REPORT OF THE

Auditor General
of New Brunswick

Volume III
Financial Audit

2024

AUDITOR GENERAL
OF NEW BRUNSWICK

VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

Speaker of the Legislative Assembly
Province of New Brunswick

Madam,

As required under section 15(1) of the *Auditor General Act*, I am submitting Volume III of my Office's 2024 Report to the Legislative Assembly.

Respectfully submitted,

Paul Martin, FCPA, FCA
Auditor General

Fredericton, N. B.
December 2024

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Chapter 1 - Auditor General's Comments

On September 10, 2024, the Office completed the annual audit of the Province's public accounts and issued an unqualified, or "clean" audit opinion.

We are encouraged by continued signs of fiscal progress for the Province. This year's surplus of $501 million was the Province's seventh consecutive surplus while net debt decreased for the fourth year in a row and is at its lowest point in almost a decade. Overall, the Province's financial condition has remained stable since 2023.

In this report we present the results of our audit of public accounts. Notable items inlcude the self-sustainability of NB Power, delays in collecting almost $100 milllion in accounts receivable, and the amount of debt owed by the Province.

Fiscal 2024 was also the third year that the Province has implemented the Oracle Fusion Enterprise Resource Planning project, which is extensive and will require multiple years to fully complete. With Fusion being partially implemented, the Province continues to use outdated IT systems with noted risks.

This report also discusses the results of our audits of Crown agency financial statements. While we issued clean audit opinions in each of these audits, in almost every audit we have identified areas for improvement. This year, we completed nine audits and issued a total of 24 recommendations.

We are grateful for the continuing cooperation we receive from government departments and Crown agencies during our financial audit work.

I want to thank my audit team for their commitment to fulfilling the mandate of the Office of the Auditor General of New Brunswick. This report reflects their dedication and professionalism.

Paul Martin, FCPA, FCA
Auditor General

December 2024

Annual Surplus, Net Debt and Funded Debt

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2024 Volume III
Chapter 2 Highlights

Annual surplus of $501 million was the Province's seventh consecutive surplus	Provincial expenses increased by $1 billion	Net debt is at its lowest point since 2015
$4.4 billion in debt is due to be repaid over the next four years		

Annual Surplus

Seventh Consecutive Annual Surplus

2.1   For the seventh consecutive year, the Province of New Brunswick's has recorded an annual surplus. The March 31, 2024 audited consolidated financial statements reported an annual surplus of $501 million.

2.2   The ten-year history for the annual surplus (deficit) is presented in Exhibit 2.1.

Exhibit 2.1 - Annual Surplus (Deficit) as Restated
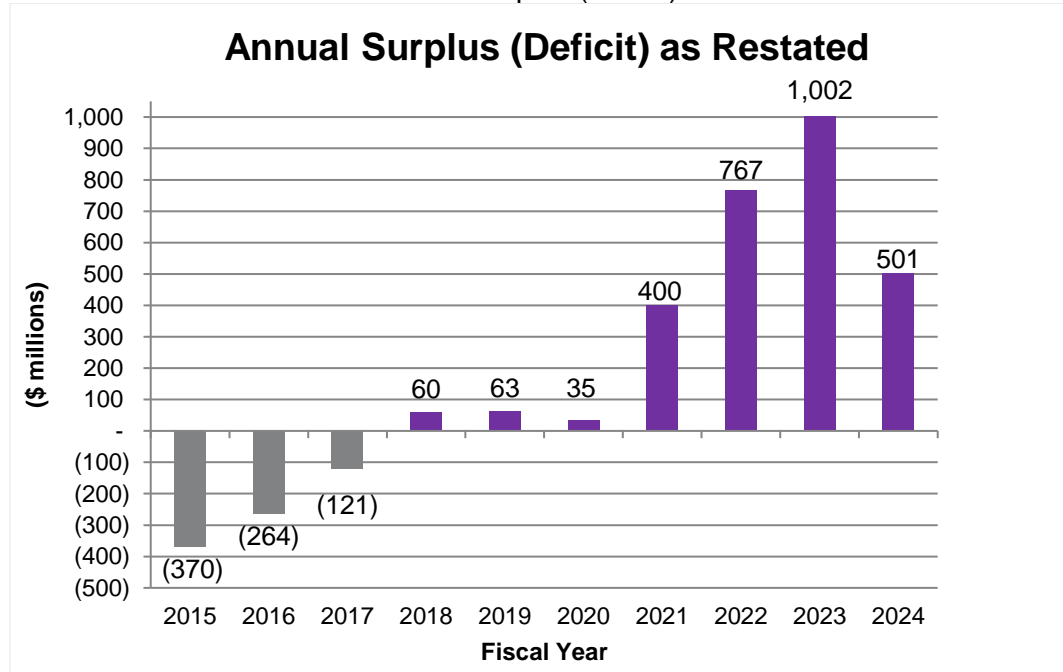
Annual Surplus (Deficit) as Restated

Fiscal Year	($ millions)
2015	(370)
2016	(264)
2017	(121)
2018	60
2019	63
2020	35
2021	400
2022	767
2023	1,002
2024	501

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

2.3 Exhibit 2.2 shows, at a summary level, the contributing factors for the decrease in surplus from 2023 to 2024.

Exhibit 2.2 - Breakdown of decrease in 2024 Annual Surplus

What happened since last year?

Provincial Expenses

Increased $1B from 2023

Provincial Tax Revenue

Decreased $133M from 2023

All Other Provincial Revenue Sources

Increased $220M from 2023

Revenue from the Federal Government

Increased $468M from 2023

Source: Prepared by AGNB from New Brunswick Public Accounts Volume I for year ended March 31, 2024

Increases in Expenses Outpaced Increases in Revenues

2.4 The $501 million decrease in the surplus from 2023 to 2024 was due to increases in provincial expenses which outpaced increases in total revenues. The most significant increases to expenses and revenues included:

- Health expenses of $434 million (an increase of 11%)
- Social Development expenses of $217 million (an increase of 13%)
- Education and Training expenses of $202 million (an increase of 8%)
- Federal revenues of $468 million (an increase of 11%)

Provincial Tax Revenues are a Significant Source of Revenue

2.5   While provincial tax revenues decreased from 2023, they totaled $6.4 billion this year and made up 77% of provincial source revenue. Significant provincial tax revenues this year included:

- personal income tax ($2.3 billion)
- corporate income tax ($0.6 billion)
- harmonized sales tax ($2.4 billion)

Personal Income Tax

2.6   Personal income tax (PIT) revenue estimates are based on information provided by Finance Canada and the Department of Finance and Treasury Board. The ten-year history of actual and budgeted revenues for PIT is presented in Exhibit 2.3.

