

2025

Results – Audit of the Province of New Brunswick and Crown Agencies Financial Statements

Chapter 4

Volume III: Financial Audit
AGNB Annual Report

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Results – Audit of the Province of New Brunswick and Crown Agencies Financial Statements

RESULTS – AUDIT OF THE PROVINCE OF NEW BRUNSWICK
AND CROWN AGENCIES FINANCIAL STATEMENTS

Chapter 4 Highlights

The Auditor General issued an unqualified audit opinion on the consolidated financial statements of the Province of New Brunswick for the year ended March 31, 2025

NB Power's ability to self-sustain its operations remains a concern

Provincial revenues enhanced by tobacco lawsuit settlement

Our office identified that over \$300 million remains outstanding due to delays in receivables collection

Audit of the Province's Financial Statements

AUDITOR GENERAL ISSUED UNQUALIFIED AUDIT OPINION

- 4.1** On September 25, 2025, the Auditor General issued an unqualified (“clean”) audit opinion on the consolidated financial statements of the Province of New Brunswick for the year ended March 31, 2025. This opinion indicates the Province’s consolidated financial statements are presented fairly in accordance with Canadian public sector accounting standards.
- 4.2** Our audit work included analysis of:
- major programs and activities in government departments and Crown agencies
 - significant revenue items
 - various expense items
 - internal controls related to preparing the consolidated financial statements
 - internal controls of significant computer systems
- 4.3** Every year, we have findings from our work and make recommendations for improvements to the Office of the Comptroller and government departments.
- 4.4** In this chapter we present significant findings from our work. We did not note any significant fraud or loss of assets during our audit.

Self-Sustainability of NB Power

NB POWER'S ABILITY TO SELF-SUSTAIN ITS OPERATIONS REMAINS A CONCERN

4.5 We remain concerned with NB Power's ability to self-sustain its operations and meet its liabilities without support from government. For the past several years, we have reported our concerns regarding items such as NB Power's:

- elevated debt levels
- lack of profitability
- operating challenges
- significant future capital investments

4.6 Events that will impact this analysis going forward include:

- results of independent review of NB Power's operations
- impacts of residential electricity rebate program
- impacts of significant future capital investments on debt ratios and customer rates

Untimely Collection of Province's Receivables

WHAT WE FOUND

- 4.7** During our audits of the consolidated financial statements of the Province and Crown agencies, we found instances where significant amounts of monies owed to the Province had not yet been collected.

DEPARTMENT OF HEALTH: BACKLOGS IN RECOVERING \$128 MILLION

- 4.8** The Department of Health (DOH) regularly invoices pharmaceutical companies under price listing agreements to recover costs incurred during the year. Delays in preparing and issuing invoices has led to uncollected monies owed to the Province.
- 4.9** As of March 31, 2025, DOH has estimated \$128 million remains owing to the Province under these agreements. In some cases, these amounts date back as far as 2022.
- 4.10** While we believe these amounts are not materially misstated in the Province's consolidated financial statements, significant delays such as this increase the risk these amounts will not be collected and may also increase the cost of borrowing for the Province.
- 4.11** In our 2024 report, we identified the receivable balance for the New Brunswick Prescription Drug Plan (NBPDP) Price Listing Agreement was \$97 million. This estimate has decreased by \$21 million since 2024.
- 4.12** This year, DOH estimates being owed \$52 million for oncology drugs related to the New Brunswick Cancer Network from pharmaceutical companies at year-end. This estimate has increased by \$30 million since 2024.
- 4.13** Combining these two programs reflects a net year-over-year increase in accounts receivable across both programs, totaling to \$128 million outstanding for 2025, indicating a concerning upward trend.
- 4.14** We made a recommendation to DOH to develop and implement a process to regularly submit invoices under these agreements.

