly believe improvements should be made. It is simply not reasonable to expect Members of the Legislative Assembly and the public at large to be able to read and understand a complex set of financial statements without any additional information and explanations. We do not expect patients to be able to read and understand their x-rays. What is needed is a professional interpretation of the financial statements in plain and simple language. The use of charts, graphs and five or ten-year trend analyses would also be helpful.

1.9 In Volume 1 of the 2003 Public Accounts of Canada are sixteen pages of Financial Statements Discussion and Analysis. It is very easy to read. It includes a section on highlights and provides a good analysis of results by comparing to the budget of the current year and actual results of the previous year. It uses 15 charts and graphs to explain significant trends and it has a discussion on risks and uncertainties. It also has a glossary of terms.
1.10 Last year I concluded my comments on this topic by saying “We encourage the government to build on and enhance the information it now provides to New Brunswickers, and to issue a comprehensive financial report describing its financial condition in clear, concise terms that can be easily understood by a reasonably informed reader.” I make the same point this year and at the same time suggest the government look to the Public Accounts of Canada as an excellent example of how this can be done.

1.11 The Province of New Brunswick incurred a deficit of $109.4 million for the year ended 31 March 2003. The news release accompanying the issuance of the audited financial statements stated, “Most of the problems in 2002-2003 were outside the direct control of the Province, the minister said. He cited a $77.4 million loss of net income at NB Power, slumping stock market returns that affected the Province’s pension plans, and a $33.8 million reduction in federal transfer payments in October, which included the negative impact related to population based on the 2001 Census.”

1.12 A deficit means that the expenditures for the year were greater than the revenues. It also means that there has been an increase in the Province’s net debt. For the year in question, the deficit of $109.4 million resulted in an increase in net debt by a corresponding amount, and at 31 March 2003 the Province’s net debt was $6.7 billion. These figures are clearly reported on the Province’s audited financial statements and they are all key measures of financial performance required by PSAB.

1.13 In the same news release, the Minister indicated that “the surplus is $1 million for 2002-2003”. This is not the case.

1.14 Since the creation of a Fiscal Stabilization Fund three years ago, the government has wanted to report how it was using the Fund for “fiscal policy purposes”. The disclosure has appeared as four lines at the bottom of the Statement of Revenue and Expenditure. While I was never pleased with the disclosure, I have accepted it because the information contained in the four lines was factual and the description was clearly labelled “Surplus (Deficit) for fiscal policy purposes”. Notwithstanding this I was concerned about transparency. Would the Legislative Assembly and the general public appreciate the difference between a surplus (or deficit) calculated in accordance with normal accounting practices and a surplus (or deficit) for fiscal policy purposes? Since the appearance of these four lines I have noted confusion on the subject in the Legislative Assembly, at Public Accounts Committee meetings, in the media and with the public at large. I raised the issue last year in chapter 2 of my annual Report.
1.15 I am raising the issue again this year because, in my opinion, the situation has worsened. For the first two years the government’s press release on the financial statements referred to a “surplus for fiscal policy purposes.” This year no reference is made to “fiscal policy purposes.” On 21 November 2003 the news release from the Department of Finance simply stated “the statements show a surplus of $1 million.” This statement is wrong. In my opinion it trivializes the value of audited financial statements when a news release can convey a message which is entirely different from what is disclosed in the statements. While the commentary for the first two years certainly did not enhance the concept of transparency, the news release this year is misleading. The Province did not have a surplus of $1 million; it had a deficit of $109.4 million.

1.16 The government set up the Fiscal Stabilization Fund “to assist in stabilizing the fiscal position of the Province of New Brunswick from year to year and to improve long-term fiscal planning”. This is set out in the legislation which set up the fund. The government should be careful in explaining how the fund is being used for these fiscal policy purposes and should not be using the fund to obscure its actual financial results.

1.17 I believe the Legislative Assembly and the citizens of New Brunswick would benefit from a discipline that delivered more timely financial results, included an informative and easy to read financial statement discussion and analysis, and avoided any communication that introduces confusion concerning the financial results for the year.

### Financial indicators

1.18 For the past six years we have been tracking six financial indicators which show the Province’s financial condition from the perspective of sustainability, flexibility and vulnerability. While the Province did incur a deficit in the current year of $109.4 million, which increased net debt by a similar amount, the trends over the past ten years have for the most part been positive. The results of our work in this area can be found in chapter 2.

### Absenteeism management

1.19 We completed an audit this year in the Office of Human Resources (OHR) to determine if the government has systems and practices in place to effectively manage employee absenteeism in the Civil Service. The cost of absenteeism for this group of employees in 2001-2002 was reported to be $13,792,038, and the average number of employee sick days was 9.58. The total cost of employee absenteeism to government would be much greater because the Civil Service, which includes 10,400 employees under the Civil Service Act, represents only one-third of all government employees.

1.20 We determined from our work that while the OHR is collecting statistics on the number of sick days used and the related costs, there is room for improvement in the systems and practices used to manage
employee absenteeism. We recommended, for instance, that employees with supervisory responsibility should be receiving adequate training in absenteeism management and the OHR could be doing more to identify the risk factors that contribute to abnormally high absenteeism rates. Our work in this area can be seen in chapter 3.

1.21 You will notice in chapter 3 that we have presented our work in a new reporting format. The format, called Information Mapping, uses a set of precisely defined modules so that the information is easy to read and understand. Research has shown that Information Mapping significantly improves clarity of writing and decreases reading time.

1.22 This is a major change for my Office and we will only continue using Information Mapping if our readers find the format improves the clarity and readability of the information. In this regard I would like to hear from Members of the Legislative Assembly, the media and citizens. An assessment form is found inside every hard copy of the Report. One is also found on our Office web site at www.gnb.ca/OAG-BVG.

Financial audits in departments and Crown agencies

1.23 Our Office has a long-range plan to review all key computer systems in government. This review is used to support our audit opinion on the provincial financial statements. We identified the Human Resource Information system in the Office of Human Resources as one of these key systems because of the magnitude of dollars processed by the system.

1.24 Our audit reviewed and assessed the adequacy of internal controls in the computer environment and the computer application which is used to process a regular payroll of approximately $465 million per year. Based on our examination, we determined that the computer control environment is adequate to support the operation of the system and the application controls were such that we were able to rely on them in expressing an opinion on the Province’s financial statements. We made some recommendations for improvement, and they are found in chapter 4.

1.25 I have also included in chapter 4 the results of a review we carried out at Service New Brunswick on the service agreements they have for the services being delivered on behalf of other government departments and agencies.

Acknowledgements

1.26 This Report is the culmination of a lot of hard work by the staff in my Office. Once again, I am indebted to their professional advice and dedication.

Daryl C. Wilson, FCA
Auditor General
Chapter 2
Indicators of the Province’s Financial Condition

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Chapter 2  
Indicators of the Province’s Financial Condition

Background

2.1  In 1997, a research report published by the Canadian Institute of Chartered Accountants (CICA) defined financial condition as a government’s “financial health as measured by sustainability, vulnerability and flexibility, looked at in the context of the overall economic and financial environment.”¹

Scope

2.2  The purpose of this chapter is to provide readers with useful information about the Province’s financial condition using the CICA research report as a guideline.

2.3  Though many potential indicators of sustainability, vulnerability and flexibility were considered in preparing the research report, only ten indicators were found which were relevant, necessary, measurable and clear to users of government financial information. Of these, our Office has concluded that six can be considered meaningful in the context of the Province of New Brunswick. We have, over the years, focused on these same six indicators in order to present readers with consistent analysis over a ten-year period. They are:

- **Sustainability**: Net debt as a percentage of gross domestic product (GDP)  
- Change in net debt and GDP

- **Flexibility**: Cost of servicing the public debt as a percentage of total revenue
- Own source revenue as a percentage of GDP

- **Vulnerability**: Federal government transfers as a percentage of total revenue
- Foreign currency debt as a percentage of total debt for provincial purposes

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¹  *Indicators of Government Financial Condition*, 1997 published by the Canadian Institute of Chartered Accountants.
2.4 In this chapter, our analyses are based on the current year financial statements as presented in the Public Accounts. These financial statements report a deficit for the year of $109.4 million. Prior year numbers used in our analyses may include restated figures obtained from the Office of the Comptroller.

2.5 The 31 March 2000 financial statement expenditure figures included $903.8 million relating to the capital cost of the Fredericton to Moncton highway. This transaction resulted in a one-time increase in expenditure and a corresponding increase in net debt of $903.8 million. The magnitude of this transaction can be seen in Exhibit 2.1. The net debt increased to a higher level in that year and has remained at, or close to, that level ever since.

Results in brief

2.6 In general, the indicators for the last ten years show that the Province of New Brunswick’s financial condition has improved in sustainability, flexibility and vulnerability, with some deviations from this trend showing in 1999 and 2000. For the most part, the indicators affected by these deviations showed more positive results in the past three years.

Sustainability

2.7 Sustainability is the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy.1

2.8 It is now well understood by the general public that increases in the cost of servicing the public debt can directly impact the quantity and quality of programs and services to which the public has access. Accordingly many provinces, including New Brunswick, are striving to control their debt in order to ensure an optimum amount of funding is allocated to programs and services.

2.9 There are circumstances when governments may tolerate increases in their debt load. For example, when revenues are increasing, a higher cost of servicing the public debt might be tolerated without impacting existing programs and services. However, the ability to generate such revenues (e.g. through taxes, user fees, or licenses) is closely linked to the performance of the economy.

2.10 Therefore, any growth in New Brunswick’s debt must remain in line with growth in the economy to ensure that our Province can sustain its programs and services. If debt is growing faster than the economy, New Brunswick will suffer reduced capacity for sustainability. Programs and services offered to the public may eventually suffer.

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1. Indicators of Government Financial Condition, 1997 published by the Canadian Institute of Chartered Accountants.
2.11 Gross Domestic Product (GDP) is the total value of all goods and services produced in the Province during a specific period. GDP is often used to measure the growth of the economy.

**Net debt as a percentage of GDP as a measure of sustainability**

2.12 Net debt is an accounting measure of the extent to which total liabilities of the Province exceed financial assets. The net debt of the Province increases with deficits and decreases when surpluses are experienced. The financial statements for 2003 indicate that net debt stands at $6.713 billion - $903 million more than its level ten years ago, but $212 million less than in 2000.

**Exhibit 2.1**

Net debt as a percentage of GDP\(^1\) for the last ten years

![Graph showing net debt as a percentage of GDP over the last ten years]

2.13 The New Brunswick economy has also grown. Exhibit 2.1 shows that the Province’s net debt to GDP ratio generally decreased (favourable) over the last ten years – showing the Province’s increasing ability to sustain existing programs and services. The only exception to this trend came in the year 2000 as a result of recording the debt for the Fredericton to Moncton highway. In 2003 the long-term trend

---

1. GDP is measured on a calendar year basis. The GDP used in our tables for each 31 March year end is the GDP for the calendar year ended during that fiscal year. GDP information is provided by N.B. Department of Finance; actual GDP for calendar years 1993-2002.
(favourable) has levelled out. This indicates that growth in the economy and growth in net debt was at approximately the same rate.

**Change in net debt and GDP as a measure of sustainability**

2.14 The Province can positively influence sustainability in two ways: by increasing surpluses and by increasing growth in the economy. Though governments use various political, legislative and regulatory powers to stimulate the economy, the effect is neither guaranteed nor timely.

2.15 The rate of growth in the surplus or deficit and their impact on net debt is much more controllable. Exhibit 2.2 shows that the Province has experienced economic growth in excess of growth in the net debt (favourable) since 1994, with the exception of the year 2000. The deviation in the year 2000 resulted from the effects of the Fredericton to Moncton highway. In 2003 the growth in net debt and GDP are very similar, although growth in the economy still is slightly higher than the increase in net debt.

**Exhibit 2.2**

*Change in net debt and GDP for the last ten years*

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1. GDP information provided by N.B. Department of Finance.
Chapter 2  
Indicators of the Province’s Financial Condition 

Flexibility

2.16 Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.1

2.17 Funding for programs and services is provided by either revenue or borrowing during the year. It is a useful measure of flexibility to know to what extent the Province is able to raise revenue from existing and potential sources should new commitments arise.

Own source revenue as a percentage of GDP as a measure of flexibility

2.18 One could assume that any additional funding for new programs or services might not be possible from existing revenue sources. A reasonable alternative would be to raise revenue from new provincial sources. However, the Province is only able to extract a finite amount of dollars from the economy of New Brunswick before the economy begins to falter. Though the exact capacity of the economy to bear such a burden is not known, one can determine the relative increase or decrease over time.

Exhibit 2.3
Own source revenue as a percentage of GDP2 for the last ten years

---

1. Indicators of Government Financial Condition, 1997 published by the Canadian Institute of Chartered Accountants.
2. GDP information provided by N.B. Department of Finance.
2.19 Exhibit 2.3 shows the extent to which the Province has removed dollars from the provincial economy through taxes and user fees/licenses during the last ten years. This exhibit shows that the dollars extracted by the Province from the New Brunswick economy as a percent of GDP gradually decreased (favourable) in this time frame. This indicates an increase in flexibility. However, over the last four years the trend has remained relatively stable.

2.20 The large reduction in own-source revenue in 1999 was due to a $450 million one-time write-down in the Province’s investment in the New Brunswick Power Corporation.

Cost of servicing the public debt as a percentage of total revenue (or “interest-bite”) as a measure of flexibility

2.21 One of the most publicized factors which affects the flexibility of governments is the cost of servicing the public debt.

2.22 The cost of servicing the public debt is comprised mainly of interest on the funded debt of the Province. It also includes foreign exchange paid on interest and maturities during the year, the amortization of foreign exchange gains and losses, and the amortization of discounts and premiums which were incurred on the issuance of provincial debt. It does not include principal repayments on the funded debt of the Province.

Exhibit 2.4
Cost of servicing the public debt as a percentage of total revenue for the last ten years
2.23 Exhibit 2.4 shows debt servicing costs as compared to total provincial revenue for the last ten years.

2.24 This exhibit shows the cost of servicing the public debt increased in 2003 over 2002 by $9.1 million to $660.9 million. In dollar terms, the cost of servicing the public debt is at its highest level for ten years. The exhibit also shows that the Province has increased its overall “interest-bite” percentage from its 2002 level of 12.4% to its current level of 12.8%. This level has declined from the peak of 15.0% in 1995. The exhibit indicates that, on a percentage basis, the Province has more of its total revenues available for current needs today than it did ten years ago.