Exhibit 2.3 - Ten-Year History of PIT Revenue
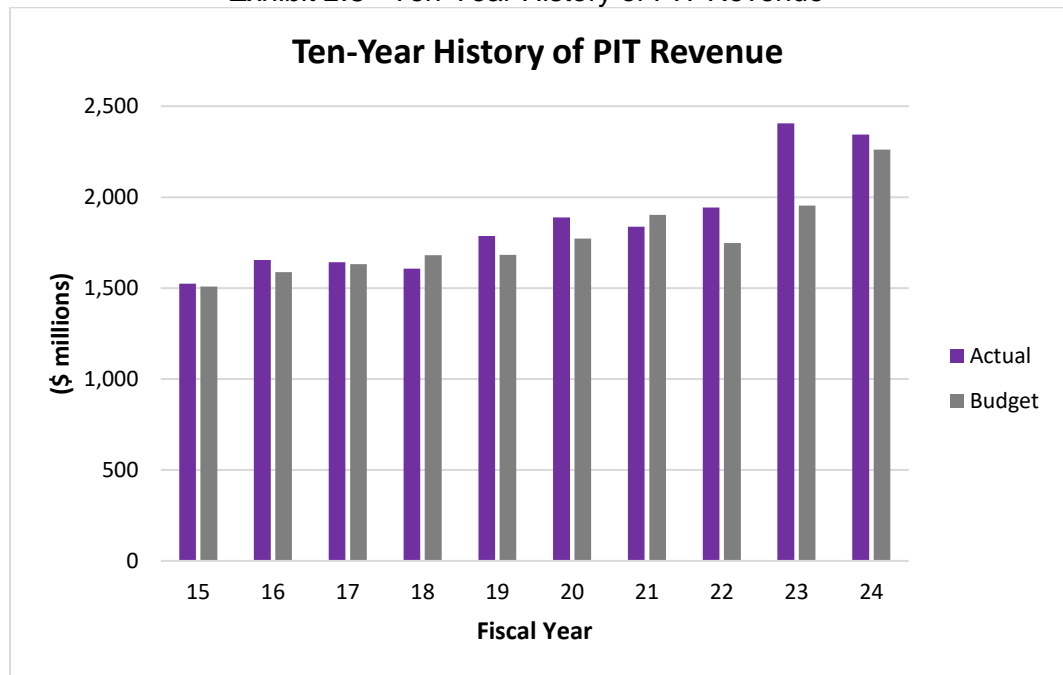
Ten-Year History of PIT Revenue

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

Corporate Income Tax

2.7   Corporate income tax (CIT) estimates are based on information provided by Finance Canada and the Department of Finance and Treasury Board. The ten-year history of actual and budgeted revenues for CIT is presented in Exhibit 2.4.

Exhibit 2.4 - Ten-Year History of CIT Revenue

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

Harmonized Sales Tax

2.8 Harmonized sales tax (HST) revenue estimates are based on a formula which is part of an agreement the Province has with the Federal government. Each year, the Federal government estimates the Province's HST entitlement according to the formula. The Federal government then makes payments to the Province based on these estimates. These estimates are subsequently revised according to a formal schedule as more economic and tax data become available. The ten-year history of actual and budgeted revenues for HST is presented in Exhibit 2.5.

Exhibit 2.5 - Ten-Year History of HST Revenue

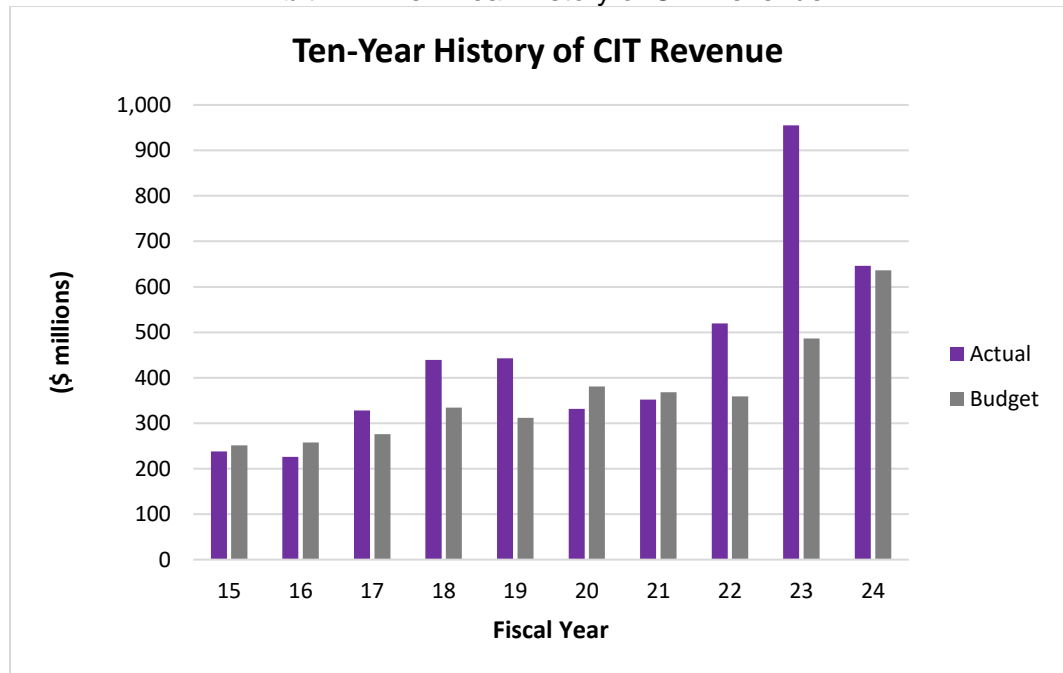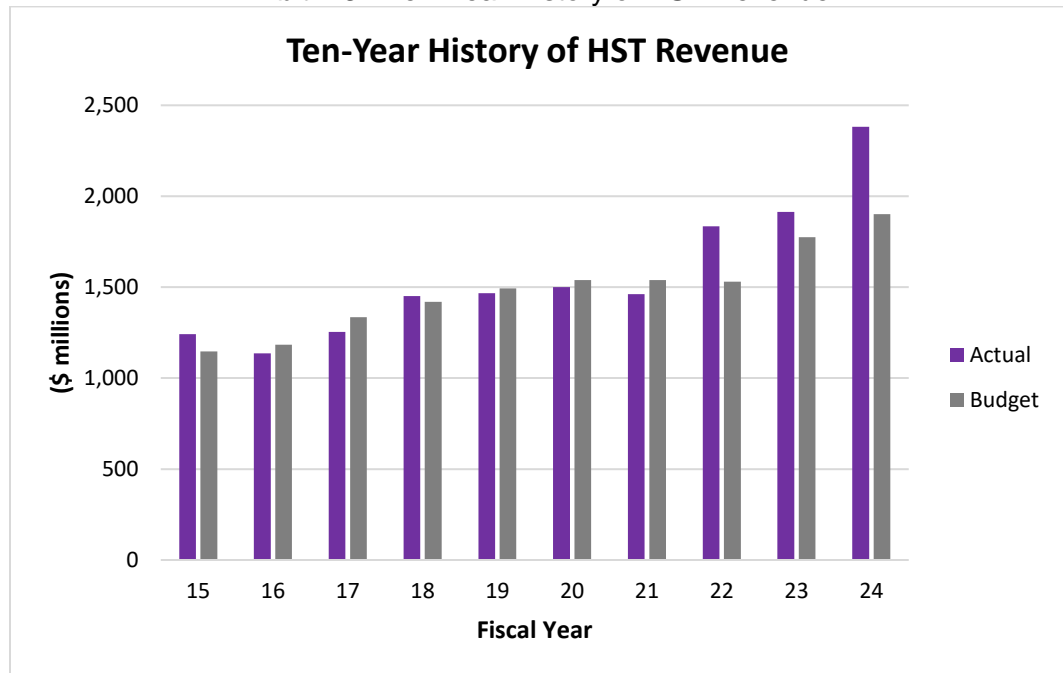*Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts*

2.9 The challenges associated with estimating tax revenues, including timing delays of possible adjustments may contribute to budget variances.