JUSTICE AND PUBLIC SAFETY: \$111 MILLION OF UNCOLLECTED DISASTER FINANCIAL ASSISTANCE FROM FEDERAL GOVERNMENT

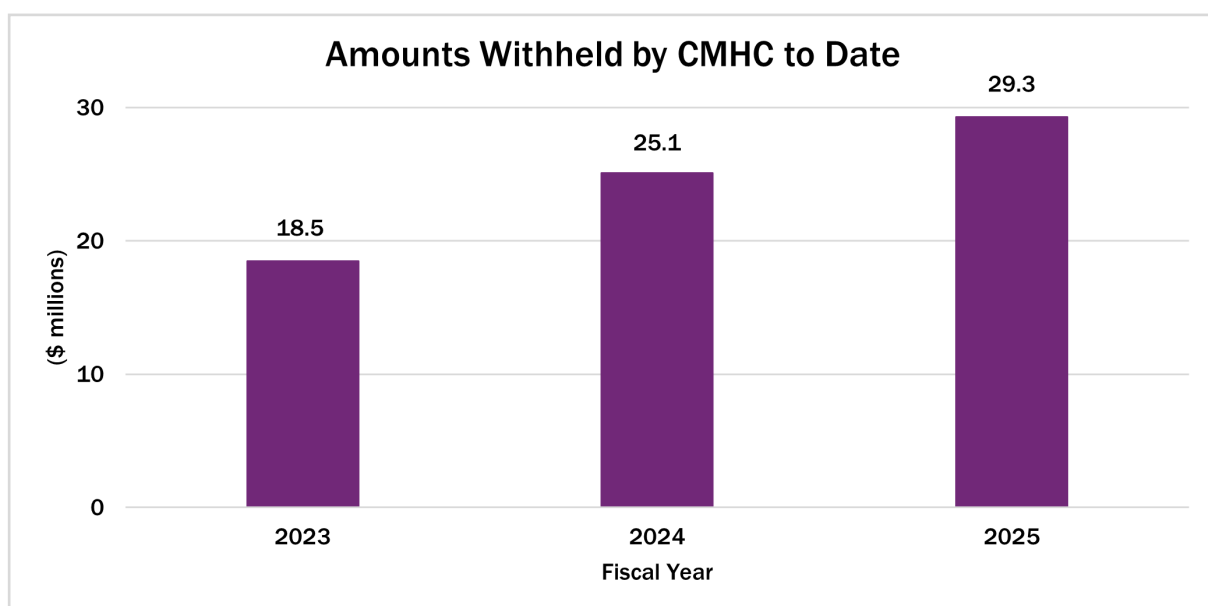
- 4.15** The Department of Justice and Public Safety (JPS) has approximately \$111 million of uncollected disaster financial assistance receivables from the Federal government. Some of these receivables are from disaster events as far back as 2014.

- 4.16 To receive this money, JPS must submit claims for disaster assistance to the Federal government to recover eligible costs incurred by the Province.
- 4.17 The negative impact of uncollected federal disaster financial assistance was evident this year as the Province reduced its estimate of accounts receivable by \$16 million previously recorded for three events; one from 2015 and two from 2018.
- 4.18 We made a recommendation to JPS to improve its processes to collect receivables for disaster financial assistance in a timelier manner.

NEW BRUNSWICK HOUSING CORPORATION: COLLECTION DELAYS DUE TO NON-COMPLIANCE WITH FEDERAL AGREEMENTS

- 4.19 Prior to the renewal of the New Brunswick Housing Corporation (NBHC) on April 1, 2023, the Department of Social Development (SD) was responsible to manage its agreements with the Canada Mortgage and Housing Corporation (CMHC).
- 4.20 Under these agreements, SD was required to submit annual audited schedules and compliance reports to the Federal government. We found SD had not complied with the terms of these agreements for a number of years and was not submitting the required information.
- 4.21 Because of these delays, CMHC stopped providing funding to NBHC under the *Bilateral Agreement Under the 2017 National Housing Strategy*. Currently, \$72.9 million is withheld by CMHC under this agreement and is included in Exhibit 4.1.

Exhibit 4.1 - Amounts Withheld by CMHC to Date



Source: Prepared by AGNB

- 4.22** While NBHC has made progress in getting its required reporting to CMHC up to date, it remains several years behind.
- 4.23** We made a recommendation to NBHC to ensure timely compliance reporting to CMHC, including submission of overdue reports as soon as possible. NBHC has indicated they plan to complete the outstanding reporting for fiscal 2023 during 2025.

Accounting for New Brunswick's Tobacco Settlement Amounts

- 4.24** On March 6, 2025, the Ontario Superior Court of Justice approved a \$32.5 billion settlement agreement in Canada under the *Companies' Creditors Arrangement Act* arising from litigation against three major tobacco companies for healthcare-related costs.
- 4.25** New Brunswick is entitled to receive \$596 million from the settlement agreement. An upfront payment was received in August 2025, and the remaining amounts will be received annually from the tobacco companies.
- 4.26** The Province recorded revenue of \$156 million in its March 31, 2025, consolidated financial statements, representing just the up-front payment amount.
- 4.27** We made a recommendation to the Province to further refine its estimate of amounts expected to be received from the settlement in the future.

Service New Brunswick: Significant Delays in Re-Inspection of Properties

4.28 As part of our audit of Service New Brunswick's Property Assessment Services (SNB), we observed reports showing SNB has not visually re-inspected the following properties in more than 10 years:

- Approximately 90% (429,000) of residential properties
- Approximately 56% (20,000) of non-residential properties

4.29 While we did not independently verify the information provided by SNB, such delays, if accurate, ultimately increase the risk of error in property assessment values.

