

# Chapter 1

## Introductory Comments

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# Introductory Comments

## **Volume II Reports Our Financial Audit Work**

**1.1** This volume of our Report deals with matters arising from our financial audits of the Province and its Crown agencies for the year ended 31 March 2011.

## **Interim Professional Restriction on Auditor General**

**1.2** I was appointed Auditor General on December 1, 2010. Prior to my appointment I was the Comptroller of the Province. Since I was responsible for the overall accounting of the Province for nine months of the fiscal year under audit, professional audit standards prevented me from participating or influencing this year's provincial financial statement audit.

## **New Deputy Auditor General Appointed**

**1.3** However, I am pleased to report, with the appointment of our new Deputy Auditor General, Janice Leahy, CA, combined with other professional auditors in the Office of the Auditor General, the audit was completed in accordance with generally accepted auditing standards and the *Auditor General Act*.

**1.4** I acknowledge that, as the Auditor General, I am responsible to present this Report to the Legislative Assembly and, as Auditor General, I stand behind and fully support its contents.

## **August Release of PNB Audited Financial Statements**

**1.5** We are pleased with respect to the timing of release of the audited financial statements. For the second year in a row, the statements were released in mid August. We look forward to working with the government in its intention to move to earlier release dates in the future. The more timely the release of audited financial statements, the more useful it is to the public.

**AG Concern with  
Province's Fiscal  
Status**

**1.6** The Province's audited financial statements for 31 March 2011 show a deficit of \$633 million and a \$1 billion increase in Net Debt. The Province now has a Net Debt of \$9.5 billion. Chapter 2 of this volume illustrates a number of disturbing trends:

**Disturbing Trends**

- a. Three consecutive years of deficits with a fourth one projected for 2011-12. This trend is very concerning. Significant changes are required to improve the financial health of the Province.
- b. When comparing the rapid growth in New Brunswick's Net Debt to that of similarly populated provinces, our province had the highest percentage increase in Net Debt, Net Debt per capita and Net Debt per GDP from fiscal 2010 to fiscal 2011. Therefore, with respect to Net Debt, this would imply New Brunswick's declining fiscal situation is outpacing that of comparable provinces.
- c. Our historical trend analysis of the Province's financial condition using CICA measures of sustainability, flexibility and vulnerability show the financial condition of the Province has worsened.
- d. If the Province continues in this manner, the financial health of the Province will continue to deteriorate. This will have an impact on the Province's ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. This illustrates the immediate need for the Province to develop a viable plan to improve the financial health of the Province. Interim 2011-12 projections indicate a worsening trend. To date, there are limited signs of the significant change required to deliver improved fiscal health for the Province.

**Need for Action**

**1.7** The results highlight once again the need for a clear explanation to New Brunswickers as to how

government plans to improve financial operating results, curtail or eliminate growth in deficits and Net Debt, and in turn, reduce Net Debt.

**Financial Audit  
Recommendations**

**1.8** Chapters 3 and 4 of this Volume contain information, including management letter recommendations, we made as a result of our financial audits, the results of our information systems work, and detailed analysis of certain financial information.

**Office Accountability  
Report**

**1.9** Chapter 5 contains our Office's accountability report. This chapter assesses our performance against the indicators we established as part of our strategic planning process. It also points out our need for additional resources in order to continue to provide objective information to the Legislative Assembly. I intend to continue my efforts in obtaining additional funding at every opportunity such as presentations to legislative committees as well as government.

**Acknowledgements**

**1.10** My office is grateful for the continuing cooperation we receive from government departments and agencies during the course of our financial audit work.

**1.11** I want to thank all the staff of my Office for their professionalism and dedication. This year in particular has been one of many changes. In my first year as Auditor General I have been very impressed with their level of commitment in promoting accountability in government and willingness to adapt to new management. I would also like to acknowledge to the Legislative Assembly, I now have a much greater appreciation for the work they accomplish in a year, as demonstrated by the three Volumes of our 2011 report, particularly given the small size of our Office.



Kim MacPherson, CA  
Auditor General