Net Debt

Net Debt, Funded Debt and Interest Costs

2.10 Net debt and funded debt are two forms of debt presented in the Province's consolidated financial statements. The Province also records an expense to service its funded debt annually, primarily consisting of interest costs. See Exhibit 2.6 below for definitions for net debt, funded debt, and service of the public debt.

Exhibit 2.6 - Net Debt, Funded Debt and Service of the Public Debt Defined

Term	2024 Amount	Definition
Net Debt	$11.8 billion	An accounting calculation presented as total liabilities *minus* financial assets.
Funded Debt	$17.6 billion*	Total long-term debenture debt the Province has borrowed and is legally bound to repay. The Province's outstanding funded debt balance consists mostly of bonds issued in the financial market.
Service of the Public Debt	$537 million	Annual cost of servicing funded debt**, consisting mostly of interest costs.

Source: Prepared by AGNB using 2024 Public Accounts
* Funded debt excludes $5.3 billion borrowed on behalf of NB Power
**Service of the funded debt consists mostly of interest, interest on capital leases and public private partnerships, and interest on short-term borrowing offset by short-term investment income, amortization of discounts and premiums, and interest recovery for debt incurred for NB Power

Fourth Consecutive Year Net Debt has Decreased

2.11 Net debt offers valuable insight into the financial health of the Province as it provides information about future revenues which will be needed to meet past spending. Net debt has consistently decreased for the past four years and is $11.8 billion at March 31, 2024. See Exhibit 2.7 below for the ten-year history of net debt.

Exhibit 2.7 - Ten-Year History of Net Debt
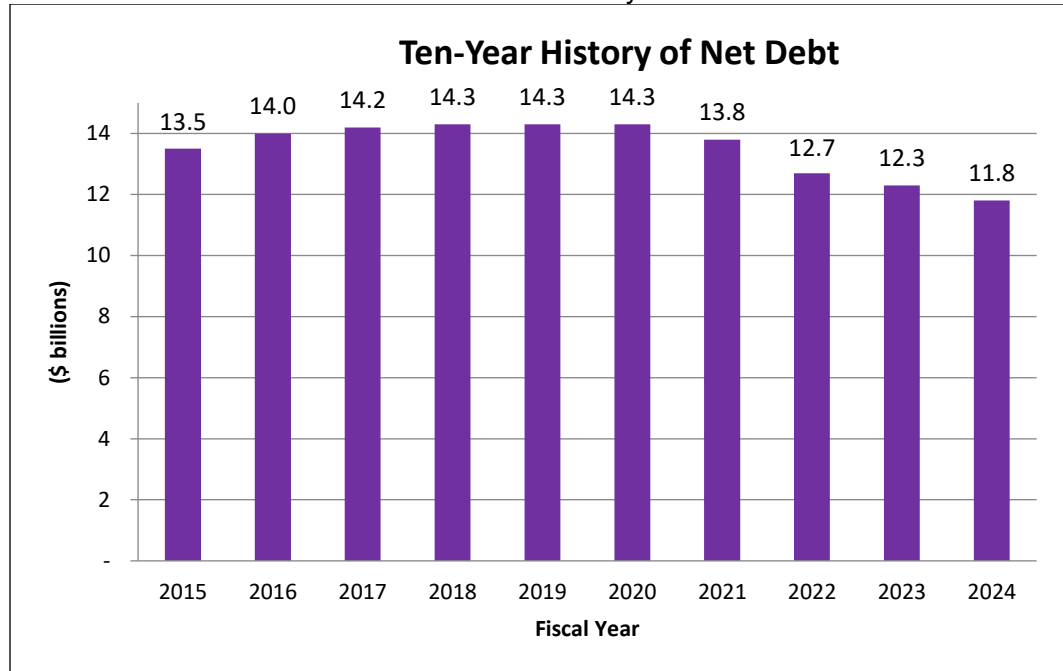
Ten-Year History of Net Debt

Fiscal Year	Net Debt ($ billions)
2015	13.5
2016	14.0
2017	14.2
2018	14.3
2019	14.3
2020	14.3
2021	13.8
2022	12.7
2023	12.3
2024	11.8

Source: Prepared by AGNB based on applicable year's Public Accounts with restatements where identified in Public Accounts

2.12 Factors contributing to the change in net debt from prior year are noted in Exhibit 2.8.

Exhibit 2.8 - Year-Over-Year Change in Net Debt

$12.3 Billion

Opening Net Debt (Restated)

New in 2024 ($ millions)

↑ **$198.9 – Net Capital Asset Additions**

↑ **$18.9 – Increase in Prepaid and Deferred Charges**

↓ **($26.1) – Decrease in Inventories**

↓ **($196.4) – Net Remeasurement Gain**

↓ **($500.8) – Annual Surplus**

$11.8 Billion

Current Net Debt

Source: Prepared by AGNB using 2024 Public Accounts

What Makes Up the $11.8 Billion in Net Debt?

2.13   See Exhibit 2.9 for the net debt composition for fiscal year ended 2024.

Exhibit 2.9 - Summary of $11.8 Billion in Net Debt at March 31, 2024

**Summary of $11.8 Billion in Net Debt
at March 31, 2024**

Net Book
Value of
Capital Assets
$9.4 billion

Prepaid
Expenses and
Inventory
$0.3 billion

Accumulated
Previous Deficits
$2.1 billion
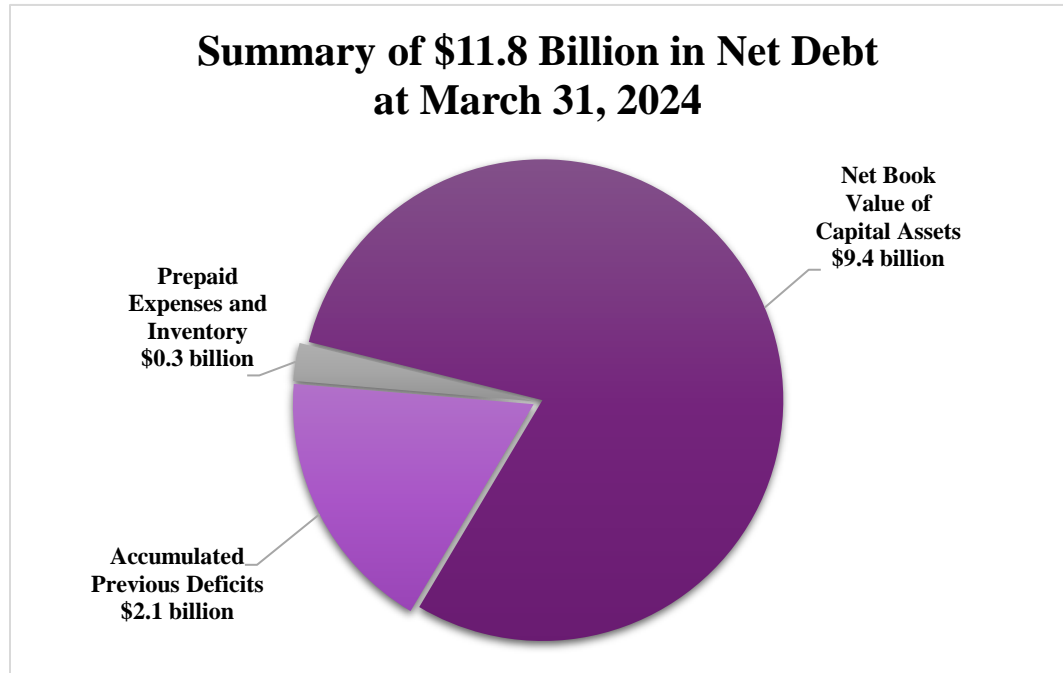
Source: Prepared by AGNB using 2024 Public Accounts

2.14   Tangible capital assets (capital assets) account for 80% of the net debt. Each year, the capital asset balance changes due to additions, disposals and amortization. The most significant capital assets are:

- roads, bridges and highways
- schools
- hospitals
- nursing homes
- other buildings owned by the Province

New Brunswick's Net Debt-to-GDP Ratio

2.15 The net debt-to-gross domestic product (GDP)[1] ratio has become an important sustainability indicator for governments as it shows the relationship between net debt and the activity in the economy. The Province includes an analysis of this ratio in its annual Financial Statement Discussion and Analysis.