4.30 We made a recommendation to SNB to visually re-inspect properties within an appropriate time period. We were informed SNB has developed a five-year reinspection plan for residential properties and is developing a five-year reinspection plan for non-residential properties.

Future Accounting Standard Changes

4.31 Future changes to Canadian public sector accounting standards include:

- *The Conceptual Framework for Financial Reporting in the Public Sector*
- *PS1202 – Financial Statement Presentation*

4.32 These items will significantly impact the presentation of the Province's consolidated financial statements beginning in fiscal 2027.

4.33 We made a recommendation to the Department of Finance and Treasury Board to ensure adequate preparation for adopting these standards.

Audits of Crown Agency Financial Statements

WHAT WE FOUND

4.34 Since our last report in December 2024, we have completed eleven financial statement audits of Crown agencies. As a result of our work, we issued unqualified (“clean”) audit opinions in eight audits. In almost every audit, we also had audit findings and recommendations issued to management and the Board of Directors. Exhibit 4.2 provides a summary of the audits we have completed since our last report.

*Exhibit 4.2 - Summary of Crown Agency Financial Statement Audits
Performed Between December 2024 and October 2025*

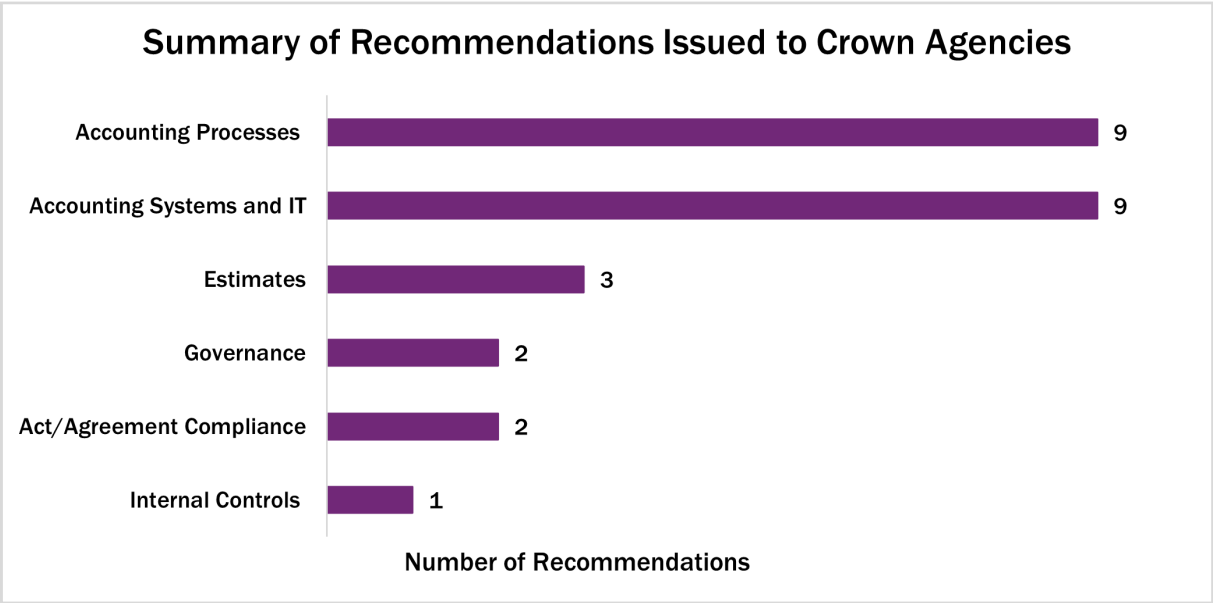
Crown Agency
March 31, 2025 Year End Audits
Opportunities New Brunswick
Service New Brunswick
New Brunswick Legal Aid Services Commission
December 31, 2024 Year End Audits
New Brunswick Municipal Finance Corporation
March 31, 2024 Year End Audits
Cannabis Management Corporation
New Brunswick Highway Corporation
New Brunswick Housing Corporation
New Brunswick Lotteries and Gaming Corporation
Regional Development Corporation
Trusts under the administration of the Public Trustee
March 31, 2023 Year End Audits
Trusts under the administration of the Public Trustee

Source: Prepared by AGNB

SUMMARY OF RECOMMENDATIONS

4.35 We have issued a total of 26 recommendations to Crown agencies. Exhibit 4.3 summarizes, by theme, areas where we found opportunities for improvements.

Exhibit 4.3 - Summary of Recommendations Issued to Crown Agencies



Source: Prepared by AGNB

- 4.36 While we did not find evidence of significant fraud or theft, our recommendations show areas for improvements in key areas including accounting processes, accounting systems and IT, and internal controls.
- 4.37 For the most part, Crown agencies accepted our recommendations and have agreed to implement them. We will follow up with Crown agencies next year to determine if areas of concern to us were addressed.