



Financial Audits by AGNB

Report of the Auditor General – November 2016

Volume IV

Why Is This Important?

- Presents results of financial statement audit work from our audit of the Province of New Brunswick (PNB) and Crown agencies
- Includes our comments on the Province's financial position
- Reports on accounting for pensions, nursing homes and contingency reserve

What We Found

Overall Conclusions:

Pleased with recent progress on issues:

- clean PNB audit opinion (unqualified)
- consolidation of not-for-profit nursing homes
- contingency reserve presentation in PNB financial statements
- creation of a PNB audit committee
- implementation of prior year financial audit recommendations

Concerns remain, such as:

- growing net debt, now \$14 billion
- unfavourable long-term sustainability trends
- renewal of "mission critical" PNB systems
- structure of NBLGC given ongoing issues

Other Audit Concerns:

- New SNB audit of amalgamated entity – redundant & inefficient systems in place
- Crown agency financial management/cash
- Crown agency oversight/governance

PNB Financial Condition:

- 8th consecutive annual deficit
- Deficit of \$260.5 million in 2016
- Additional deficits forecasted through March 31, 2020 of \$830 million
- Net debt per New Brunswicker is about \$18,000 in 2016 (2015- \$17,400)
- Two short-term sustainability indicators improved in the last year
- Long-term outlook has remained unfavourable since 2012

Accounting for:

Pensions

- PNB changed its pension accounting policy
- New information available this year
- Opening deficit, net debt, liabilities increased by \$224 million

Nursing Homes

- PNB consolidated about 60 not-for-profit nursing homes in 2016
- Opening 2016 net debt increased by \$522 million

Contingency Reserve

- No extra funds or reserve of assets involved
- Obscures true deficit, adds complexity
- Not recognized in accounting standards