2.16 Exhibit 2.10 shows the ten-year history of the Net Debt-to-GDP ratio.

Exhibit 2.10 - Ten-Year History of the Net Debt-to-GDP Ratio
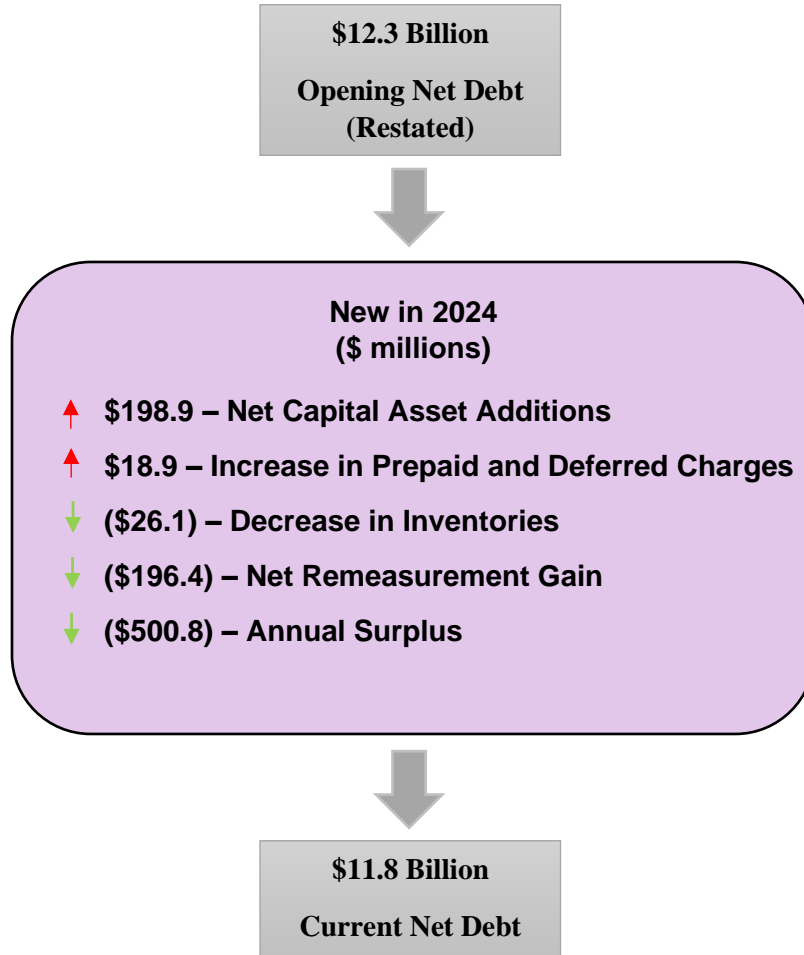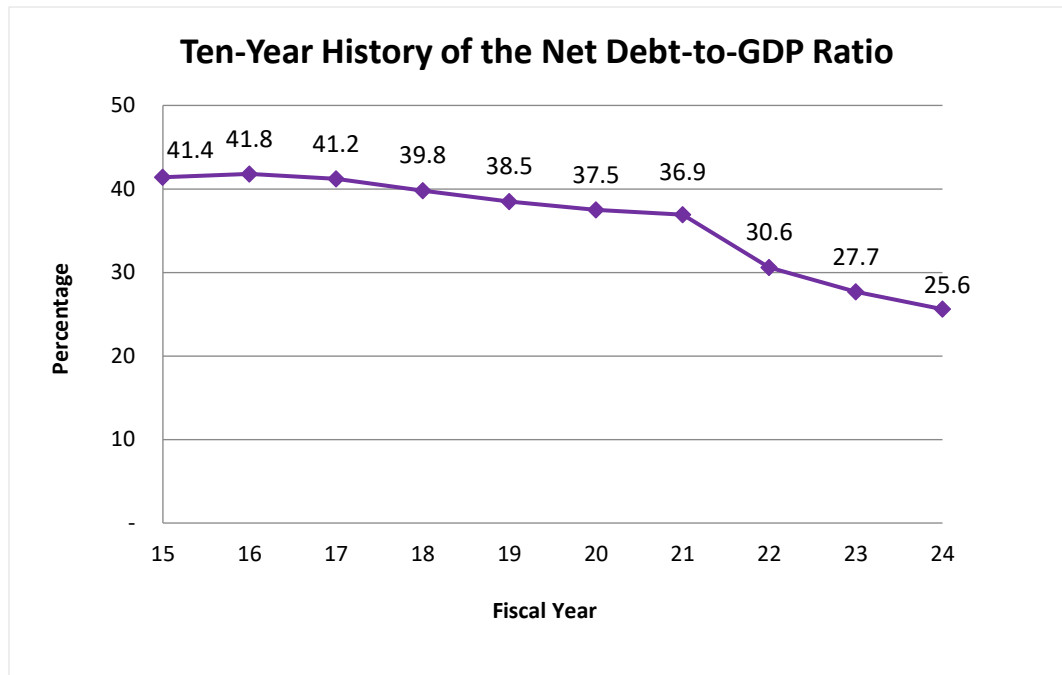
Ten-Year History of the Net Debt-to-GDP Ratio

Source: Prepared by AGNB based on applicable year's Public Accounts with restatements where identified in Public Accounts

2.17 Net debt-to-GDP has consistently decreased since 2016 and is the lowest it has been in the past ten years. This indicates the growth of GDP continues to exceed the growth in net debt.

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[1] Gross Domestic Product (GDP) measures the value of all final goods and services produced in an economy in a given period of time.

How Does New Brunswick's Net Debt-to-GDP Ratio Compare to Other Provinces?

2.18 Exhibit 2.11 below shows New Brunswick's net debt-to-GDP ratio relative to other comparable provinces. For fiscal year ended 2024, New Brunswick had the lowest net debt-to-GDP ratio.