Vulnerability

2.25 Vulnerability is the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.¹

2.26 Funding for programs and services can only come from two sources: revenue or borrowing.

Federal government transfers as a percentage of total revenue as a measure of vulnerability

2.27 In 2003, 37% of the Province’s total revenue came from federal transfers. This is significant because revenue from federal sources is not considered to be as controllable as revenue generated in the Province.

2.28 Own-source revenue is more controllable because the government can directly impact the amount generated using tax legislation as well as implementation or adjustment of user-fees/licensing rates. Federal transfers are subject to very different variables, few of which are under the jurisdiction of the provincial government. Federal fiscal policy decisions can severely impact provincial governments by determining the amount and timing of future transfers.

2.29 Increasing New Brunswick’s reliance on federal transfers will leave the Province more vulnerable to variables outside of its own control. Exhibit 2.5 details the Province’s reliance on federal transfers over the last ten years.

2.30 This exhibit demonstrates that approximately 37 cents of each dollar of revenue received by the Province comes from the federal government. Though a significant fluctuation occurred in 1999, the trend over the past ten years has been generally stable.

¹ Indicators of Government Financial Condition, 1997 published by the Canadian Institute of Chartered Accountants.
Exhibit 2.5
Federal government transfers as a percentage of total revenue for the last ten years

2.31 When borrowing is required, there are choices to be made by the Province. For instance, if the Province chooses to issue its debt in a foreign currency instead of Canadian dollars, the Province will assume the risk of foreign exchange fluctuations. Such fluctuations can increase or decrease the amount ultimately payable in Canadian dollars for interest, and later, redemption of foreign currency debt.

2.32 Exhibit 2.6 shows the relationship of foreign currency debt to total debt for provincial purposes over the last ten years. The Province has several alternatives to reduce (hedge) the risk associated with debt repayable in foreign currencies:

- purchasing assets denominated in foreign currencies for the Province’s sinking fund;
- entering into debt swap agreements which allows repayment of the debt in Canadian dollars; and
- entering into forward contracts (which allow the Province to purchase foreign currency at a stipulated price on a specified future date).
Exhibit 2.6
Exposure to foreign currency risk for the last ten years

The exhibit reflects the Province’s exposure to foreign currency risk after eliminating the effect of hedges against foreign currency fluctuations.

The exhibit also demonstrates that the Province’s vulnerability to foreign currency risk has experienced continuous decline (favourable) since its 1995 peak of 26.7% to the 2003 level of 14.2%.

Summary

In general, over the last ten years, the indicators of sustainability, flexibility and vulnerability show that the Province of New Brunswick’s financial condition has improved. While there were unfavourable deviations in 1999 and 2000 with some of the indicators, these for the most part have improved in the past three years.
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Office of Human Resources
Absenteeism Management

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Office of Human Resources

Absenteeism Management

Overview

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<th>Topic</th>
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</thead>
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<td>24</td>
</tr>
<tr>
<td>B</td>
<td>Criterion 1 - Communicating Expectations</td>
<td>29</td>
</tr>
<tr>
<td>C</td>
<td>Criterion 2 - Providing Adequate Training for Managing Absenteeism</td>
<td>43</td>
</tr>
<tr>
<td>D</td>
<td>Criterion 3 - Information to Support Management Decision-Making</td>
<td>50</td>
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<tr>
<td>E</td>
<td>Criterion 4 - Integration of Attendance Management Practices</td>
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<tr>
<td>F</td>
<td>Criterion 5 - Measuring and Reporting on Effectiveness of Attendance Management</td>
<td>77</td>
</tr>
</tbody>
</table>
Section A

Background, Objective and Scope

Background

Sick leave benefits

The Government of New Brunswick recognizes the value of its employees. As part of the overall human resource strategy, the Province offers sick leave benefits to those employees that need it.

In most cases, this means that employees are provided with 15 sick days a year, to a maximum accumulation of 240 days, which can be used as needed.

Managing sick leave benefits

While we recognize the importance of the provision of sick leave benefits to those employees that need it, it is necessary to identify and manage risks contributing to the use and abuse of such a provision.

Due to the large number of employees and significant dollars involved in providing such a benefit, it is important to manage the number and duration of absences.

Two types of absences

There are two types of absences:

<table>
<thead>
<tr>
<th>Type of absence</th>
<th>Employees who are absent for reasons ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involuntary</td>
<td>beyond their control</td>
</tr>
<tr>
<td>Voluntary</td>
<td>within their control</td>
</tr>
</tbody>
</table>

While the majority of absences are involuntary, various studies report that voluntary absenteeism could account for between 20- 40% of all absenteeism.

Continued on next page
Background, Continued

Effects of absenteeism

The effects of absenteeism are widespread. Absenteeism leads to

• reduced employee productivity
• reduced employee morale, and
• increased overhead costs.

Further, studies have shown that replacement labor is only about 75% effective. We were interested in looking at the management of absenteeism because we feel it is an important aspect of providing value for money in service delivery.

Definition of absenteeism

For the purposes of our audit, we have used the Office of Human Resources definition for absenteeism, which is,

“the unscheduled absence from work, either for short or long periods, for health reasons.”

Audit focus on sick leave

We limited our audit to sick leave, as it accounts for the majority of all leave.

We excluded

• special leaves like funeral leave, educational leave, and family leave because of the relatively smaller impact, and
• the long-term disability (LTD) plan.

Civil service sick days

The average number of sick days used per employee in the Civil Service for the year 2001-2002 was 9.58.

Note: The Office of Human Resources reported this statistic.
Background, Continued

Yearly increase in employee sick days

Because absenteeism is one measure of the health of an organization we felt it was an important area for our Office to look at.

Because the number of sick days used by provincial government employees has been steadily increasing each year, and the workforce is aging, we felt it important to look at systems in place to mitigate costs.

We obtained these statistics from Statistics Canada, showing sick days used by all provincial government employees:

<table>
<thead>
<tr>
<th>Year</th>
<th>Average # of days used per Government employee</th>
<th>% NB is above national average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NB</td>
<td>Nationally</td>
</tr>
<tr>
<td>2000</td>
<td>9.3</td>
<td>8.0</td>
</tr>
<tr>
<td>2001</td>
<td>10.4</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Cost of absenteeism

The Office of Human Resources reported the costs of absenteeism for the Civil Service for year 2001-2002 to be $13,792,038. The Civil Service accounts for only one third of all government employees.

Continued on next page
### Background, Continued

#### Primary auditee and responsibilities

Our primary auditee was the **Office of Human Resources**.

The Office of Human Resources has a number of responsibilities related to human resource management including employee absenteeism and wellness. Here is the range of responsibilities with respect to absenteeism:

- Sick leave policy
- Attendance at work policy and guidelines
- Long term disability program
- Family and employee assistance program
- Workers' compensation benefits
- Sick leave benefits for non-bargaining employees
- Sick leave benefits - collective agreements
- Management information related to sick leave credits and utilization for Part I employees
- Management of Part I operational HR system used to track sick leave
- Management training covering among other things, skills used to manage sick leave

#### Responsibilities of departments

Deputy Ministers in each department also have responsibilities as it relates to the day-to-day management of absenteeism.

Departments are responsible for the management of individual employees within the context of government policy and collective agreements and ensuring that organizational effectiveness is achieved.

#### Departments audited

We audited these three departments in Government as they had the highest absenteeism rates for the year 2001-2002:

- Transportation
- Family and Community Services, and
- Health and Wellness.
## Objective and Scope

### Objective

The objective of the audit was to determine if government has systems and practices in place to effectively manage employee absenteeism in the Civil Service.

We developed 5 criteria to assist us in determining whether the objective was met. This report is organized by these 5 criteria.

### Scope

The scope of our audit was limited to the management of absenteeism in the Civil Service of New Brunswick.

The Civil Service consists of approximately 10,400 employees and includes all government departments listed in Regulation 93-137 under the Civil Service Act.

Our scope did not include employees of the Regional Health Authorities or District Education Councils.

We examined the management of sickness absence through

- a survey of 52 recently hired civil servants, and
- documentation reviews and interviews with directors, managers and staff in the
  - Office of Human Resources, and
  - Departments of
    - Transportation
    - Health and Wellness, and
    - Family and Community Services.

### Timing

Our audit work began in September 2002 and was substantially completed by April 2003.
Section B

Criterion 1 - Communicating Expectations

Overview

Purpose
This section addresses the adequacy of policy and clauses in collective agreements to communicate expectations, roles and responsibilities that relate to the management of sick leave.

Criterion 1
Government should have clear, comprehensive and broadly communicated policy and appropriate clauses in collective agreements that set expectations and outline the roles and responsibilities of employee, supervisor and employer.

Summary
This table summarizes the problems and recommendations related to communicating expectations in policy and collective agreements:

<table>
<thead>
<tr>
<th>Problems</th>
<th>We recommended that …</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employees have little knowledge of policy /or collective agreements even though they are generally accessible, clear, well written and easy to understand.</td>
<td>The Office of Human Resources</td>
</tr>
<tr>
<td>• Policy lacks detailed procedures to support the management of absenteeism.</td>
<td>• reconsider making the Attendance at Work Guide a policy</td>
</tr>
<tr>
<td>• Attendance at Work Guide is not well distributed and since it is not policy, may not be followed.</td>
<td>• circulate the Attendance at Work Guide to departmental employees at all levels and</td>
</tr>
<tr>
<td></td>
<td>• ensure that all employees have convenient access to sick leave policy/procedures</td>
</tr>
<tr>
<td></td>
<td>Departments</td>
</tr>
<tr>
<td></td>
<td>• include a discussion regarding accessing information on sick leave policy/procedures for new employee orientation.</td>
</tr>
</tbody>
</table>

Continued on next page
Overview, Continued

Summary (continued)

<table>
<thead>
<tr>
<th>Problems</th>
<th>We recommended that …</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Clearly defined roles and responsibilities for sick leave management are either weak or missing in Policy AD 2202 and most collective agreements.</td>
<td>The Office of Human Resources ensures that all employees are aware of their roles and responsibilities relating to sick leave.</td>
</tr>
<tr>
<td>• Employees do not know what their roles and responsibilities are regarding absenteeism management.</td>
<td></td>
</tr>
<tr>
<td>Employees are not notifying supervisors when absent.</td>
<td>Departments ensure employees are notifying supervisors of absences as per Policy AD 2202 and collective agreements.</td>
</tr>
<tr>
<td>Departments are not recovering employees’ advanced sick leave.</td>
<td>Departments ensure that all advanced sick leave credits are recovered, as per Policy AD 2202 and collective agreements.</td>
</tr>
<tr>
<td>Department supervisors are not obtaining proof of illness from employees.</td>
<td>Departments ensure supervisors are obtaining medical certificates as per Policy AD 2202.</td>
</tr>
</tbody>
</table>

In this section  This section addresses the following issues.

<table>
<thead>
<tr>
<th>Issue</th>
<th>See Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarity and Accessibility of Policy or Collective Agreements</td>
<td>31</td>
</tr>
<tr>
<td>Roles and Responsibilities Not Clearly Defined</td>
<td>34</td>
</tr>
<tr>
<td>Instances of Non-compliance With Policy</td>
<td>36</td>
</tr>
<tr>
<td>Employees Not Notifying Supervisors When Absent</td>
<td>37</td>
</tr>
<tr>
<td>Departments Not Recovering Advanced Sick Leave</td>
<td>39</td>
</tr>
<tr>
<td>Departments Not Obtaining Proof of Illness</td>
<td>41</td>
</tr>
<tr>
<td>Criterion 1 Conclusion</td>
<td>42</td>
</tr>
</tbody>
</table>
Clarity and Accessibility of Policy or Collective Agreements

Responsibility for policy and collective agreements

The Office of Human Resources is responsible for

- providing research and development services respecting personnel policy,
- coordinating, publishing, maintaining and distributing the Government Administration Manual AD 2202 and its amendments and ensuring the maintenance of the Administration Manual Web site, and
- negotiating, interpreting and administering collective agreements.

Importance of policy

Clear, comprehensive, and broadly communicated policy is a key element to any plan to actively manage sick leave. Policy sets standards and provides guidance to management when an employee is frequently absent.

Sick leave policy applicability

Policy pertaining to sick leave for the Civil Service of New Brunswick consists of

- Government Administration Manual - AD 2202 (Sick leave policy) for management and non-bargaining employees, and
- various clauses within 12 collective agreements for bargaining employees.

Policy is clear but not comprehensive

Policy is clear

Policy AD 2202 and the 12 collective agreements we reviewed are generally clear, well written and easy to understand.

Policy is not comprehensive

Policy AD 2202 and the 12 collective agreements focus primarily on the administrative aspects of absenteeism, not the management of absenteeism.

Detailed procedures in policy that would support policy are absent. Some examples of detailed procedures we noted lacking in policy were

- steps for monitoring absenteeism
- ways to accommodate individuals that are off work for longer periods of time (Example: The provision of alternate work arrangements), and
- steps for addressing attendance problems.

Continued on next page
Clarity and Accessibility of Policy or Collective Agreements, Continued

Attendance at Work Guide

The Attendance at Work Guide was initially developed as a policy in 2000 and was scheduled for implementation in April of that year. However, Office of Human Resource officials informed us that due to a change in priority, this never happened.

The policy became a guide and was circulated to Departments at the time.

Problems with the Attendance at Work Guide

We noted the following problems with the Attendance at Work Guide:

<table>
<thead>
<tr>
<th>The Attendance at Work Guide is …</th>
<th>Audit findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>not well distributed.</td>
<td>Out of the 10 supervisors interviewed only 2 supervisors knew the Attendance at Work Guide existed but they were not using it in any way.</td>
</tr>
<tr>
<td>not Policy.</td>
<td>The employees we interviewed were not sure they would use the guide anyway. They often said it would depend on the circumstance. In our opinion, because it is not policy, it may not be followed.</td>
</tr>
</tbody>
</table>

Access to policy

Administration manuals and copies of collective agreements are available

- online, and
- in hard copy from Management Services, Office of Human Resources

Problems

We noted these 2 problems with access to policy:

- not all employees have access to computer terminals, making it difficult to conveniently access policy, and
- we conducted a survey of employees hired within the last year and noted that 12% of these employees were unaware of how or where to access information on sick leave policy/procedures.

