



Auditor general remains concerned about New Brunswick's net debt and other financial matters

January 16, 2019

FREDERICTON (GNB) – Auditor General Kim MacPherson noted in her report released today that she is encouraged by the province's first annual surplus in a decade, however, she remains concerned about the province's elevated net debt and a number of other fiscal concerns.

The province recorded a small annual surplus of \$67 million in 2018. This is an improvement over the budgeted deficit of \$192 million and the \$117 million deficit recorded in 2017.

"The surplus is a result of the province collecting higher tax revenues and transfers from the federal government, while underspending its budgeted expenses for the year," said MacPherson.

Future interference in NB Power rates may have serious accounting consequences

Following an election promise to freeze power rates, combined with past government interference in the regulatory process for setting rates, MacPherson is concerned that the government may not be aware that their interference could have significant impact on the province's future financial results.

"If the government interferes in NB Power operations, NB Power may not be viewed as independent, and will need to be recorded differently in the province's financial statements," said MacPherson. "NB Power's \$4.4 billion debt may need to be included in the province's consolidated financial statements if interference continues, which could significantly impact the province's financial condition."

Little progress on centralizing accounts receivable collection since 2011

MacPherson also found the province has over \$2.8 billion in outstanding accounts receivable.

"I am troubled this receivable balance continues to grow," she said.

MacPherson noted the province has been trying to centralize the collection of accounts receivable since 2011.

“The collection function has moved around numerous times over the past seven years. Service New Brunswick is now responsible for the process but believes it has not been provided with clear direction,” MacPherson said.

She said she plans to look at this area again in 2019.

Many of the province’s key IT systems are outdated

Once again, MacPherson reported that many of the province’s key IT systems are outdated. Although the province is in the process of replacing these systems, MacPherson has reported this critical issue for the past six years.

“We are encouraged to see some progress made to replace outdated IT systems, however it is important government not lose momentum on this critical issue,” she said. “The implications of a failure of these systems would be significant.”

Government spending announcements impact financial statements at different times

MacPherson also provided information on how spending announcements affect the province’s financial results. At March 31, 2018, in addition to the \$9.3 billion in 2017-18 spending shown on the province’s financial statements, the province disclosed a further \$4.7 billion in future expenses that have been committed through agreements or signed contracts. This amount did not include the many government announcements which have no impact until a formal agreement is signed.

Information on understanding the province’s employee retirement benefits

Information is presented on the province’s significant employee pension plans and retirement allowances. The information describes the impact of significant changes since 2014.

The chapters on financial audits can be found in Volume III of the 2018 Auditor General Report. Volume III focuses on matters arising from the annual financial audit of the province and Crown agencies. Volume II, also released today, contains performance audit chapters. These volumes and one-page summaries for select chapters are [available online](#).

MEDIA CONTACT:

Kevin Maillet, communications, Auditor General of New Brunswick, 506-453-3048.

16-01-19