Exhibit 2.11 - Net Debt-to-GDP Ratio Comparison to Other Provinces
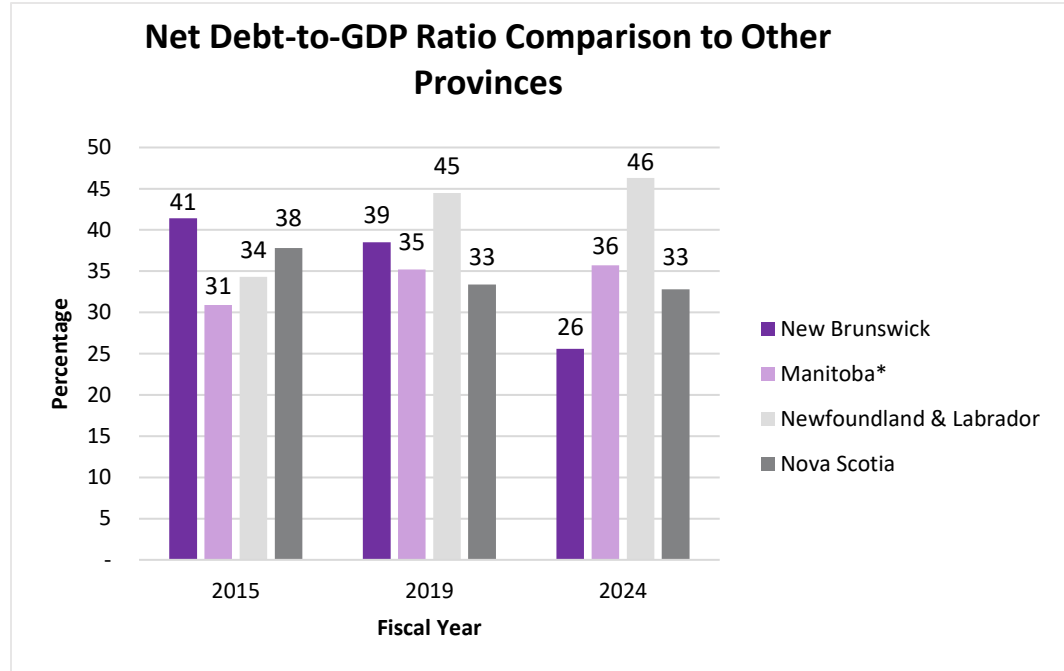
Net Debt-to-GDP Ratio Comparison to Other Provinces

Source: Prepared by AGNB as restated where available
*2024 Public Accounts information used for Manitoba contained a qualified Independent Auditor's Report

New Brunswick's Net Debt per Capita

2.19 Another way to assess the significance of the size of New Brunswick's net debt is to compare it to population size, also known as net debt per capita.

2.20 New Brunswick's net debt per capita hit a high of $18,600 in 2018 and 2019 but has since decreased to $14,200 in 2024. Exhibit 2.12 shows the ten-year history of net debt per capita, showing a continual improvement since 2019.

Exhibit 2.12 - Ten-Year History of Net Debt Per Capita

Source: Prepared by AGNB based on applicable year's Public Accounts with restatements where applicable

How Does New Brunswick's Net Debt per Capita Compare to Other Provinces?

2.21 Exhibit 2.13 below shows New Brunswick's net debt per capita relative to other comparative provinces. For fiscal year ended 2024, New Brunswick had the lowest ratio.

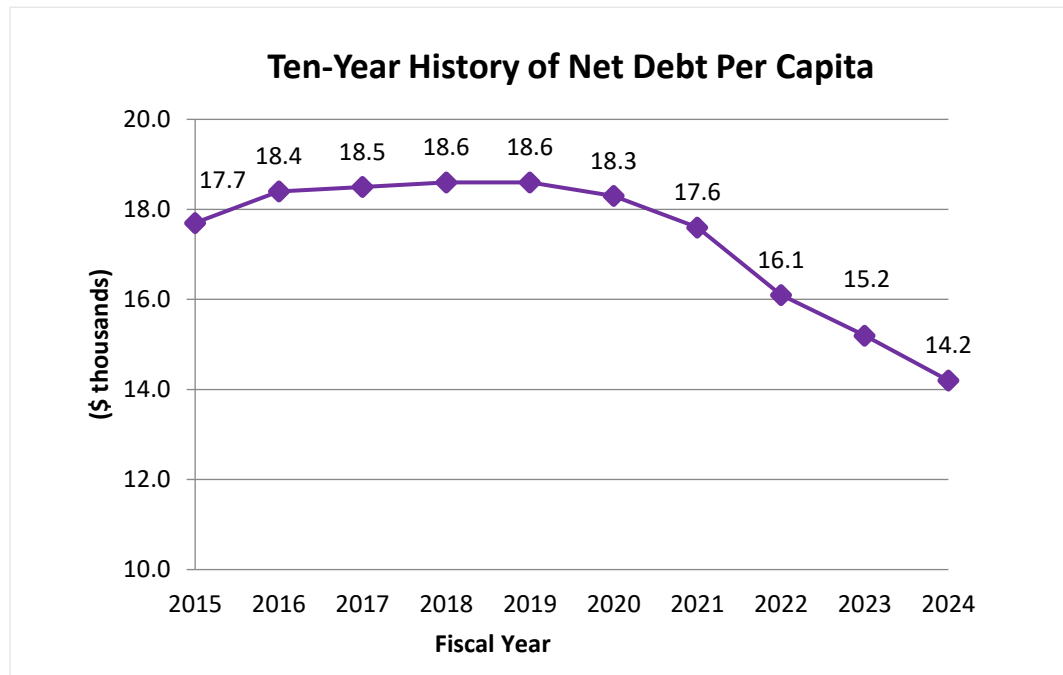*Exhibit 2.13* - Net Debt Per Capita Comparison to Other Provinces
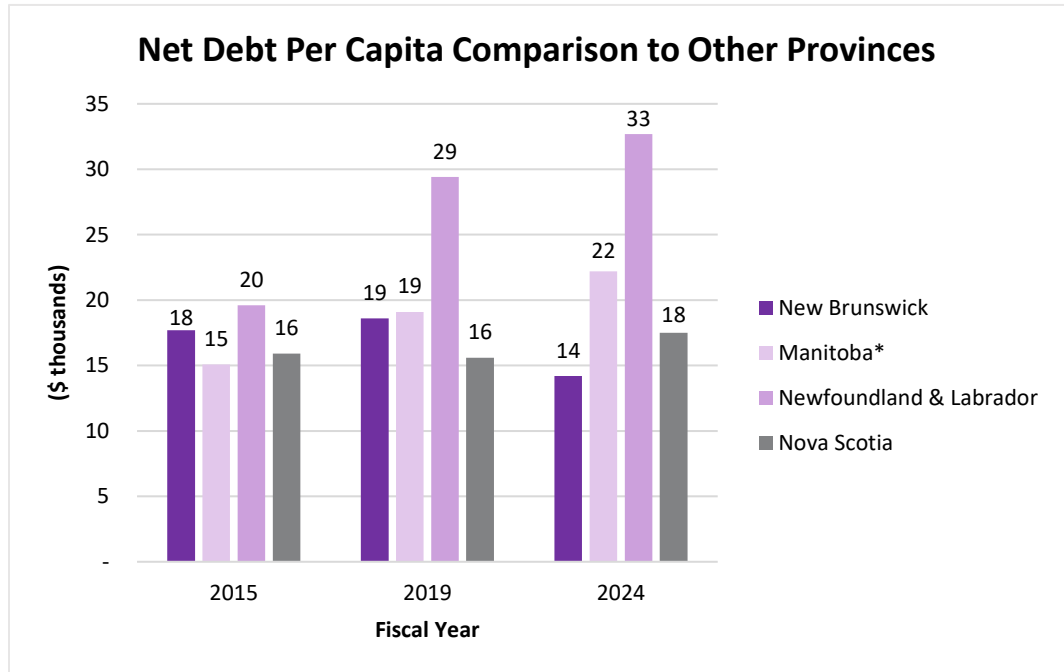
Source: Prepared by AGNB as restated where available
*2024 Public Accounts information used for Manitoba contained a qualified Independent Auditor's Report

Is New Brunswick Meeting its Targets?