Continued on next page
Clarity and Accessibility of Policy or Collective Agreements, Continued

Our recommendation

We recommended that the Office of Human Resources

- reconsider making the Attendance at Work Guide a policy
- circulate the Attendance at Work Guide to departmental employees at all levels, and
- ensure that all employees have convenient access to sick leave policy/procedures.

We recommended that Departments include a discussion regarding accessing information on sick leave policy/procedures for new employee orientation.

Departmental response

The Office of Human Resources will enhance the existing policy and ensure that it is accessible to managers and employees. The Office expects to present the policy to the Board of Management for approval during the 2004/05 fiscal year. It will utilize existing materials such as the Attendance at Work guide and will contain appropriate procedures focusing as much as possible on outcomes to be achieved rather than a step-by-step process to be followed. There will be an implementation process, managed by the Office of Human Resources, which will ensure that the policy requirements are well understood by all parties, including new employees.
Roles and Responsibilities Not Clearly Defined

In Policy AD 2202 and collective agreements

Some responsibilities are clearly assigned to employees, supervisors, and deputies in Policy AD 2202, however, they primarily relate to the approval process for sick leave, not the management of absenteeism.

Most of the collective agreements we reviewed were void of clearly assigned responsibilities.

In the Attendance at Work Guide

While policy is weak in the clear assignment of roles and responsibilities for absenteeism management, the Attendance at Work Guide clearly describes the roles and responsibilities for attendance management at all levels of Government.

Example: A supervisor's role is to

• communicate expectations for regular attendance
• provide positive reinforcement for regular attendance
• support/recognize improvement towards regular attendance
• recognize, on a regular basis, the effort employees invest in their work
• ensure that workplace conditions and environment are safe and healthy, as well as rectify any problems as they arise
• maintain a good working relationship with employees to help identify situations before they become problems. Offer help and support.
• reinforce the message that income replacement benefits are a form of insurance, and
• designate a replacement to receive notification of non-attendance in the case of the supervisor’s absence. Let employees know who has been designated.

Continued on next page
Roles and Responsibilities Not Clearly Defined, Continued

Roles and responsibilities not well known
We interviewed various departmental employees and obtained inconsistent responses regarding roles and responsibilities. Several employees did not really know what their roles and responsibilities were regarding absenteeism management.

While roles and responsibilities are detailed in the Attendance at Work Guide, as noted above

- the guide has not been well circulated, and
- as a result employees know little of its existence.

Our recommendation
We recommended that the Office of Human Resources ensure that all government employees are aware of their roles and responsibilities relating to sick leave.

Departmental response
The [enhanced] policy will clarify roles and responsibilities of employees, managers, and others involved in the process. The initial implementation plan will ensure that all existing employees have been made aware of the policy and there will be a strategy for ensuring that new employees are made aware of the policy.
Instances of Non-compliance With Policy

Overview

During our audit, we noted several cases where employees did not have a clear understanding of policy. We feel this contributed to our noting several areas of non-compliance with policy, such as

• employees not notifying supervisors when absent, and
• departments not
  • recovering advanced sick leave, nor
  • obtaining proof of illness.
Employees Not Notifying Supervisors When Absent

**Requirement to notify supervisor of absence**

Policy AD 2202 clearly specifies that employees must notify their supervisor immediately due to illness.

Of the 12 collective agreements we examined

- 10 required employees to notify their supervisor of illness
- 1 required employees to notify their supervisor OR a designated official, and
- 1 did not specify.

**Lack of notification of absence**

During our audit we noted several instances of non-compliance with policy regarding notification of absence. The majority of supervisors we interviewed are not requiring employees to notify them directly of their absence. In most cases, clerical employees are receiving notification, and are not always required to forward this information directly to supervisors.

Of the 10 supervisors we interviewed

- 2 required employees to notify them directly of their absence, and
- 8 allowed employees to notify clerical staff or fellow employees of their absence.

**Problems**

In our opinion there are several problems with this aspect of non-compliance. If employees do not directly notify their supervisor of absence then

- employees may feel less accountable, and
- supervisors
  - do not immediately know of absences, and cannot manage the absence as effectively, and
  - have more difficulty tracking absences, to ensure adequate leave reporting.

**Our recommendation**

We recommended that Departments ensure employees are notifying supervisors of absences as per policy and collective agreements.

*Continued on next page*
Employees Not Notifying Supervisors When Absent, Continued

Departmental response

The policy will specify notification requirements and will clarify whether or not the notification is expected to be provided to the manager directly or indirectly.
Departments Not Recovering Advanced Sick Leave

Policy AD 2202 clearly specifies that special sick leave with pay may be granted up to a maximum of 15 working days under the following conditions:

- where an employee does not have enough credits to cover the period of illness, and
- it is expected that the employee will be able to return to work within a short time.

We requested information from three departments on employees that terminated between January 1, 2001 and December 31, 2002 with a negative sick credit balance. This would mean that

- employees were advanced more sick leave than they had accumulated, and
- repayment had not been made or had not been recognized in the information system.

We noted the following:

<table>
<thead>
<tr>
<th>Department</th>
<th>Number of terminated employees with negative sick leave balances and repayment not made.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>6</td>
</tr>
<tr>
<td>Family and Community Services</td>
<td>4</td>
</tr>
<tr>
<td>Health and Wellness</td>
<td>3</td>
</tr>
</tbody>
</table>

The Office of Human Resources produces a monthly report detailing employees with overdrawn sick leave. They informed us this report is forwarded to the Directors of Human Resources within each government department. We are concerned that these reports are not being adequately utilized by departmental staff.

In one department we noted 28 employees with negative sick leave balances that turned out to be simply errors in the system. Thus, even though HRIS showed there were several employees owing sick days to the Province, it had gone undetected by departmental employees.

Continued on next page
### Departments Not Recovering Advanced Sick Leave, Continued

<table>
<thead>
<tr>
<th>Our recommendation</th>
<th>Departmental response</th>
</tr>
</thead>
<tbody>
<tr>
<td>We recommended that departments ensure that all advanced sick leave is recovered, as per Policy AD 2202 and collective agreements.</td>
<td>There is an HRIS report that specifically reports advanced sick leave. Further action on this issue would not be cost-effective since the incidence of this problem is low.</td>
</tr>
</tbody>
</table>
Departments Not Obtaining Proof of Illness

**Policy regarding obtaining proof of illness**

**Policy AD 2202 specifies** the following rules apply for proof of illness:

- suitable proof of illness may be required for any period of illness, and
- an appropriate medical certificate is required, in all cases, for any period of sick leave in excess of 15 working days.

**All 12 collective agreements** we examined specify when an employer can request a medical certificate and noted the following:

<table>
<thead>
<tr>
<th>#of collective agreements</th>
<th>Indicate when employer can request a medical certificate …</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>for any illness.</td>
</tr>
<tr>
<td>6</td>
<td>for absences greater than three days or if suspected abuse.</td>
</tr>
<tr>
<td>1</td>
<td>not stipulated in contract.</td>
</tr>
</tbody>
</table>

**Non-compliance with policy**

We interviewed a number of supervisors to determine their practices for obtaining medical certificates.

Of the 10 supervisors interviewed

- 5 are not requesting medical certificates, and
- 5 are requesting medical certificates after three days absence.

**Our recommendation**

We recommended that departments ensure supervisors are obtaining medical certificates as per Policy AD 2202 and collective agreements.

**Departmental response**

The policy (AD 2202), which applies to non-unionized employees, cannot be applied to unionized employees. The new policy proposed above will include a provision related to medical certificates. It is not anticipated that medical certificates will be required for all absences.
Criterion 1 Conclusion

We conclude that Criterion 1 was not met.

While policy is clear, it is not comprehensive or well communicated. We noted several instances of non-compliance of policy, which we believe is directly related to the lack of communication of policy.

While we were pleased to note the development of the Attendance at Work Guide, which does provide procedures to support policy, the Guide was not well circulated and employees knew little of its existence.

The Attendance at Work Guide is not policy, but simply an optional tool to use if you wish.
Section C

Criterion 2 - Providing Adequate Training for Managing Absenteeism

Overview

Purpose
This section addresses the adequacy of training provided to employees with responsibility for managing absenteeism.

Criterion 2
Government should provide adequate training to employees with responsibility for managing absenteeism.

Summary
This table summarizes the problems and recommendations related to training employees with responsibilities for managing absenteeism:

<table>
<thead>
<tr>
<th>Problems</th>
<th>We recommended that …</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate training for managing absenteeism is not offered.</td>
<td>The Office of Human Resources ensure employees with supervisory responsibility receive adequate training in absenteeism management.</td>
</tr>
<tr>
<td>Government is not identifying the risks associated with absenteeism to enable training to be focused in these areas.</td>
<td>The Office of Human Resources identify risk factors that contribute to abnormally high absenteeism rates and develop training programs for employees to mitigate such risks.</td>
</tr>
</tbody>
</table>

In this section
This section addresses the following issues.

<table>
<thead>
<tr>
<th>Issue</th>
<th>See Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate Training Not Offered to Manage Absenteeism</td>
<td>44</td>
</tr>
<tr>
<td>Risk Factors Not Identified Nor Addressed in Training</td>
<td>46</td>
</tr>
<tr>
<td>Criterion 2 Conclusion</td>
<td>49</td>
</tr>
</tbody>
</table>
Adequate Training Not Offered to Manage Absenteeism

Importance of training

Training provides employees with the skills they need to carry out their responsibilities for managing absenteeism. It provides departments an opportunity to set expectations based on the training provided.

For our audit purposes, we were looking for the existence of both

• formal training. Example: Courses offered, and
• informal training. Example: Working with and learning from more experienced supervisors.

Training not offered nor promoted

The Office of Human Resources is responsible for the provision of management training, including skills used to manage sick leave.

While the Corporate training calendar offers a variety of courses for supervisors, human resource employees, etc, at the time of our audit, none related specifically to absenteeism or sick leave management.

While the Office of Human Resources did develop a training session to accompany the release of the Attendance at Work Guide in 2000

• it has not been offered since then, and
• the Office of Human Resources does not actively promote the training course. It is up to departments to request the training.

During our audit we noted that only 1 of the 10 supervisors we interviewed knew the training was available.

Supervisors not trained to manage absenteeism

We interviewed 10 supervisors in three Government departments and noted a significant lack of training provided in the area of absenteeism management.

Of the supervisors we interviewed

• only 1 had received any formal training in sick leave management
• most felt they had not acquired adequate sick leave management skills from working with more experienced supervisors, and
• all supervisors felt an increase in training would be beneficial.

Continued on next page
Adequate Training Not Offered to Manage Absenteeism, Continued

<table>
<thead>
<tr>
<th><strong>Our recommendation</strong></th>
<th>We recommended that the Office of Human Resources ensure employees, with supervisory responsibility, receive adequate training in absenteeism management.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Departmental response</strong></td>
<td>Training will be offered as part of the proposed policy. Departments will determine who needs the training. It is not OHR’s intention to require all managers to take this training since many managers currently have the skills they need in this area. It will be encouraged for new managers.</td>
</tr>
</tbody>
</table>
Risk Factors Not Identified Nor Addressed in Training

**Risks not being identified**

Government is not consistently identifying and analyzing factors that contribute to high absenteeism rates. In our opinion, identifying such factors would facilitate developing training programs to address them.

**Rate may indicate risk**

Some departments have higher absenteeism rates than others, and within departments, some branches have higher absenteeism rates.

The three departments with the highest absenteeism rates for the year 2002 in the Province are as follows:

<table>
<thead>
<tr>
<th>Department</th>
<th>Average number of days per employee</th>
<th>% above Civil Service average of 9.58 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>13.7</td>
<td>43%</td>
</tr>
<tr>
<td>Family and Community Services</td>
<td>10.2</td>
<td>6 %</td>
</tr>
<tr>
<td>Health and Wellness</td>
<td>10.2</td>
<td>6 %</td>
</tr>
</tbody>
</table>

Government is not examining these departments with high absenteeism rates to determine if there are risk factors that could be addressed to reduce the cost of absenteeism.

*Continued on next page*
Risk Factors Not Identified Nor Addressed in Training, Continued

Patterns in causal factors might indicate risks

Departments are not analyzing absenteeism in regards to the types of illnesses causing the absence. We feel this would be beneficial in determining appropriate training and/or wellness programs for both supervisor and employee.

During our audit, we examined situations in which employees had used a significant amount of sick leave in 2000-2001 and 2001-2002. We looked at 30 employee records in three departments and noted the following:

<table>
<thead>
<tr>
<th>Department</th>
<th>Highest # of sick days taken by 1 employee in 1 year</th>
<th>Average sick days per employee in Civil Service for 2001-2002</th>
<th>Various reasons for long term absences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Wellness</td>
<td>245.5</td>
<td>9.58</td>
<td>• 30% back &amp; surgical issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 30% stress</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 10% cancer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 30% unknown illness with doctors excuse</td>
</tr>
<tr>
<td>Transportation</td>
<td>243</td>
<td>9.58</td>
<td>• 10% back injury or other work related injury</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 20% heart &amp; respiratory</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 50% stress &amp; mental illness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 20% other medical/surgical</td>
</tr>
<tr>
<td>Family and Community Services</td>
<td>221</td>
<td>9.58</td>
<td>• 40% stress related</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 30% diabetes/heart</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 20% injury</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 10% other medical</td>
</tr>
</tbody>
</table>

**Note:** Due to our limited sample, we cannot be certain these statistics are indicative of all absences in Government. However, we feel that identifying causal factors for absences is a start at identifying and mitigating risks.

**Example:** If a department determined that half of employee absences were due to back injuries, this might be an indication that back injury prevention systems need to be improved upon.

*Continued on next page*
Risk Factors Not Identified Nor Addressed in Training, Continued

We found little evidence of absenteeism reports being used by supervisors that would detail risk factors. Only one department we audited was preparing quarterly absenteeism statistical reports by region.

*Example:* The report for the quarter ending Dec 31, 2002 showed that when compared to regional averages, one region had

- 25% higher absenteeism rates, and
- 69% higher long term sick leave.

