

Chapter 1

Introductory Comments

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Introductory Comments

Volume I 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 2012.

Auditor General's comments on Province's Fiscal Status

1.2 The Province's audited financial statements for 31 March 2012 show a deficit of \$260.6 million and a \$430.1 million increase in Net Debt. The Province now has a Net Debt of over \$10 billion.

1.3 Also, for the year ended 31 March 2012 we noted short term positive changes, including:

- The year over year deficit was reduced from \$657.0 million to \$260.6 million;
- The year over year Net Debt increase went from \$1 billion to \$430.1 million;
- Total revenue grew 3.6% while total spending contracted 1.6%; and
- A few of the short term financial indicators show favorable trends.

Continued diligence is needed to improve the financial health of the Province

1.4 However, progress to date has not been enough to impact the Province's long term sustainability. Continued diligence is required to improve the financial health of the Province.

1.5 Although the deficit was smaller, it was the fourth consecutive year of deficits. Net Debt continues to increase and is projected to increase a further \$738.9 million in the 2012-13 Budget. This means an even higher demand on future revenue to pay past expenses.

Need to return to balanced budgets and reduce Net Debt

1.6 Government's announced plan of returning to balanced budgets by 2014-15 is welcome news. However, we would also encourage a similar long term commitment with respect to decreasing Net Debt.

1.7 Chapter 2 of this volume provides further detail, analysis and commentary of the Province's fiscal status as at 31 March 2012. The chapter includes historical trends, financial indicators and a comparison of New Brunswick's Net Debt to that of comparable provinces.

Financial Audit Recommendations

1.8 Chapter 3 reports on matters arising from our audit of the financial statements of the Province.

1.9 Chapter 4 reports on matters arising from our audits of Crown agencies and Federal Claims.

Office Performance Report

1.10 Chapter 5 includes our performance report of the Office of the Auditor General and is intended to present a comprehensive picture of the Office's actual performance.

1.11 I am pleased to report progress on the Office of the Auditor General's budget request for increased funding. During the annual budget process, the office received additional funding of \$240,000 (over the last two years excluding wage adjustments). I would like to assure the Committee we are making effective use of this additional funding. In the upcoming 2013-14 budget process, I intend to request the remaining \$360,000 of our original \$600,000 request. If approved, the funding will allow us to augment our value for money resources.

1.12 The legislation, under which we operate, the *Auditor General Act*, is over thirty years old. In the coming months I will propose to government an amendment that is overdue and necessary as it will update and clarify many aspects of the Office of the Auditor General's mandate.

Acknowledgements

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

1.14 I want to thank all staff of my Office for their hard work and dedication. It is a small group of professionals committed to fulfilling the mandate of the office and producing a quality report to the Legislative Assembly. The report we are presenting today is a reflection of a team effort where each member of the staff has greatly contributed.



Kim MacPherson, CA
Auditor General