Debt reduction targets

2.22 Exhibit 2.14 details the provincial established net debt reduction targets for the past five years. New Brunswick has met or exceeded its established targets for four of the past five years.

Exhibit 2.14 - Five-Year History of Net Debt Reduction Targets Compared to Actual (as restated where applicable)
($ millions)

Fiscal Year					
	2020	**2021**	**2022**	**2023**	**2024**
Target (Increase) Decrease	49	129	(241)	(15)	(183)
Actual (Increase) Decrease	33	475	1,091	363	505
Difference	(16) (Actual Decrease Lower than Projected)	346 (Actual Decrease Higher than Projected)	1,332 (Actual Decrease when an Increase was Projected)	378 (Actual Decrease when an Increase was Projected)	688 (Actual Decrease when an Increase was Projected)
Target Met or Exceeded?	**No**	**Yes**	**Yes**	**Yes**	**Yes**

Source: Prepared by AGNB based on applicable year's Budgets and Public Accounts with restatements where applicable

Net debt-to-GDP targets

2.23 Exhibit 2.15 details the provincial established net debt-to-GDP targets for the past five years. New Brunswick has met or exceeded its established targets for two of the past five years.

Exhibit 2.15 - Five-Year History of Net Debt-to-GDP Targets Compared to Actual (as originally recorded)

	Fiscal Year				
	2020	**2021**	**2022**	**2023**	**2024**
Target	37.0%	34.7%	36.4%	30.1%	24.9%
Actual*	37.5%	36.9%	30.6%	27.7%	25.6%
Difference	0.5% (Actual Ratio Higher than Projected)	2.2% (Actual Ratio Higher than Projected)	(5.8)% (Actual Ratio Lower than Projected)	(2.4)% (Actual Ratio Lower than Projected)	0.7% (Actual Ratio Higher than Projected)
Target Met or Exceeded?	**No**	**No**	**Yes**	**Yes**	**No**

Source: Prepared by AGNB based on applicable year's Budgets and Public Accounts with restatements where applicable
* A Net Debt-to-GDP percentage that is decreasing indicates a positive trend as the growth in GDP exceeds the growth of net debt

Multi-year targets

2.24 We are pleased to see the Province continues to set multi-year net debt targets and net debt-to-GDP targets. The multi-year targets announced in the Province's 2024-2025 Main Estimates are presented in Exhibit 2.16.

Exhibit 2.16 - Province's Net Debt Reduction Targets

|	**2025 Budget**	**2026 Plan**	**2027 Plan**
Annual (Increase) Decrease in Net Debt ($ millions)	(315)	(241)	(270)
Net Debt-to-GDP Ratio	26.7%	26.0%	25.6%

Source: https://www2.gnb.ca/content/dam/gnb/Departments/fin/pdf/Budget/2024-2025/speech-2024-2025.pdf

Funded Debt

$17.6 Billion in Funded Debt

2.25   This year, funded debt was $17.6 billion which is a slight increase from the $17.4 billion in 2023.

2.26   To assist with future repayments of provincial debt, the Province maintains a sinking fund. The *Provincial Loans Act* mandates that on or before the anniversary date of each issue of funded debt, not less than 1% of the outstanding principal amount of the issue shall be paid into the sinking fund. At March 31, 2024, the market value of the Province's sinking fund equity was approximately $5.9 billion.

2.27   Exhibit 2.17 shows the ten-year history of the Province's funded debt and sinking fund equity.

Exhibit 2.17 - Ten-Year History of Funded Debt and Sinking Fund Equity
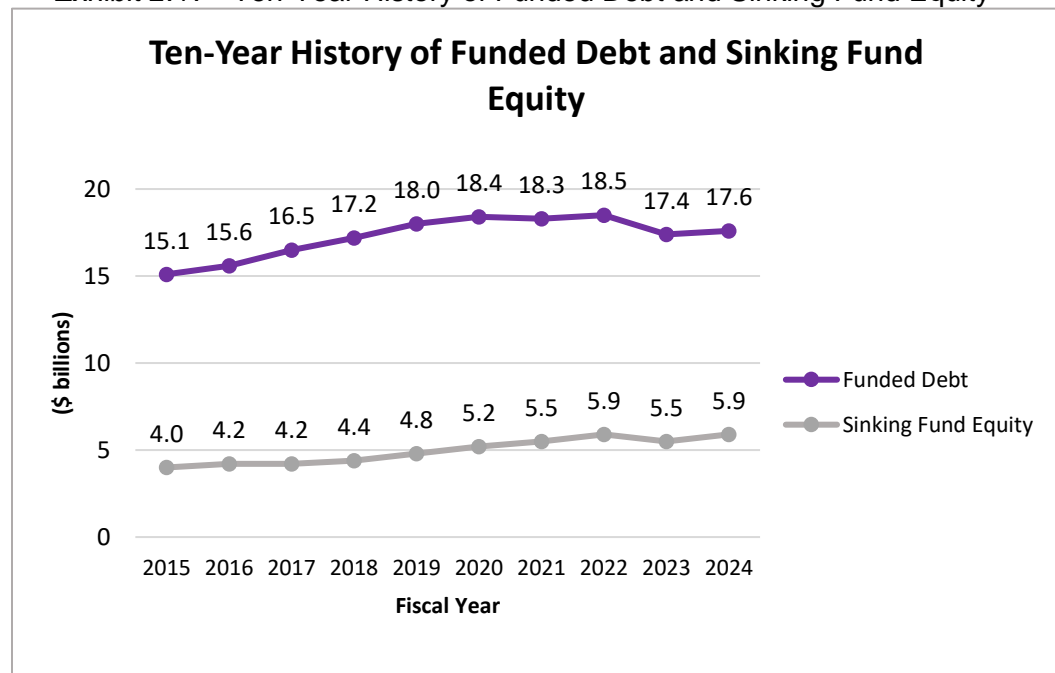
Source: Prepared by AGNB based on applicable year's Public Accounts with restatements where identified in Public Accounts

2.28   As noted above, funded debt is significantly more than the equity in the sinking fund. Additional cash outlays of approximately $12 billion will be needed in the future to repay the total funded debt.