While we were told that senior management and departmental human resource directors are reviewing these quarterly reports, we could find no evidence that training had been provided to management in the regions with the highest rates.

We feel the accumulation of absenteeism statistics by region/supervisor, types of illness, age, occupation, etc. would be useful if circulated to

- Human Resource directors
- senior departmental officials, and
- supervisors.

We recommended that the Office of Human Resources identify risk factors that contribute to abnormally high absenteeism rates and develop training programs for employees to mitigate such risks.

The policy and associated training will deal with high-risk situations.
Criterion 2 Conclusion

Criterion 2 - not met

We conclude that Criterion 2 was not met.

There is a lack of training offered to employees responsible for managing absenteeism. Further, training is not being developed to address high-risk areas.
Section D
Criterion 3 - Information to Support Management Decision-Making

Overview

Purpose
This section looks at the completeness, accuracy and timeliness of information to support management decision making on absenteeism.

Criterion 3
Government should have systems and practices in place to ensure the complete, accurate and timely recording and reporting of information to support management decision making on absenteeism.

Summary
This table summarizes the problems and recommendations related to completeness, accuracy and timeliness of information systems:

<table>
<thead>
<tr>
<th>Problems</th>
<th>We recommended that …</th>
</tr>
</thead>
<tbody>
<tr>
<td>No assurance that sick leave information is complete.</td>
<td>Departments have controls in place to ensure that sick leave slips are completed and submitted for all absences as per policy.</td>
</tr>
<tr>
<td>Some inaccuracies in sick leave information</td>
<td>The Office of Human Resources develop controls to ensure that employees do not get sick leave credits they are not entitled to for the month of commencement of work.</td>
</tr>
<tr>
<td>Sick leave slip information is not always timely.</td>
<td>Departments ensure that sick leave slips are submitted and entered into HRIS in a timely fashion.</td>
</tr>
</tbody>
</table>
| Sick leave information produced is not being used to support management decisions. | The Office of Human Resources  
• educate departmental employees on the interpretation and usage of reports provided. Departments should then ensure that reports are used to make decisions to better manage employee absence.  
• consider the cost/benefit of enhanced reporting, and  
• ensure that all supervisors with the responsibility for managing sick leave have access to employee sick leave information. Further, they should educate employees and promote the use of such access.                                                                                           |

Continued on next page
Overview, Continued

Description of Systems

The Human Resources Information System (HRIS) is the corporate human resource information system used throughout the New Brunswick civil service. It includes the recording of absenteeism information. Most departments have assigned a clerical employee to input sick leave data into HRIS.

We were pleased to note the development of this sophisticated system and that it is producing some useful, and relevant information. However, we did note some areas for improvement in the completeness, accuracy and timeliness of information.

In this section

This section addresses the following issues.

<table>
<thead>
<tr>
<th>Issue</th>
<th>See Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Assurance Sick Leave Information Is Complete</td>
<td>52</td>
</tr>
<tr>
<td>Some Inaccuracies Noted in Sick Leave Information</td>
<td>55</td>
</tr>
<tr>
<td>Sick Leave Information Not Always Timely</td>
<td>57</td>
</tr>
<tr>
<td>Sick Leave Information Not Used for Decision-Making</td>
<td>58</td>
</tr>
<tr>
<td>Criterion 3 Conclusion</td>
<td>61</td>
</tr>
</tbody>
</table>
No Assurance Sick Leave Information Is Complete

Policy AD 2202 states that an employee, on return to work, completes the appropriate departmental or agency documentation.

Various collective agreements refer to employees completing a signed application for leave.

When an employee returns to work, this is what should happen:

1. The employee:
   • completes a sick leave slip, and
   • gives the sick leave slip to their supervisor for approval.

2. The supervisor signs the sick leave slip and gives to a clerical person to enter into HRIS.

Sick leave credits are automatically calculated and assigned to employees every month. Sick leave credits are deducted only when a sick leave slip is entered into the system.

This is an area of risk, because if a sick leave slip is not entered into the system, there will be no sick leave credit deducted.

Continued on next page
No Assurance Sick Leave Information Is Complete, Continued

Problems submitting sick leave slips

We noted the following problems with the submission of leave slips:

Delay in completing sick leave slips

Absences often take place well before sick leave slips are entered into HRIS. There is a time lag between the date of the absence and the date an employee completes a sick leave slip.

Supervisors we interviewed were not concerned that employees were intentionally not submitting sick leave slips, but did admit that employees often forget to complete the sick leave slips for anywhere between 1 and 4 months.

Inconsistent reporting to supervisor

Policy AD 2202 and most collective agreements we examined stipulate that employees who are absent must report their absence directly to their supervisor. This is important to enable the supervisor to note employee absences and ensure the appropriate leave documentation is received.

In the three departments we audited, we noted varying practices regarding the reporting of absences. Departmental supervisors we interviewed were not insisting that employees necessarily contact them when they called in sick. Employees were reporting absences to either

- their supervisor
- clerical employees, or
- fellow employees.

Continued on next page
No Assurance Sick Leave Information Is Complete, Continued

Weak controls for sick leave slip collection

Once an absence has been reported to a supervisor, the next step is to ensure a sick leave slip is collected. For departments that do not complete weekly time sheets, this becomes even more difficult. The absence must be noted in such a way that triggers the completion of a sick leave slip.

In the three departments we audited, various employees were attempting to keep lists of names of individuals who called in sick, and this list was used as a control sheet for ensuring sick leave slips were collected.

We did find that the control sheets were sometimes not up to date, and sick leave slips were often not collected until months after the absence. Because a number of different employees could add or delete names from the control sheets, we cannot be assured of the completeness.

Sick leave data entered into HRIS

We were interested in determining if sick leave information that was recorded on sick leave slips was being entered and captured by HRIS. We audited 132 sick leave slips and determined that 100% of these sick leave slips were reflected accurately in the system.

Thus, these three departments had developed systems to ensure that all sick leave slips received are properly entered into the system. However, we are uncertain as to whether sick leave slips are completed and submitted in the first place.

Our recommendation

We recommended that departments have controls in place to ensure that sick leave slips are completed and submitted for all absences as per policy.

Departmental response

The proposed policy will address this departmental obligation.
Some Inaccuracies Noted in Sick Leave Information

Introduction
Accurate sick leave information is an important aspect of ensuring eligible employees receive only the benefits they are entitled to receive. During our audit, we noted some areas in the system that need strengthening.

Employee Self Service contributes to accuracy
The Office of Human Resources has developed an Employee Self Service (ESS) application within HRIS. ESS allows employees to access a variety of human resource data, including their own sick leave information.

In our survey of 52 employees hired within the last twelve months, 96% reported knowing how to access their own sick leave information.

Because employees can regularly check their own sick leave information, we feel this contributes to the overall accuracy of data. However, we cannot be assured that employees would report an error in their balance of sick leave credits.

Errors in assigning sick leave credits
Policy on sick leave credits and employee commencement
Policy AD 2202 specifies that when the employee commences work after the first 10 working days of the month then he/she begins to accumulate sick leave credits after the first day of the following month.

During our audit, we sampled 31 employees who commenced work after the first 10 working days of the month, thus disqualifying them from a sick leave credit that month. Of these, 4 employees (13%) were erroneously assigned a sick leave credit for the month of commencement of work.

Errors noted
We also noted several other errors in the course of our audit work.

Example: We noted the system showed one employee as having a balance of −16.75 days, which was corrected during our audit to a balance of +21.5. Departmental employees explained to us that the employee was supposed to be reimbursed sick days when a workers’ compensation claim was processed, but the reimbursement never took place.

Continued on next page
Some Inaccuracies Noted in Sick Leave Information, Continued

<table>
<thead>
<tr>
<th>Our recommendation</th>
<th>Departmental response</th>
</tr>
</thead>
<tbody>
<tr>
<td>We recommended that the Office of Human Resources develop controls to ensure that employees do not get sick leave credits they are not entitled to for the month of commencement of work.</td>
<td>The low incidence of this problem means that the cost of additional controls would exceed the benefit derived from them.</td>
</tr>
</tbody>
</table>
Sick Leave Information Not Always Timely

Introduction

Information must be timely in order to be used effectively in making decisions.

Sick leave slip data entry not timely

Officials at the Office of Human Resources informed us they assumed departments were using HRIS "live" to enter data. In other words, as sick leave slips are received, they are entered in the system with very little delay.

During our auditing, we determined this is not the case and noted that

• employees are not always submitting sick leave slips for entry on a timely basis, and
• clerical employees are batching sick leave slips and often entering them in batches of months at a time.

This table summarizes the timeliness of sick leave slip data entry for the Civil Service for the year 2002.

<table>
<thead>
<tr>
<th>Sick leave slips entered….</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same month</td>
<td>46.5%</td>
</tr>
<tr>
<td>1 month later</td>
<td>37.8%</td>
</tr>
<tr>
<td>2-6 months later</td>
<td>8.9%</td>
</tr>
<tr>
<td>Greater than 6 months later</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

Our recommendation

We recommended that departments ensure that sick leave slips are submitted and entered into HRIS in a timely fashion.

Departmental response

While it would be ideal if all leave could be recorded immediately after the leave period, there is no evidence that the time lag is causing serious problems. There is no suggestion that employees get undeserved benefits as a result of the delay or that management reporting is adversely affected. The Office of Human Resources will encourage departments to expedite the processing of these leave forms; however, additional corporate controls are not anticipated since the costs of such controls would exceed the benefits.
Sick Leave Information Not Used for Decision-Making

Introduction

The collection and recording of sick leave information is a time consuming and costly process. If reports are being produced from the information, but are not used to support decision-making, the information is of limited value.

As part of our audit, we wanted to determine if absenteeism information produced by HRIS was being used for decision-making.

Absenteeism reports not used effectively

We were pleased to note that the Office of Human Resources prepares absenteeism reports for each department on a monthly basis.

Deputy Ministers receive a report detailing the average number of sick days taken and the associated cost for their own departmental employees and for the Civil Service as a whole. These reports show statistics for the current month as well as prior months in the calendar year.

However, we noted that these reports were not provided to the supervisors we interviewed. Further, we found no evidence that such reports were used to support management decisions. We believe the reports are produced but not being effectively used by departments.

No Formalized Absenteeism Targets and Goals

As will be discussed under Criterion 5, because there are no formalized absenteeism targets or goals, simply providing absenteeism statistics to departments may be of limited value.

We question the value of Deputy Ministers knowing what their departmental absenteeism rates are without knowing what they should be.
Sick Leave Information Not Used for Decision-Making, Continued

October highest month for absenteeism

We reviewed the number of sick days taken per month for all employees in the Civil Service for the fiscal years 2001-2002 and 2002-2003. We noted the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Average # of sick days taken per month</th>
<th>Month with highest # of sick days</th>
<th>% sick days higher in October than average for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2002</td>
<td>8461</td>
<td>October</td>
<td>14%</td>
</tr>
<tr>
<td>2002-2003</td>
<td>7259</td>
<td>October</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Note:* Only first 10 months available at time of audit.

Absenteeism statistics not used

In the course of our audit, we found no evidence in either the Office of Human Resources, or the three departments we audited, that management had addressed the issue of why October has the highest absenteeism rates.

No departmental supervisors we interviewed were aware of the statistics, and no one had initiated any work in this area.

Suggestion for enhanced reporting

Hand in hand with the need to better communicate the value and usefulness of reports, the Office of Human Resources could also be looking at the value of enhanced reporting.

While as noted above, there are some useful absenteeism reports being produced, we developed suggestions of some other reports that may be beneficial and would support decision-making. Examples of some useful reports used to manage absenteeism are absence by:

- days of the week
- duration of days
- supervisor/branch
- age/occupation/sex

Office of Human Resources Officials agreed with us that these reports would be useful, however they were concerned about the cost/benefit of producing them. While we understand this dilemma, we feel such reporting is necessary to provide management with the tools to adequately manage absenteeism.

Continued on next page
Sick Leave Information Not Used for Decision-Making,  
Continued

Supervisors not accessing employee sick leave records
The Office of Human Resources informed us that they felt all supervisors had access to their own employees sick leave records through HRIS. The purpose of this access was so supervisors would be able to manage and monitor their employees' sick leave more diligently.

Of the 10 supervisors we interviewed we noted:
• only 4 actually had access to their employees sick leave records, and
• only 2 of these 4 supervisors were using the access, and it was only for ensuring employees had sick credits available, and not for monitoring purposes.

Our recommendation
We recommended that the Office of Human Resources
• educate departmental employees on the interpretation and usage of reports provided. Departments should then ensure that reports are used to make decisions to better manage employee absence.
• consider the cost/benefit of enhanced reporting, and
• ensure that all supervisors with the responsibility for managing sick leave have access to employee sick leave information. Further, they should educate employees and promote the use of such access.

Departmental response
These recommendations will be dealt with as part of the training associated with implementation of the proposed policy. It is anticipated that the few managers who do not have access to the managerial self service site will acquire it over time. Enhanced reporting will be considered and implemented if the business case warrants it. This will be assessed during the 2004/05 fiscal year.
 Criterion 3 Conclusion

We conclude that Criterion 3 was partially met.

We were pleased to note the development of Employee Self Service where employees can check their own sick leave information. We feel this contributes to the overall accuracy of data.

However, we did note errors in the completeness of the information system. And because data is not always entered in a timely fashion, the information provided is not always up to date.

We found no evidence that information produced is being used to support management decisions.
Section E

Criterion 4 - Integration of Attendance Management Practices

Overview

Purpose
This section discusses how well attendance management is integrated into day-to-day management practice.

Criterion 4
Government should ensure an active attendance management approach is well-integrated into day-to-day management practice.

