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Introduction

1.1 This volume of our Report deals with matters arising from financial audits of the Province and its Crown agencies for the year ended March 31, 2018.

1.2 On August 13, 2018, I was pleased to issue an unqualified audit opinion on the 2018 consolidated financial statements of the Province of New Brunswick. An unqualified opinion also referred to as a “clean audit opinion” indicates the Province’s consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

1.3 I was also pleased government released these audited financial statements in advance of the September 2018 election, as I had previously encouraged in my past two reports. The audited results are important to allow New Brunswickers to judge how the government has managed public money and resources.

Auditor General’s comments on the Province’s year end results

1.4 I am encouraged by the signs of recent fiscal progress for the year ended March 31, 2018, including:

- an annual surplus of \$67 million, the first surplus in a decade; and
- an increase in Net Debt of \$106 million, the slowest rate of increase since 2007.

Recent progress is encouraging, however, action is still required

1.5 Although I am encouraged by this recent progress, I remain concerned with the Province's overall long-term fiscal situation. A note of caution is required as the small fiscal 2018 surplus was largely driven by increases in provincial tax revenue in a period when expenses also increased.

1.6 I again encourage the Province to set and achieve targets for debt control and reduction. We present information about debt in Chapter 2 of this report.

Future Government interference in NB Power operations may have serious consequences

1.7 Any future government interference in the NB Power Corporation may impact future accounting. Any interference in operations, through directing and/or overriding the regulatory process impacts NB Power's authority and ability to self-sustain operations. The impact on future accounting of NB Power on the Province's books is significant and needs to be understood by elected officials.

1.8 We present the history of interference by past governments and resulting potential impacts in Chapter 3.

Current state of the Province's IT systems

1.9 For the past six years, I have reported the Province has outdated IT systems. The Province is in the process of obtaining a new system to replace these outdated ones. We discuss the risks, and the process to obtain the new system in Chapter 3.

Understanding the Province's employee benefits

1.10 In Chapter 4, we present information for new members of the Legislative Assembly, plan members and New Brunswickers regarding the Province's employee benefit plans. This information is helpful in understanding the impacts of recent changes in pension plans and retirement allowance benefits.

The Province's short-term financial condition slightly improved

1.11 The Province's financial condition has improved slightly in the short-term due to a small surplus realized in 2018. Long-term trends, however, remain mostly unfavorable and unchanged. We present our full analysis of sustainability, flexibility and vulnerability indicator trends in Chapter 5.

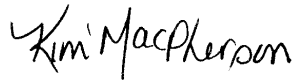
This report presents work performed as at November 2018

1.12 This report presents work performed as at November 2018. We acknowledge changes may have occurred after this date which are not reflected in this material. We will note any such changes in future reports.

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 from 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 I am presenting today is a reflection of a team effort where each member of the staff has greatly contributed.



Kim MacPherson, FCPA, CA, ICD.D
Auditor General