2.29 Over the next four years, approximately $4.4 billion in funded debt is due to be repaid. The Province may either use monies in the consolidated fund or re-finance it. Some examples of debt activity in 2024 include:

- $1.4 billion (CAD) was repaid
- $1.8 billion (CAD) of new debt was issued

2.30 Future cash requirements to repay debt in the next four years and beyond are outlined in Exhibit 2.18.

Exhibit 2.18 - Future Cash Requirements to Repay Funded Debt
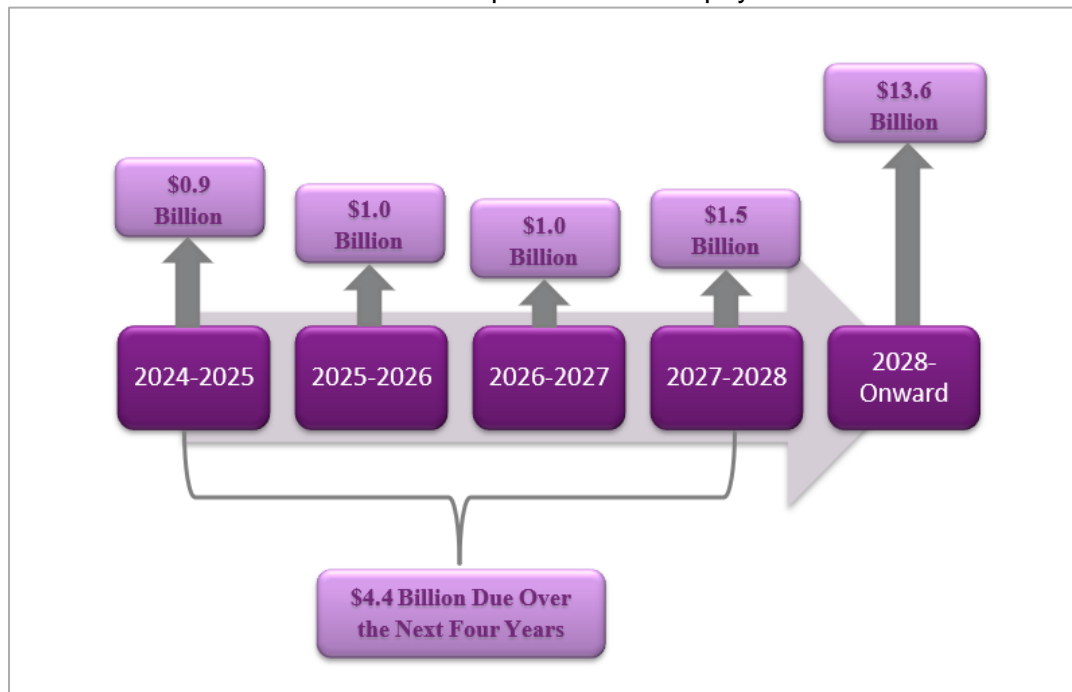
Source: Prepared by AGNB based on 2024 Public Accounts

Interest Costs

2.31 In the fiscal year ended 2024, the service cost of this debt (excluding NB Power), was $537 million. This is an annual cost and does not reduce the principal amount outstanding.

Provincial Debt

2.32 The amount recorded as provincial debt ($17.6 billion) does not include:

- $5.3 billion in NB Power debt
- $773.4 million in New Brunswick Municipal Finance Corporation (MFC) guaranteed debt

2.33 Exhibit 2.19 below details nearly $24 billion in debt owed ultimately by the Province.

Exhibit 2.19 - Summary of Funded Debt for Provincial Purposes, NB Power Debt and MFC Debt

Summary of Funded Debt for Provincial Purposes, NB Power Debt and MFC Debt

- Funded Debt for Provincial Purposes* $17.6 billion
- MFC Debt* $0.8 billion
- NB Power Debt* $5.3 billion
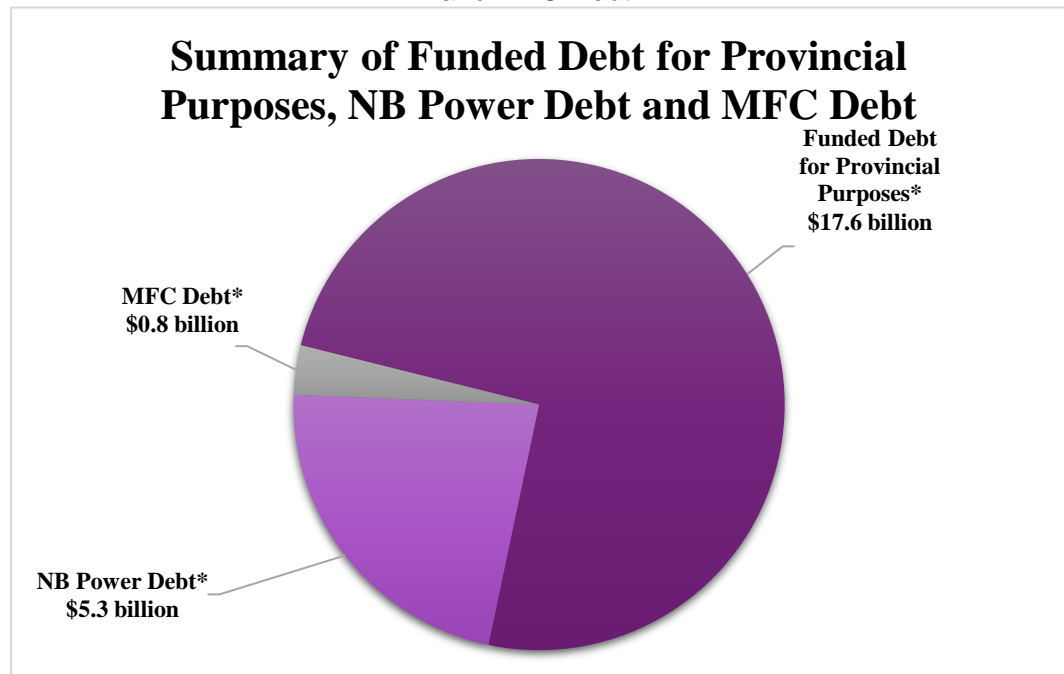
Source: Prepared by AGNB
*Funded Debt for Provincial Purposes and NB Power debt are as at March 31, 2024
** MFC Debt as at December 31, 2023

State of New Brunswick's Financial Condition

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2024 Volume III
Chapter 3 Highlights

Sustainability	Flexibility	Vulnerability
5/7 short-term favourable trends	**1/3 short-term favourable trends**	**1/2 short-term favourable trends**
3/7 long-term favourable trends	**1/3 long-term favourable trends**	**1/2 long-term favourable trends**

Overall, the Province's financial condition has remained stable since 2023

The Province's Financial Condition

Financial Indicators

3.1 The Province's financial condition has remained stable since 2023. We analyzed twelve financial indicators, as issued by the Public Sector Accounting Board (PSAB). For the purpose of our analysis, we have defined trends as follows:

- short term – the most recent two years
- long term – over a ten-year period

3.2 See Exhibit 3.1 for a complete summary of all financial indicators.
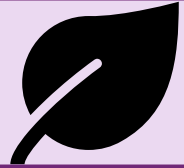
Sustainability

Sustainability indicates if the Province can maintain its current level of spending and meet debt obligations without increasing taxes or funded debt.
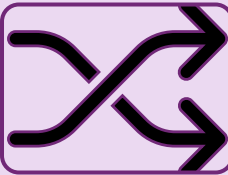
Flexibility

Flexibility is the degree to which the Province can react to unexpected or increased expenses, either by increasing taxes or increasing funded debt.

Vulnerability

Vulnerability is the degree to which the Province is dependent on sources of funding outside its control or influence.