Summary
The following table summarizes problems and recommendations related to attendance management practices:

<table>
<thead>
<tr>
<th>Problems</th>
<th>We recommended that …</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government has no formalized attendance</td>
<td>The Office of Human Resources establish a formalized attendance management program that</td>
</tr>
<tr>
<td>management program.</td>
<td>is well integrated into day-to-day management practice.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>No departmental individual(s) dedicated to</td>
<td>The Office of Human Resources ensure that Deputy Ministers clearly assign responsibility</td>
</tr>
<tr>
<td>overall attendance management.</td>
<td>for overall attendance management to an individual or individuals. This individual(s)</td>
</tr>
<tr>
<td></td>
<td>should be given a clear mandate and senior management should monitor results.</td>
</tr>
<tr>
<td>Short but frequent absences are not well</td>
<td>The Office of Human Resources</td>
</tr>
<tr>
<td>managed.</td>
<td>• develop systems that enable supervisors to review reports that would clearly show the</td>
</tr>
<tr>
<td></td>
<td>development of absences patterns, and</td>
</tr>
<tr>
<td></td>
<td>• ensure that short but frequent absences are appropriately scrutinized and reviewed by management.</td>
</tr>
</tbody>
</table>

Continued on next page
Overview, Continued

Summary (continued)

<table>
<thead>
<tr>
<th>There are some areas for improvement in the management of long-term absences.</th>
<th>The Office of Human Resources consider the use of a generic medical form to be used by all Government employees, which encourages doctors to complete an expected date of return and describe possible tasks employees can do. develop a formalized trigger regarding the number of days absent that would force a review by management and/or Human Resource personnel. Example: If an employee is absent x number of days, a meeting would take place between employee and employer to discuss the situation and possible return to work, and provide departments with formalized guidance on their legal &quot;duty to accommodate.&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are some areas for improvement in the promotion of wellness.</td>
<td>The Office of Human Resources evaluate the major causes for absenteeism and consider developing appropriate wellness strategies to minimize absences.</td>
</tr>
<tr>
<td>Government is not identifying high-risk areas and managing these.</td>
<td>The Office of Human Resources identify and manage high-risk areas for absenteeism.</td>
</tr>
</tbody>
</table>

In this section

This section addresses the following issues.

<table>
<thead>
<tr>
<th>Issue</th>
<th>See Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Formalized Attendance Management Program</td>
<td>64</td>
</tr>
<tr>
<td>No Dedicated Departmental Attendance Managers</td>
<td>65</td>
</tr>
<tr>
<td>Short But Frequent Absences Not Well Managed</td>
<td>66</td>
</tr>
<tr>
<td>Some Improvements Needed For Managing Long Term Absences</td>
<td>68</td>
</tr>
<tr>
<td>Few Appropriate Wellness Strategies to Address Risks</td>
<td>73</td>
</tr>
<tr>
<td>High Risk Areas Not Identified Nor Well Managed</td>
<td>75</td>
</tr>
<tr>
<td>Criterion 4 Conclusion</td>
<td>76</td>
</tr>
</tbody>
</table>
# No Formalized Attendance Management Program

## Benefits of a formalized program

The benefits of a formalized attendance management program are that government can detail expectations for attendance management and provide a best practices approach to be used consistently by all departments.

## Limitations of not having a formalized program

We determined early on in our audit that the Office of Human Resources has not established a formalized attendance management program. This lack of a formalized program means that

- expectations for management are not documented and well known
- results are not reviewed and changes made accordingly, and
- practices vary amongst departments.

## Our recommendation

We recommended that the Office of Human Resources establish a formalized attendance management program that is well integrated into day-to-day management practice.

## Departmental response

As indicated above, the current policy will be reviewed and revised where necessary. It is anticipated that this policy, complemented with current levels of expertise provided by OHR and line department HR staff, will provide the guidance that managers need to be effective in managing absenteeism. No formalized program will be developed at this time.
No Dedicated Departmental Attendance Managers

**Introduction**
Deputy Ministers are responsible for the day-to-day management of departmental employees.

While we would not expect Deputy Ministers to necessarily perform absenteeism management tasks themselves, we would expect a clear delegation of responsibilities to other employees.

While various departmental employees have been assigned various tasks as it relates to absenteeism *(Example: Supervisors to approve sick leave/ clerical employees to enter data into system)*, there is no assignment of a dedicated attendance manager.

**Benefits of a dedicated attendance manager**
In our opinion, departments would benefit from assigning a manager responsible for the overall management of departmental absenteeism.

This would allow all efforts to
- be coordinated
- provide a consistent approach to managing absenteeism, and
- contribute to accountability of results.

**Our recommendation**
We recommended that the Office of Human Resources take the lead in ensuring Deputy Ministers clearly assign responsibility for overall attendance management to an individual or individuals.

This individual(s) should be given a clear mandate and senior management should monitor results.

**Departmental response**
The proposed policy will be based on the principle that attendance management must be integrated into the day-to-day management work done by managers. The policy will not encourage the separation of attendance management from all the other elements of human resource management carried out by managers. Corporate and departmental management information (MIS) reports on sick leave are produced now and are provided to Deputy Ministers for monitoring and management purposes.
### Short But Frequent Absences Not Well Managed

**Why manage short frequent absences?**  
It is important to manage short but frequent absences not only because the costs are significant, but also to maintain good morale amongst the employees that are present at work.

**Short frequent absences avoid scrutiny**  
We noted that short but frequent absences generally avoided scrutiny because:

- Sick leave policy AD 2202 only requires medical certificates for absences of greater than 15 working days.
- Many collective agreements only require medical certificates for absences of greater than 3 working days.
- While supervisors can look at individual employee absence records, there are no reports being produced that would clearly show the development of absence patterns.
- There is no formal trigger point *(Example: Absent for 5 days in the last 6 months)* that would mandate a management review.

Supervisors informed us that

- short but frequent absences are common in occurrence and the most difficult to manage, and
- some employees feel that a sick day here and there is an entitlement, not an insurance.

**Absences may be symptom of bigger problem**  
Short but frequent absences may be a symptom of a bigger problem. Literature reports that unhappy employees call in sick more frequently.

Thus, it is important for frequent absences to be reviewed not only to minimize the frequency of unnecessary absences, but to also assist in determining if the absences are really a symptom of a bigger problem.

*Examples:*

- Does the workplace promote a healthy, happy working environment?
- Are there stresses in the workplace that could be identified and rectified?

*Continued on next page*
Short But Frequent Absences Not Well Managed, Continued

Our recommendation

We recommended that the Office of Human Resources

- develop systems that enable supervisors to review reports that would clearly show the development of absences patterns, and
- ensure that short but frequent absences are appropriately scrutinized and reviewed by management.

Departmental response

This issue will be dealt with by the proposed policy and if additional reporting is necessary and cost-beneficial it will be developed and made available to managers.
Some Improvements Needed For Managing Long Term Absences

Definition: Long-term absence

While Government has not formalized the definition of long-term absences, most supervisors we interviewed described long-term absences as being greater than 10-15 days.

Statistics for long-term absences

We reviewed statistics in three Government departments for employees that used 15 or more sick days a year in 2001 and we determined the following:

<table>
<thead>
<tr>
<th>Department</th>
<th># of employees using 15 or more sick days</th>
<th>Average # of sick days taken per employee</th>
<th>Equivalent in years of work lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>422</td>
<td>41.3</td>
<td>67 years</td>
</tr>
<tr>
<td>Health and Wellness</td>
<td>138</td>
<td>33.9</td>
<td>18 years</td>
</tr>
<tr>
<td>Family and Community Services</td>
<td>227</td>
<td>33.4</td>
<td>29 years</td>
</tr>
</tbody>
</table>

Early intervention is important

Research shows the importance of early intervention in returning employees to the workplace. Several studies have indicated that the longer a person is away from their job, the less likely it is they will return to work.

A study completed by the Ontario Medical Association states, “an individual has a 50% probability of returning to work after six months on disability leave, 20% after 1 year, and only 10% after 2 years.”

We were interested in determining what steps government is taking to return an employee to the workplace within a reasonable time period.

No formalized early intervention program

While we noted some examples of good practice in long-term absence management, government has no formalized early intervention program.

Of the three departments we audited, we found varying practices for returning employees to work. One department has developed their own long-term disability management program, while another has recently drafted a disability management policy and program.

Continued on next page
Some Improvements Needed For Managing Long Term Absences, Continued

Benefits of an early intervention program

While recognizing the need for flexibility due to individual circumstances, we see value in a formalized government wide approach to early intervention. In our opinion, this approach would provide

- fairness and equity in all departments, and
- comfort that all departments were meeting a certain standard.

Process for reviewing absences

Here is the process for reviewing long-term absences as described to us by management in three government departments.

<table>
<thead>
<tr>
<th>Stage</th>
<th>What happens</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The employee gives a medical note to their immediate supervisor.</td>
</tr>
<tr>
<td>2</td>
<td>The supervisor reviews the medical note and contacts the employee as deemed appropriate.</td>
</tr>
</tbody>
</table>
| 3     | When the absence continues for a longer period of time the following happens:  
   - the supervisor contacts departmental human resource staff for assistance in managing the absence, and
   - human resource staff:  
     - contacts the employee and their physician, and
     - reviews possibilities for re-integration into the work place. |
Some Improvements Needed For Managing Long Term Absences, Continued

We noted the following problems with departmental management of long-term absences:

<table>
<thead>
<tr>
<th>Problem</th>
<th>Implication (s)</th>
<th>Possible Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical certificates from doctors are vague, they do not detail • expected date of return, or • what an employee can do.</td>
<td>Supervisors • have difficulty planning for replacement workers • are less able to plan an alternative work schedule/or accommodate employee • don’t bother asking for medical certificates, leaving employees less accountable.</td>
<td>Enforce the usage of a generic medical form to be used by all Government employees, which requires doctors to complete an expected date of return and describe possible tasks employees can do.</td>
</tr>
<tr>
<td>No triggers that would force management review, thus some long-term absences are &quot;falling through the cracks.&quot;</td>
<td>Employees may not be returned to work as quickly as possible.</td>
<td>Develop a formalized trigger that would force a review by management and/or Human Resource personnel.</td>
</tr>
</tbody>
</table>

*Example:* We noted one employee absent for 205 days in one year that had not been contacted for follow up or return to work possibilities.

*Example:* If an employee is absent x number of days, a meeting would take place between employee and employer to discuss the situation and possible return to work.
Some Improvements Needed For Managing Long Term Absences, Continued

Problems and possible solutions (continued)

<table>
<thead>
<tr>
<th>Problem</th>
<th>Implication (s)</th>
<th>Possible Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights Legislation requires that employers do not discriminate based on a disability. On the other hand, an employer is not required to accommodate an employee to the point of undue hardship. Thus, there is gray area when it comes to knowing to what extent departments must continue to employ an individual who is unable to perform their current job. Practices varied in the three departments we audited. Some departments are able to find employees suitable work within their own department, while others are not. \textit{Example:} A Department of Transportation official shared with us the difficulty in finding a laborer with a back injury a suitable alternate work environment. No departments were actively seeking employment in other departments for employees who were unable to perform work within their own departments.</td>
<td>• Employees not being offered alternate work arrangements other than their own job, and potentially staying off work longer than necessary. • Fairness and consistency amongst departments regarding accommodation not being promoted.</td>
<td>Government should provide guidance to management on their legal &quot;duty to accommodate.&quot;</td>
</tr>
</tbody>
</table>

Continued on next page
Some Improvements Needed For Managing Long Term Absences, Continued

Our recommendation

We recommended that the Office of Human Resources

• consider the use of a generic medical form to be used by all government employees, which encourages doctors to complete an expected date of return and describe possible tasks employees can do.

• develop a formalized trigger regarding the number of days absent that would force a review by management and/or Human Resource personnel. Example: If an employee is absent x number of days, a meeting would take place between employee and employer to discuss the situation and possible return to work, and

• provide departments with formalized guidance on their legal "duty to accommodate."

Departmental response

The proposed absenteeism policy will address long-term absence. Consideration will be given to whether or not a generic medical form is viable or appropriate. OHR will assess the trigger concept as part of its review of enhanced reporting. The Office of Human Resources has delivered a one-day information session to all departments on the “duty to accommodate”. Fifty-seven individuals from thirteen Part I departments attended the session on June 18, 2003. This will be repeated when required.
Few Appropriate Wellness Strategies to Address Risks

**Government initiatives**

Both private industry and public sector organizations are recognizing the benefits of wellness promotion. Programs are commonly offered to employees to help them to

- stop smoking
- control high blood pressure
- promote fitness and nutrition, and
- reduce stress.

Studies have shown that such initiatives improve employee morale and reduce absenteeism. Some initiatives we noted that the provincial government has undertaken to reduce sickness absence are

- Employee Family Assistance Program (EFAP)
- ergonomics assessments
- scent reduction program
- flexible working hours, and
- flexible working arrangements.

Some departments have implemented

- walking clubs and wellness promotions, and
- paid flu shots.

**Problems with Government initiatives**

We found these problems with the government initiatives:

- In our survey of 52 new employees, 29% reported not being aware of the Employee Family Assistance Program (EFAP).
- Despite options made available in Government Policy AD 2253 regarding alternate work arrangements, supervisors we interviewed informed us that their departments are still not providing employees with flexible working hours/arrangements.
- Departmental employees informed us they feel more could be done to promote wellness. They would like to see some employer paid fitness programs.
### Few Appropriate Wellness Strategies to Address Risks, Continued

<table>
<thead>
<tr>
<th>HRIS can’t distinguish reasons for absence</th>
<th>Because HRIS only records an absence as a sick day and does not distinguish between various reasons for absences, for example flu, stress or sore back, it becomes difficult to develop wellness programs to address the major contributing factors of absenteeism.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>While government has implemented some useful wellness programs, we found no analysis that would show that these wellness programs were targeted at the areas causing any significant amount of preventable absenteeism.</td>
</tr>
<tr>
<td>Our recommendation</td>
<td>We recommended that the Office of Human Resources evaluate the major causes for absenteeism and consider developing appropriate wellness strategies to minimize absences.</td>
</tr>
<tr>
<td>Departmental response</td>
<td>As mentioned in the general comments above, steps are being taken to move gradually towards a comprehensive employee wellness approach which is intended to maximize wellness rather than focus on management of absences. The ultimate objective of this strategy is to prevent illness, to mitigate the effects of illness, and to maximize employee work satisfaction and productivity. This wellness strategy will be an integral part of the comprehensive government wellness strategy.</td>
</tr>
</tbody>
</table>
High Risk Areas Not Identified Nor Well Managed

Retiring employees high risk

As discussed earlier in our report, there are several risk factors that have not been identified as it relates to the management of absenteeism. Absence statistics by supervisor, region, types of illnesses, and occupation are not being used to identify high-risk areas.

During our audit it also came to our attention that the issue of retiring employees is also an area of risk. We looked at sick leave usage for 382 employees in three departments who retired between January 1, 2001 and December 31, 2002.

We noted that

• in the 12 months prior to retirement, these employees used 4.3 times more sick days than the 2001-2002 provincial yearly average, and
• the total number of days used by these employees was 15,830, which equates to 60.9 years worth of work.

Government not managing sick leave for retiring employees

We surveyed senior management and supervisors in these three government departments to determine if they were identifying and managing high-risk areas for absenteeism - specifically employees nearing retirement.

We determined that

• retirement had not been formally recognized as a high risk area
• only one department had done any analysis to compare absenteeism rates of retiring employees to non-retiring employees, and
• there is no plan in place to mitigate such risks.

Our recommendation

We recommended that departments identify and manage high-risk areas for absenteeism.

Departmental response

The proposed policy will be designed to deal with those aspects of absenteeism management having the greatest consequences, costs, benefits, and potential for improvement.
Criterion 4 Conclusion

Criterion 4 - not met

We conclude that Criterion 4 was not met.

Government has not established a formal attendance management program. Short but frequent absences are not well managed and sometimes employees on long-term absences fall through the cracks or are not offered alternate employment.

Government is not identifying and managing high-risk areas such as retiring employees.
Section F

Criterion 5 - Measuring and Reporting on Effectiveness of Attendance Management

Overview

Purpose
The purpose of this section is to discuss the extent government is measuring and reporting on the effectiveness of attendance management.

Criterion 5
Government should measure and report on the effectiveness of attendance management on a regular basis and make changes as appropriate.

Summary
This table summarizes the problems and recommendations related to measuring and reporting of the effectiveness of attendance management:

<table>
<thead>
<tr>
<th>Problems</th>
<th>We recommended that …</th>
</tr>
</thead>
<tbody>
<tr>
<td>No documentation and communication of goals.</td>
<td>The Office of Human Resources document and communicate goals for absenteeism to all levels of Government.</td>
</tr>
<tr>
<td>No objectives.</td>
<td>The Office of Human Resources</td>
</tr>
<tr>
<td></td>
<td>- Develop objectives relating to the management of absenteeism that are linked to goals and broadly communicated to all levels of Government.</td>
</tr>
<tr>
<td></td>
<td>- Regularly compare absenteeism statistics to other Provinces and private industry, as a step to measure the effectiveness of absenteeism management.</td>
</tr>
<tr>
<td>No reporting on effectiveness.</td>
<td>The Office of Human Resources report on the effectiveness of absenteeism management. Reporting should include descriptions of</td>
</tr>
<tr>
<td></td>
<td>- intended vs. actual results, and</td>
</tr>
<tr>
<td></td>
<td>- strategies to accomplish goals.</td>
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Overview, Continued

In this section

This section addresses the following issues.

<table>
<thead>
<tr>
<th>Issue</th>
<th>See Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Documentation and Communication of Goals For Absenteeism Management</td>
<td>79</td>
</tr>
<tr>
<td>No Objectives For Absenteeism Management</td>
<td>81</td>
</tr>
<tr>
<td>No Reporting on Effectiveness of Absenteeism Management</td>
<td>84</td>
</tr>
<tr>
<td>Criterion 5 Conclusion</td>
<td>85</td>
</tr>
</tbody>
</table>
No Documentation and Communication of Goals For Absenteeism Management

Accountability for results

Government must be held accountable for results. The management of absenteeism is no exception. In order to fulfill this obligation for accountability, information on intended and actual results must be produced and presented to the Legislative Assembly and ultimately the public.

Policy AD 1605 and accountability

One measure of effectiveness is the extent to which an organization has achieved its intended results, or its plans. This is reflected in the PNB’s policy AD 1605. Subsection 5.1(a) of the Annual Report Policy states:

“To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.”

The policy focuses on accountability reporting. One can see that good planning is a fundamental assumption to good reporting.

If the departments and agencies are supposed to be giving a clear account of their goals and objectives when the year is finished, it is obvious that they should have had them in place when the year began. And these goals and objectives should be driving the departments’ programs throughout the year.

Definition: Goal

The Canadian Council of Legislative Auditors (CCOLA) defines a goal as “a general statement of desired results to be achieved.”

Goal for absenteeism management

Officials at the Office of Human Resources clearly described two goals to us that they hoped to achieve in regards to the management of absenteeism.

These goals are as follows:
1. To have no material increases in absenteeism rates year by year.
2. To have employees get the sick time they truly need and no more.

These statements meet the CCOLA definition of a “general statement of desired results.”

Continued on next page
No Documentation and Communication of Goals For Absenteeism Management, Continued

<table>
<thead>
<tr>
<th>Problems with goals</th>
<th>While we were pleased to note these goals had been developed, we noted the following problems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• the goals are not documented in any policy/collective agreement, and</td>
</tr>
<tr>
<td></td>
<td>• other than Office of Human Resource officials, no departmental employees we interviewed were aware of the goals.</td>
</tr>
</tbody>
</table>

| Our recommendation                  | We recommended the Office of Human Resources document and communicate goals for absenteeism to all levels of government. |

| Departmental response               | The proposed policy and the training material will articulate goals related to the management of absenteeism. |
## No Objectives For Absenteeism Management

<table>
<thead>
<tr>
<th>Definition: Objective</th>
<th>The Canadian Council of Legislative Auditors defines an objective as &quot;a specific statement of results to be achieved over a specified period of time. This statement may be described in terms of a target.&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>No objectives for absenteeism management</td>
<td>We determined from our interviews with Office of Human Resources officials, that there are no such objectives for absenteeism management. As we have noted, specific well-defined objectives are a foundation of good reporting.</td>
</tr>
</tbody>
</table>
| Difficulties developing targets | Literature describes some organizations as having targets of  
• improving absenteeism rates by a certain %
• achieving the same as or better than national averages, and
• achieving a desired %.

Officials at the Office of Human Resource described to us their difficulty in developing targets for absenteeism. They feel they cannot assign a magic number, or easily assign another target. 

While we sympathize with the difficulties, we think it is important to develop a target for absenteeism.

*Continued on next page*
No Objectives For Absenteeism Management, Continued

The Office of Human Resources is not comparing absenteeism statistics to other organizations. In our opinion, a good starting point to measuring effectiveness would be to compare your organization to other public and private sector organizations.

This table summarizes absenteeism statistics for provincial governments in Canada for 2001 as reported by Statistics Canada:

<table>
<thead>
<tr>
<th>Province</th>
<th>Average sick days used per employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Brunswick</td>
<td>10.4</td>
</tr>
<tr>
<td>British Columbia</td>
<td>10.3</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>9.9</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>9.1</td>
</tr>
<tr>
<td>Quebec</td>
<td>9</td>
</tr>
<tr>
<td>Newfoundland &amp; Labrador</td>
<td>8.3</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>7.8</td>
</tr>
<tr>
<td>Ontario</td>
<td>7.7</td>
</tr>
<tr>
<td>Alberta</td>
<td>6.9</td>
</tr>
<tr>
<td>Manitoba</td>
<td>6</td>
</tr>
</tbody>
</table>

We obtained statistics on absenteeism rates in the New Brunswick private sector from Statistics Canada. We noted that New Brunswick public sector employees consistently use a higher number of sick days than their counterparts in private industry.

This table shows the percentage by which government absenteeism rates exceed private industry rates:

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher % absenteeism rates in government vs private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>31.7%</td>
</tr>
<tr>
<td>2000</td>
<td>24.7%</td>
</tr>
<tr>
<td>2001</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

Continued on next page
No Objectives For Absenteeism Management, Continued

Our recommendation

We recommended that the Office of Human Resources

• regularly compare absenteeism statistics to other Provinces and private industry, as a step to measure the effectiveness of absenteeism management, and

• develop objectives relating to the management of absenteeism that are linked to goals and broadly communicated to all levels of government.

Departmental response

While the proposed policy will articulate absenteeism goals, it will not include quantitative objectives or target utilization levels. Given the frequency distribution curve (17% of employees took no sick leave in 2002) and the fact that employee needs vary, a generic target would be inappropriate. An assessment of the viability of inter-provincial comparisons will be made to determine if the information is readily available, consistent, comparable, and cost-effective to collect. Implementation of this recommendation will depend on the results of this assessment.
No Reporting on Effectiveness of Absenteeism Management

Responsibility to report on effectiveness
In response to growing expectations for accountability, clearly management has a responsibility to report on effectiveness. This is often accomplished through departmental annual reports.

High cost of absenteeism yet no reporting
During our audit, we noted a significant lack of both corporate and departmental reporting on the effectiveness of absenteeism management.

Despite the significant costs of absenteeism, we found no reporting of the management of these costs in any departmental annual reports.

Our recommendation
We recommended that the Office of Human Resources report on the effectiveness of absenteeism management in its departmental annual report.

Reporting should include descriptions of

• intended vs. actual results, and
• strategies to accomplish goals.

Departmental response
The Office of Human Resources will review the effectiveness of the proposed policy at a suitable point after its implementation. Since formal evaluations are costly, periodic reviews will be the approach taken.
## Criterion 5 Conclusion

<table>
<thead>
<tr>
<th>Criterion 5 - not met</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>We conclude that Criterion 5 was not met.</td>
<td></td>
</tr>
<tr>
<td>The Office of Human Resources does have established goals, however these goals are not documented nor broadly communicated. Further, there is a lack of established objectives.</td>
<td></td>
</tr>
<tr>
<td>The Office of Human Resources is not measuring or reporting on the effectiveness of absenteeism management.</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 4
Financial Audits in Departments and Crown Agencies

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   Development Program ...................................... 99
Losses through fraud, default or mistake ............................................. 101
Chapter 4

Financial Audits in Departments and Crown Agencies

Background

4.1 The Legislative Assembly approves the budget that sets out the government’s financial plans. The duties imposed on our Office require us to audit the actual financial results and report our findings to the Legislative Assembly.

4.2 Our audit work encompasses financial transactions in all government departments. As well, we audit pension plans and other trust funds, including the Fiscal Stabilization Fund.

4.3 We also audit the Crown Corporations, Boards, Commissions and other Agencies which are listed below. We have issued audited financial statements of all these agencies for the year under review.

4.4 Agencies included in the Public Accounts:

- Advisory Council on the Status of Women
- Algonquin Golf Limited
- Algonquin Properties Limited
- Kings Landing Corporation
- Lotteries Commission of New Brunswick
- NB Agriexport Inc.
- New Brunswick Credit Union Deposit Insurance Corporation
- New Brunswick Crop Insurance Commission
- New Brunswick Highway Corporation
- New Brunswick Municipal Finance Corporation
- New Brunswick Public Libraries Foundation
- New Brunswick Research and Productivity Council
- Premier’s Council on the Status of Disabled Persons
- Provincial Holdings Ltd.
- Regional Development Corporation
- Regional Development Corporation - Special Operating Agency
- Youth Council of New Brunswick
4.5 Other Agencies:

- Le Centre communautaire Sainte-Anne
- Legal Aid New Brunswick

Scope

4.6 To reach an opinion on the financial statements of the Province, we carry out audit work on the major programs and activities in departments. In addition, we audit major revenue items and a sample of expenditures chosen from departments. We also test controls surrounding centralized systems.

4.7 We take a similar approach to our testing of the Province’s pension plans. Our objective in doing this work is to reach an opinion on the financial statements of each plan.

4.8 Because of the limited objectives of this type of audit work, it may not identify matters which might come to light during a more extensive or special examination. However, it often reveals deficiencies or lines of enquiry which we might choose to pursue in our broader scope audit work.

4.9 It is our practice to report our findings to senior officials of the departments concerned, and to ask for a response. Some of these findings may not be included in this Report, because we do not consider them to be of sufficient importance to bring to the attention of the Legislative Assembly, or because public attention to weaknesses in accounting controls before they are corrected could possibly result in loss of government assets.

4.10 Our work in Crown agencies is usually aimed at enabling us to give an opinion on their financial statements. During the course of this work, we may note errors in accounting records or weaknesses in accounting controls. We bring these matters to the attention of the agency, together with any recommendations for improvement.

4.11 This chapter of our Report summarizes issues related to departments and Crown agencies which we consider to be significant to the members of the Legislative Assembly.

4.12 Our examination of the matters included in this chapter of our Report was performed in accordance with Canadian generally accepted auditing standards, including such tests and other procedures as we considered necessary in the circumstances. The matters reported should not be used as a basis for drawing conclusions as to compliance or non-compliance with respect to matters not reported.
Office of Human Resources - Human Resources Information System

Background

Scope

4.13 Our Office has a long-range plan to review all key computer systems in the Province of New Brunswick. This review is used to support our audit opinion on the provincial financial statements. We identified the Human Resource Information (HRI) system in the Office of Human Resources (OHR) as one of these key systems because of the magnitude of the dollars processed by the system.

4.14 The objective of our audit was to review and assess the adequacy of the internal controls in the computer environment and in the computer application.

4.15 The scope of our audit was limited to regular, seasonal and casual payrolls of the Civil Service. These payrolls process approximately $500 million in expenditures. Regular payroll represents approximately 93% of the $500 million payroll and is comprised of positioned, full-time or part-time employees of the provincial government.

Computer environment

Conclusion

4.16 Based on our examination, we determined that the HRI system computer control environment is adequate to support the operation of the HRI system. However, we noted a number of areas where improvements should be made.

Development of a business continuity plan

4.17 From our discussions, we determined that OHR does not have a formal documented business continuity plan (BCP). A BCP is important as it identifies critical business processes and establishes the information and resources that are needed to ensure that these processes continue to operate in the event of a disruption in service. A subset of a business continuity plan is an Information Technology (IT) recovery plan. This plan focuses on the recovery of the computer environment needed to support the critical business processes if a disruption should occur.

4.18 We determined that OHR has taken some steps to reduce the impact of business disruptions. OHR indicated that it has an assortment of documents that address various components of a BCP. However, these documents are not organized into one “plan” that clearly identifies them as being the procedures to follow in the event of a disruption. Not having these documents organized into one plan could increase system down time if employees are unclear of their responsibilities or of what procedures to follow should a disruption occur. A situation such as this could result in the inability to meet the payroll obligations of the government.

4.19 We are pleased to report that OHR is currently participating in a departmental contingency planning process commissioned by the Department of Public Safety and we encourage the completion of this project. Although we have not reviewed the progress of this project, we
expect it will result in a comprehensive BCP that will ensure the human resources needs of the government will continue to be met if a disruption in service should occur.

**Recommendation**

4.20 We recommended that OHR develop and document a BCP to help ensure the human resources needs of the government are met in the event of a disruption. The BCP should incorporate a tested information technology recovery plan for the HRI system. The BCP plan should be reviewed and updated periodically to ensure it reflects changes in infrastructure and the organization.

**Departmental response**

4.21 Some elements of a Business Continuity Plan (BCP) are already in place including detailed procedures supporting the system management, system development, and system operation processes. These include procedures related to system backup, recovery, security, etc. While no environment exists that will permit the staging of a mock disaster and the actual testing of a recovery plan, many existing system testing processes (for example those used when system enhancements are implemented) which are used on a regular basis provide a level of assurance that the system could be recovered if necessary. Additional work will be done to extend these components of a BCP (especially for payroll related activities) over time and the material will be … updated as required.

**Training for new system users**

4.22 From our review, we noted that both OHR and departmental payroll personnel provide HRI system training to new users. Because of the complexity of the system, we believe that all new users should receive a minimum level of training. Given that this training is provided by a number of different sources, we believe OHR should establish minimum training standards to promote a consistent training approach throughout client departments. These standards would help to reduce the risk of departmental inefficiencies and procedural errors being passed on to new users.

**Recommendation**

4.23 We recommended that OHR establish minimum training standards to be used by all departments when training new system users. These standards would help ensure that new users of the system are appropriately trained.

**Departmental response**

4.24 A training program guide will be developed which will outline minimum recommended training coverage for each of the relevant functional areas of the application. This will include linkages to the HRIS Operational System documentation posted on the HRID Intranet Web Site, and will allow training efforts to be aligned with the duties of the individual being trained. This program will be distributed to departmental HR directors for implementation.

**Regular review of inactive accounts**

4.25 As part of our audit, we reviewed HRI system user accounts to ensure that inactive accounts are disabled on a timely basis. Based on
our discussions with OHR staff, we determined that the system does not automatically disable user accounts after a specified period of inactivity. Instead, the OHR manually reviews inactive accounts periodically. At the time of our audit, we noted that this review had not been performed since February 2000. OHR subsequently performed a review and disabled any accounts that had not been accessed in over twelve months.

4.26 The new password standards, implemented by the Department of Supply and Services in June 2003, require user accounts that have been inactive for more than 90 days be disabled. We believe that OHR should comply with this standard by either modifying the system such that inactive accounts are automatically disabled or by reviewing user accounts every three months and manually disabling the inactive accounts.

Recommendation 4.27 We recommended that OHR modify the HRI system so that user accounts are automatically disabled after 90 days of inactivity. If this option is not feasible or economical, a manual review should be performed and user accounts that have not been accessed for 90 days should be disabled.

Departmental response 4.28 OHR agrees with this recommendation and a manual procedure will be implemented to review account activity and inactivate dormant accounts.

Application controls

Conclusion 4.29 Based on our examination, we determined that we can rely on the HRI system application controls to express an opinion on the financial statements of the Province of New Brunswick. However, we noted a number of areas where improvements should be made.

Clear communication of payroll accrual information to departments 4.30 During the course of our work, we determined that the HRI system automatically calculates the payroll accrual for regular payroll. However, depending on the type of earnings, the system either allocates all of the earnings to the old fiscal year or prorates the earnings between old year and new year (e.g. all overtime earnings are allocated to the old year, but regular earnings are prorated between old year and new year).

4.31 While the different accounting treatment for these expenditures is reasonable, OHR should notify departments on how the accrual for these expenditures is calculated. From our discussions with departments, this was not the case. In our testing we found two cases where accruals were prepared for expenditures that were already accrued by the system.

Recommendation 4.32 We recommended that OHR clearly communicate to departments the earnings that are accrued by the HRI system at year end and how the accrual is calculated. This communication
should be addressed to the appropriate departmental employees in both the payroll and the accounting divisions.

**Departmental response**

4.33 A communication will be distributed to HR Directors and Directors of Finance reminding them of how the HRIS accrual process works. This will make reference to this audit finding as well as a reminder to utilize the existing HRIS report that details the accrual amounts.

**Review of controls to ensure adequate management of payroll risks**

4.34 We reviewed the various risks associated with a payroll system. We found that in some cases, these payroll risks could be further reduced by improvements in the system of internal control, such as ensuring:

- payroll officers always agree system input to system output;
- management consistently review payroll reports; and
- departments maintain adequate segregation of incompatible duties.

**Recommendation**

4.35 We recommended that OHR review the controls in the HRI system. Where significant risk exists, OHR should modify the system or manual procedures to manage the risk to an appropriate level.

**Departmental response**

4.36 OHR indicated that the HRI system “application is designed to support segregation of duties through both its security module and reporting structure,” so “there is no requirement to modify the HRIS application.” OHR “will communicate this audit finding to HR Directors and remind them of the importance of duty segregation, as well as the existing features of the HRIS application supporting this principle.”

4.37 OHR also responded that “system reporting fully supports the ability to perform … [input to output] validations” and agrees “this is an important control procedure.” OHR “will communicate this audit finding to departmental HR directors, stressing the importance of input to output reconciliation.”

**Other observations**

4.38 We identified and made recommendations in two areas where we believed OHR could improve the efficiency of payroll procedures. One recommendation related to the possibility of electronically reconciling Blue Cross information with the HRI system rather than each department manually checking this data. The other recommendation related to an improvement in the method in which overtime wages are input into the system.

4.39 The department indicated that electronic reconciliation of Blue Cross data may be possible once Blue Cross implements an electronic billing system. The department also responded that improvements in the method of inputting overtime wages would be considered for inclusion in a future OHR work plan.
Service New Brunswick - Service Agreements with Departments and Agencies

Background

4.40 Service New Brunswick (SNB) is a provincially owned Crown corporation with a mission to make government services more available to citizens and businesses and to be stewards for authoritative information. The Service New Brunswick Act specifies that the corporation is “to be the principal provider for the Government of the Province of non-specialized customer services, through both physical offices and electronic channels”. The concept of one-stop shopping is an integral part of the philosophy of SNB.

4.41 The corporation has four lines of business which include property assessment, registries, geographic information infrastructure, and government service delivery. Government services are delivered through three channels - service centres (36), TeleServices, and the internet. Over 140 services are delivered by SNB on behalf of fifteen provincial government departments and agencies, 43 municipalities and a number of other organizations. SNB considers each of them to be business partners. Services delivered on behalf of the business partners include licences and permits, collection of fees and payments, and provision of information on government products and services.

Service agreements

4.42 During 2002-03, SNB processed 4.3 million transactions and inquiries and collected $348 million on behalf of its business partners. Given the large number of services “outsourced” to SNB by its business partners, the importance of clearly defining the responsibilities of both SNB and the business partners should not be underestimated.

4.43 The document that is used to formalize the arrangement for service provision between SNB and the business partner is called the service agreement. A well-written service agreement is an important tool in business partner relations as it identifies and defines the business partner’s needs and the roles of each partner, it provides a framework for understanding, and it identifies and addresses areas of possible conflict. It also alleviates the strain on business relations that can result from unclear expectations.

4.44 We feel that a service agreement should include a wide range of provisions, particularly the following:

- The specific services that are to be delivered, the manner in which they are to be delivered, and the duties and responsibilities of the business partner. This will reduce the risk of duplication, overlap, and inefficiencies in service delivery as well as eliminate gaps in responsibility.
- The applicable fees charged to the business partner for services delivered on their behalf.
Provisions for performance monitoring and reporting by both partners to ensure there is no loss in the level and quality of service delivery or weakness in controls.

- Provisions for problem management, legal compliance, and resolution of disputes.

- Provisions for security and confidentiality of information.

- Provisions for termination of the agreement.

Preliminary review

4.45 We began a preliminary review within SNB during the summer of 2003. The focus of our review was on service agreements for government services delivered by SNB on behalf of other government departments and agencies.

Our findings

4.46 During our review, we discovered that the Office of the Comptroller (OoC) performed an audit on SNB in 2001 entitled, "Customer Service Delivery Review". The OoC concluded that, with the exception of a fee arrangement with the Department of Health and Wellness to deliver Medicare services from the TeleServices Centre, SNB did not have written agreements that reflected current service delivery arrangements with business partners. The OoC recommended that SNB formalize arrangements for service provision with each of its business partners.

4.47 SNB agreed that formal service agreements should be developed for all existing business partner arrangements as well as for future new service arrangements. SNB stated that agreements would be developed for existing service arrangements beginning with departments with whom they had the largest volume.

4.48 We found that current service agreements do not exist for many services that were part of the original transfer of responsibility from the Department of Finance to SNB. However, we found that, for new service responsibilities assumed since the OoC audit, SNB negotiates agreements with its business partners for all specific services it conducts on their behalf.

4.49 Of the nine service arrangements that were without written agreements at the time of the OoC audit, two agreements will be in full force by the end of the current year and these are the two largest business partners (one is in place now and one is in its second draft). SNB’s Business Plan for 2002-2005 noted March 2003 as an anticipated deadline for completion of all agreements, but this was not met. SNB staff informed us they intend to complete two agreements per year in the coming years until all agreements are completed. They indicated this will take approximately three to four years.
4.50 In its audit report, the OoC gave direction on issues that should be addressed by the agreements. Some of these issues included:

- extent and location of services offered by SNB (service centres, TeleServices, and internet);
- responsibility for purchase of equipment for service delivery;
- responsibility for the provision of field staff support (including after-hours support);
- responsibility for the development and reporting of service standards;
- reporting internal audit activity; and
- training requirements.

4.51 We reviewed all current agreements in place between SNB and its business partners and found that they comply with the direction given by the OoC. We also reviewed the agreements for a number of provisions not addressed by the OoC such as confidentiality and agreement termination. We found that these provisions were included in all agreements with the exception of the most recent service agreement with SNB’s largest business partner. We were informed that this agreement will be used as a model for future service agreements for existing services. To protect the interests of both parties, the model agreement should be modified to include these provisions.

**Recommendation**

4.52 We recommended that all service agreements include provisions for confidentiality and termination.

**Agency response**

4.53 Both Service New Brunswick and the Departments on behalf of which we provide services are subject to the Protection of Personal Information Act (POPIA) as well as the Right to Information Act. We have taken strong leadership in developing procedures and training to ensure our compliance with POPIA. Future agreements will include clauses relating to confidentiality and protection of personal and other information. … we recognize the value of [a provision for termination of services] … and will incorporate one in future agreements …

4.54 We were pleased to see SNB taking the initiative for negotiating and developing service agreements with its business partners. While we were encouraged to see a deadline of March 2003 for this initiative noted in SNB’s Business Plan for 2002-2005, we were disappointed to learn that it actually might be 2007 before all service agreements are in place.

**Recommendation**

4.55 We recommended that SNB seek the prompt implementation of formalized service agreements for all of its existing business partner arrangements and future new service arrangements.
Agency response

4.56 Progress on agreements for existing services is significantly dependent on the effort our business partners are willing to commit to the development of these agreements. We now have a good template in the agreement with [the Department of Public Safety] and are actively working on another three. Each department has some unique issues that must be addressed individually. If we are able to move expeditiously with the full cooperation of our business partners, we would like to have agreements with all eight departments completed by the end of 2004/05.

Conclusion

4.57 We decided not to pursue an audit of the service agreements between SNB and its business partners as we feel SNB is adequately addressing the OoC’s concerns and is making progress towards formalizing service agreements for all existing business partner arrangements as well as for future new service arrangements.

Department of Family and Community Services - NB Housing

4.58 The Department of Family and Community Services offers a variety of programs to assist certain sectors of the population with their housing needs. Included in programs made available through NB Housing are those designed to help low and modest income individuals and families, off-reserve native and non-native households in small rural communities, and those with special needs. During the year, we completed an examination of the internal controls around the NB Housing systems.

Computer systems aging

4.59 During our audit we were told by many individuals that the computer systems currently in place are outdated. Since the applications used are old, there is a risk that there may not be appropriate technical support when it is needed in the future.

4.60 Our audit also found that separate systems for most housing programs exist and are run independently of one another. Without data integration, processing of payments from clients involved in more than one housing program is difficult and there is a higher risk of error in processing.

System applications do not accommodate all programs

4.61 Canada Mortgage and Housing Corporation (CMHC) is running a program for NB Housing. In the event that CMHC were to abandon this arrangement in the future, there is no application at NB Housing that could run this program. Proper control and monitoring of the program could be jeopardized if adequate information systems are not developed.

No recent review of disaster recovery plan

4.62 A disaster recovery plan is important for the continuity of operations in the event of an emergency situation. As new uses for technology, and new products for enforcing a secure environment, are developed, policies and procedures need to be reviewed, updated and tested to protect a database environment in the event of a security breach.
or disaster. During our audit we were told that the disaster recovery plan had not been updated since the work done for the year 2000.

**Recommendations**

4.63 The Department should consider implementing new computer systems to address the weaknesses noted above.

4.64 The Department should review and update their disaster recovery plan so that operations can continue in the event of a disruption.

**Departmental response**

4.65 We will consider the implementation of a new computer system for our Housing programs. Our disaster recovery plan will be reviewed and updated.

**New Brunswick Housing Act requires updating**

4.66 In reviewing the New Brunswick Housing Act, we discovered many instances where the Act is outdated. An example of this is Section 18, which includes legislation requiring the New Brunswick Housing Corporation to submit a report to the Minister within three months of each fiscal year end. The Act outlines what should be included in the report, such as the financial statements of the Corporation and the report of the Auditor General. This information no longer exists.

**Recommendation**

4.67 The Department should review and update the New Brunswick Housing Act.

**Departmental response**

4.68 We agree that the Act requires review and updating. However, to undertake such a review would require significant input from legislative resources outside the department. Therefore, we expect that this task could take considerable time to complete.

**Department of Training and Employment Development - Training and Skills Development Program**

4.69 The Department of Training and Employment Development has a Training and Skills Development Program (TSD) aimed at ensuring that the education and skills of the New Brunswick labour force meets the current and emerging demands of the labour market. This is accomplished by moving more people off short-term ‘make work’ projects and into long-term training programs. The focus of our audit in this Department was an examination of the controls around the TSD system.

**Non-compliance with Administrative Guidelines**

4.70 The administration of the TSD program is governed by the Training and Skills Development Administrative Guidelines which state that it is a requirement that the Attendance and Progress Reviews are to be completed (by the educational and training providers) and returned to the employment counsellors every two months.
During the course of our audit we found that in one of the six items tested in a regional office, a progress review had never been received for a client who had been in a training program for over three months. A manager in the regional office told us that it is the employment counsellor’s responsibility to contact the training provider if they do not send this information. Failure to obtain this information would make it difficult to ensure that clients are receiving the training.

**Recommendation**

We recommended that the Administrative Guidelines be followed and that Attendance and Progress Reviews be obtained and kept in the client files.

**Departmental response**

… The Attendance and Progress Reviews have been problematic for some time and therefore the Department is currently developing a new electronic Internet based approach to capture and report this information. This new system will be in place by December 2003. Until this new system is in place, regional staff will be reminded to work with training institutions to obtain this information.

We were informed during our audit that, in many cases, clients do not contact the employment counsellor to tell them when they have finished the program or if they have found employment. We would have expected to see a follow-up mechanism in place in order to provide information for the assessment of programs as to whether they are achieving the intended objectives. Many government programs have instituted a holdback of a certain percentage of the contracted amount until all of the obligations under the agreement have been fulfilled.

If amounts were held back from clients, this would serve as an incentive for them to contact the counsellor at the end of the program to give them the required information, thus assisting in program assessment.

**Recommendation**

The Department should implement measures to ensure that all of the required information is gathered from clients.

**Departmental response**

Although TSD clients are required to inform their employment counsellor when they finish the program or find employment, ultimately it is the employment counsellor’s responsibility to follow up with their individual clients and capture this information in Contact NB (case management system). In order to ensure that this is done the following will be verified and implemented:

- Ensure that the current Contact NB “Bring Forward” function that reminds employment counsellors to follow up with their client upon training end date works properly;
• Ensure that the current Contact NB function that brings forward files that have been inactive for 6 months works properly;
• Finally, establish monitoring measures to ensure that employment counsellors are entering this information in Contact NB.

4.78 In addition, the Department recently introduced a comprehensive evaluation framework of its 5 employment programs. Program evaluation results are now presented to Board of Management on an annual basis.

Cash handling and receivables

4.79 During our testing in a regional office we discovered in a client file a cheque made payable to the Minister of Finance for an amount in excess of $5,000. The cheque, over eight months old at the time, was from a school and represented reimbursement of tuition for a client who withdrew from the program he was enrolled in. According to the Policy Manual, all refunds must be sent to Central Office to be deposited. It was evident that proper controls are not in place with respect to cash handling.

4.80 Further, with respect to this same client, we found that a receivable had not been set up for the monthly entitlements he had already received, approximately $3,000 per month.

Recommendation

4.81 Internal controls with respect to cash handling should be reviewed and improved by the Department. All staff should be instructed on how to properly process cheques when they are received. Receivables should be set up as soon as a client withdraws from a program.

Departmental response

4.82 Additional information will be added to the Policy Manual with respect to cash handling. All Regional Directors will be asked to review this section of the Policy Manual with all staff delivering TSD. A Work Group will be established to look into additional internal controls that could be implemented to avoid this situation in the future.

Losses through fraud, default or mistake

4.83 Section 13(2) of the Auditor General Act requires us to report to the Legislative Assembly any case where there has been a significant deficiency or loss through fraud, default or mistake of any person.

4.84 During the course of our work we became aware of the following significant losses. Our work is not intended to identify all instances where losses may have occurred, so it would be inappropriate to conclude that all losses have been identified.
Department of Finance
- Lost or stolen laptop computer and LCD machine $6,000

Department of Education
- Missing equipment, money and supplies in various school districts $24,061

Department of Transportation
- Missing equipment and supplies in various districts $10,650

Department of Training and Employment Development
- Missing equipment and money in various community colleges $24,397

Department of Family and Community Services
- Cheques cashed by persons not eligible to receive the funds $12,121

Department of Natural Resources and Energy
- Missing equipment $19,866

Department of Justice
- Payments to wrong beneficiaries and cash shortages $3,142

4.85 Losses reported by our Office only include incidents where there is no evidence of break and enter, fire, or vandalism.

4.86 The Province reports in Volume 2 of the Public Accounts the amount of lost tangible public assets (other than inventory shortages).

4.87 In 2003, the Province reported lost tangible public assets in the amount of $108,065 compared to a loss of $135,471 reported in 2002.
Summary of Significant Audits Conducted in Departments and Crown Agencies over the Past Six Years

The following is a list of value-for-money audits reported in a separate chapter of our annual Report over the last six years, organized by department and agency. The year of reporting is in brackets following the subject of the audit. The list is organized using the current name of the department or agency, even though in some cases the audit was conducted prior to a government reorganization.

Department of Agriculture, Fisheries and Aquaculture

This chapter examines how well the Department is meeting its administrative responsibilities pertaining to legislation it has been assigned, and whether the results are being adequately measured and reported to the Legislative Assembly.

Department of Business New Brunswick

Financial Assistance to Business and Performance Reporting (1998)
This chapter examines whether the Department is appropriately approving and monitoring financial assistance provided to business under the Economic Development Act, and whether an appropriate effectiveness reporting system is in place in the Department and functioning.

Department of Education

Pupil Transportation (2001)
This chapter examines the systems and practices in place in the Department of Education for the safe transportation of pupils to and from their schools.

Excellence in Education (1998)
This chapter examines whether the government has adequate systems in place to measure and report on the effectiveness of the Excellence in Education initiatives, and whether the government has complied with the accounting and audit provisions established by the Board of Management.

Department of the Environment and Local Government

Environmental Inspections (2002)
This chapter examines the inspection process established by the Department to monitor and report compliance with environmental legislation.
Domestic Well Water Quality (2000)

A reliable supply of safe drinking water is important to everyone. Approximately 40% of New Brunswickers living in small towns and rural areas rely on domestic wells as their primary source of water. Two regulations under the Clean Water Act that contribute to the prevention of drinking water problems for individuals on newly drilled or dug domestic wells are the Water Well Regulation and the Potable Water Regulation. This chapter examines the performance of the Departments of the Environment and Local Government and Health and Wellness in ensuring compliance with these regulations as they relate to private wells.

Tire Stewardship Program (1999)

This chapter examines the approach taken by government in establishing the Tire Stewardship Program, and whether or not the Department is overseeing the Program in accordance with the legislation and regulation. Our work also addresses whether or not the public is adequately protected from danger of tire fires.

Department of Family and Community Services

Child Day Care Facilities (2003)

This chapter examines whether the Department has appropriate policies and practices to ensure compliance with the Province’s legislation and standards for child day care facilities.

Prescription Drug Program (2001)

This chapter examines the government plan to provide drug benefits to people who receive income assistance and those who have drug expenses for which they do not have the resources to pay. Our objective was to determine whether the Departments have appropriate systems and practices in place to ensure that each person who is eligible for benefits is offered the program, and that the plan provides services only to those people who qualify.

Department of Finance


This chapter examines and assesses the processes of approving, monitoring, evaluating and reporting provincial tax expenditure programs.

Pension Plan Governance (2002)

This chapter examines whether the governors of two provincially sponsored pension plans have established satisfactory procedures to measure and report on the effectiveness of the plans’ asset management activities.

Early Retirement Program (2001)

This chapter examines the process followed by government to reach the decision to offer a voluntary early retirement program to its employees.
This chapter examines the governance structure of four provincially-sponsored pension plans.

**Consumption Tax (1999)**
As of 1 April 1997 the provincial consumption tax was replaced by the federally administered Harmonized Sales Tax. Since then the government has hired additional auditors to identify unassessed taxes. We were interested in examining the economy and efficiency of this special audit effort and the collection of sales tax in general.

**Evergreen and Wackenhut Leases**
*(Special Report for the Public Accounts Committee - 1998)*
Our objective as assigned by the Public Accounts Committee was “to review the financial terms of the Evergreen and Wackenhut leases and compare the total cost under the private sector arrangements as compared to traditional government methods.”

**Department of Health and Wellness**

**Accountability of Psychiatric Hospitals and Psychiatric Units (2003)**
This chapter assesses whether the Department has appropriate accountability processes in place for the operations of the psychiatric hospitals and psychiatric units under the direction of the Regional Health Authorities.

**Client Service Delivery System (2002)**
This chapter examines why the development of the Client Service Delivery System, which was approved in 1995 for $4.5 million and was to be operational in three years, is costing substantially more and taking much longer than anticipated. It also examines whether there has been any non-compliance with contractual arrangements, government policy or provincial legislation related to the higher costs and longer completion time.

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**Food Safety (1999)**

This chapter examines the Province’s role in inspecting the 2,870 food service establishments in the Province. The objective of this project was to determine whether or not current systems and practices are sufficient in ensuring that food service establishments are complying with the food safety standards set out in the Regulations under the *Health Act*.

**Extra-Mural Hospital (1999)**

On 1 July 1996, The Extra Mural Hospital Corporation became the Extra-Mural Program as it merged into the regional hospital corporations. Why was this decision made? How does government make such decisions? Our interest in understanding the decision-making process of government led us to examine the merge decision.

**Ambulance Services (1998)**

This chapter examines the consequences of the replacement of St. John Ambulance volunteer services with paid service providers.

**Department of Natural Resources and Energy**

**Crown Lands Management (2001)**

This chapter examines the Minister’s responsibilities for Crown lands, and looks at how well the Department is doing in measuring and reporting on the effectiveness of its Crown lands programs.


This chapter examines the government’s role in encouraging the management of private forest lands as the primary source of timber for wood processing facilities in the Province.

**Office of Human Resources**

**Absenteism Management (2003)**

This chapter examines whether government has systems and practices in place to effectively manage employee absenteeism in the Civil Service.
Department of Public Safety

This chapter examines whether the Office of the Fire Marshal is adequately carrying out the provisions of the Fire Prevention Act, and whether it has appropriate human resource systems and practices in place to sufficiently deliver provincial fire prevention and protection programs.

High Risk Drivers (2001)
This chapter examines whether the Department has a system in place to identify and respond appropriately to high-risk drivers of private passenger vehicles. It also looks at one specific class of high-risk driver – the student driver.

Department of Supply and Services

This chapter examines how the Department manages significant insurable risks for the public works buildings it is responsible for.

Cellular Phones (2002)
This chapter examines whether the government has an adequate system in place to administer the acquisition and use of cell phones.

Provincial Archives of New Brunswick (2001)
This chapter examines the work of the Provincial Archives of New Brunswick. It considers their role in the assessment and preservation of archival records.

Purchasing (2001)
This chapter examines whether the Minister is fulfilling his responsibilities under the Public Purchasing Act and Regulation.

Contracts for IT Professionals (2001)
This chapter presents the results of an examination of forty contracts from six departments for the services of various Information Technology professionals.

Land Management Fund (2000)
The Land Management Fund buys, manages and sells land on behalf of the government. This chapter examines whether the Fund is achieving the purposes for which it was established. This chapter also examines compliance with the government-wide policy on the disposal of real property.
Department of Training and Employment Development

Employment Development Programs (2002)
This chapter examines the management of economic development programs, and whether there are adequate procedures in place to measure and report on program effectiveness.

Department of Transportation

Vehicle Management Agency (2002)
This chapter examines whether the Vehicle Management Agency is providing repair and maintenance services for government cars, executive vehicles and light trucks in a manner which minimizes costs and maximizes efficiency. It also examines whether the Agency has adequate systems and practices in place to monitor and control the usage of fuel for government cars and light trucks.

This chapter examines the Department’s procedures for obtaining engineering consulting services and managing its inventories of road construction materials. It also examines the progress made by the Department in implementing End Results Specifications as a guarantee of road construction quality.

Government-wide audits

Contract Administration (1999)
More and more government services are being delivered by the private sector through privatization, public-private partnerships and straight contracting-out arrangements. Our objective in performing audit work in this area was to determine what systems are in place to ensure contracts are being administered in accordance with negotiated terms and conditions.

Fredericton-Moncton Highway (1999)
This chapter examines the decision-making process that led up to the issuance of a Request for Proposals to three short-listed bidders on 27 March 1997. With the issuance of the Request for Proposals it was clear that the government was going to build the highway through a public-private partnership. We looked at the objectives government set for this project, whether alternative arrangements were considered, and whether the Request for Proposals reflected the government objectives.

Leasing of Equipment (1999)
Our audit objectives for this project were to ensure that decisions to lease were made with due regard for economy and that leases are being properly recorded in the books of the Province. Our analysis and conclusions are based on examining leasing decisions for personal computers, photocopiers, fire tankers and heavy equipment.
Performance Measurement and Effectiveness Reporting (1999)

It had been ten years since the Province adopted its first annual report policy. This was the policy that recognized annual departmental and agency reports as the “major accountability document” for the Legislative Assembly and the general public. This chapter examines the progress that had been made in the past ten years in the area of performance measurement and effectiveness reporting.

Crown agency audits


This chapter summarizes the results of our governance reviews over the past five years, reviews practices in other jurisdictions, and makes major overall recommendations on steps the Province can take to improve Crown agency governance.

Hospital Corporation Governance (1998)

Our objective for this project was to gain an understanding of the governance arrangements relating to regional hospital corporations in the Province and to solicit the views of board members on certain issues impacting the role and effectiveness of hospital corporation boards.

New Brunswick Liquor Corporation

Governance (1999)

For a number of years our Office has taken an interest in the governance and accountability of Crown corporations. This year we examined governance and accountability practices at the New Brunswick Liquor Corporation.

Regional Development Corporation

Economic Development Fund (1999)

In fiscal year 1997-98 over $15 million was expended from the Economic Development Fund for initiatives such as tourism marketing, agriculture development, Crown land silviculture and Film New Brunswick. Our objective in conducting work in this area was to ensure that adequate systems were in place related to the approval of funding and monitoring initiatives.

NB Agriexport Inc. (2000)

This chapter highlights the results of a special review of the operations and accountability of NB Agriexport Inc., carried out at the request of the Crown Corporations Committee.

Regional Health Authorities (2000)

This chapter summarizes the Auditor General’s observations and recommendations as a result of assisting the Crown Corporations Committee in its initial hearings with regional hospital corporations.