Exhibit 3.1 - Summary of Financial Indicators

	Indicator	Purpose	Short-Term Trend	Long-Term Trend
Sustainability	Assets-to-liabilities	Measures extent that government finances its operations by issuing debt	Favourable	Unfavourable
	Financial assets-to-liabilities	Measures whether future revenues will be needed to pay for past transactions	Favourable	Unfavourable
	Net debt-to-total annual revenue	Shows whether more time is needed to pay for past transactions	Favourable	Favourable
	Expense by function-to-total expenses	Shows the trend of government spending over time	Neutral	Neutral
	Net debt-to-GDP	Shows the relationship between net debt and the activity in the economy	Favourable	Favourable
	Accumulated deficit-to-GDP	Measures the sum of the current and all prior year operating results relative to the growth in the economy	Favourable	Favourable
	Total expenses-to-GDP	Shows the trend of government spending over time in relation to the growth in the economy	Unfavourable	Neutral
Flexibility	Debt charges-to-revenues	Measures extent that past borrowing decisions limit ability to meet current financial and service commitments	Favourable	Favourable
	Net book value of capital assets-to-cost of capital assets	Measures the estimated useful lives of tangible capital assets available to provide products/services	Unfavourable	Unfavourable
	Own source revenues-to-GDP	Measures extent income is taken out of the economy	Neutral	Neutral
Vulnerability	Government transfers-to-total revenue	Measures the dependence on another level of government	Neutral	Neutral
	Foreign currency debt-to-net debt	Measures the government's potential vulnerability to currency fluctuations	Favourable	Favourable

Source: Prepared by AGNB

Sustainability Indicators

Assets-to-Liabilities

3.3 Assets-to-liabilities measures the extent government finances its operations by issuing debt. A percentage:

- below 100% indicates an unfavourable trend as the Province has more liabilities than it has assets
- that increases year over year indicates a favourable trend in the short-term

3.4 See Exhibit 3.2 below for assets-to-liabilities results from 2015-2024.

Exhibit 3.2 - Assets-to-Liabilities
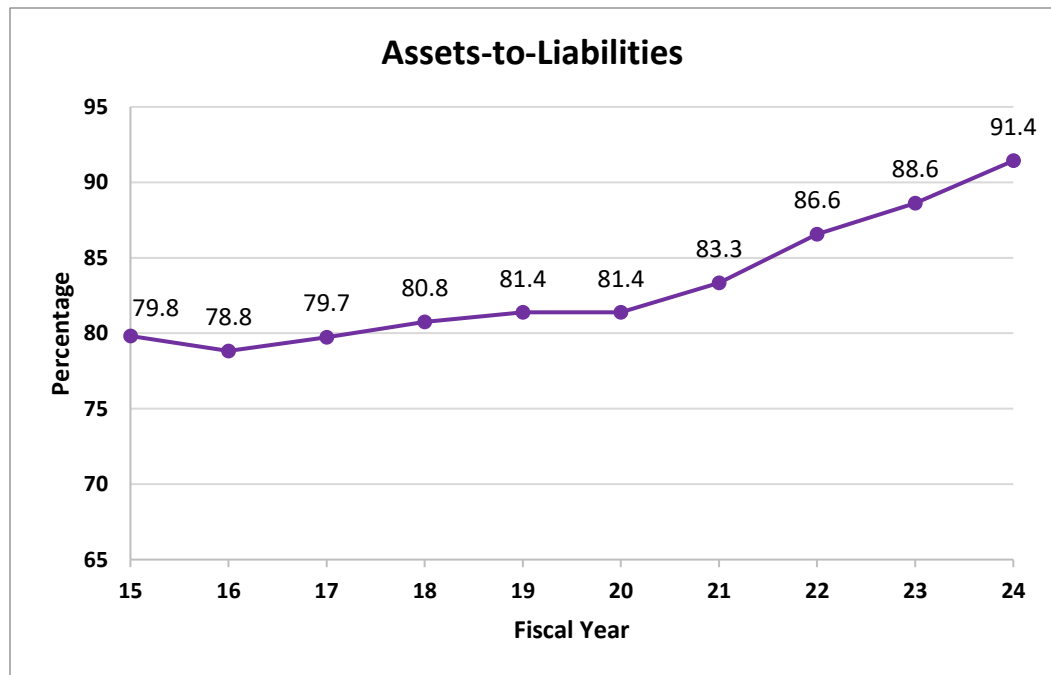
Assets-to-Liabilities

79.8 78.8 79.7 80.8 81.4 81.4 83.3 86.6 88.6 91.4

Percentage / Fiscal Year (15–24)

Source: Prepared by AGNB, based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.5 The assets-to-liabilities ratio has remained below 100% for the past ten years. It has, however, increased during the past 4 years. We have assessed trends as:

- long term – unfavourable
- short term – favourable

Financial Assets-to-Liabilities

3.6 Financial assets-to-liabilities measures the extent future revenues will be needed to pay for past transactions. Percentages that are:

- less than 100% is an unfavourable trend as it implies that future surpluses will be required to pay for past transactions
- increasing year over year is a favourable trend in the short-term

3.7 See Exhibit 3.3 below for financial assets-to-liabilities results from 2015-2024.

Exhibit 3.3 - Financial Assets-to-Liabilities
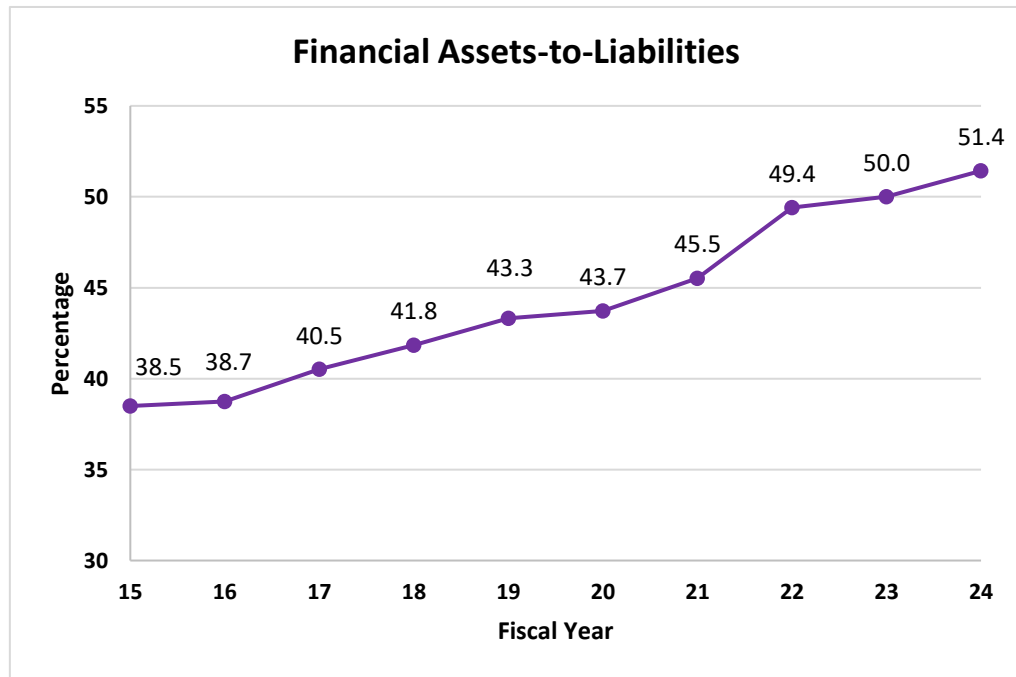
Financial Assets-to-Liabilities

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.8 The financial assets-to-liabilities ratio has remained below 100% for the past ten years. However, the percentage has consistently increased since 2015. We have assessed trends as:

- long term – unfavourable
- short term – favourable

Net Debt-to-Total Annual Revenue

3.9 Net debt-to-total annual revenue shows if more time is needed to pay for past transactions. A percentage that is:

- decreasing indicates a positive trend as the Province will require less time to eliminate the net debt
- increasing indicates a negative trend as the Province will require more time to eliminate the net debt

3.10 See Exhibit 3.4 below for net debt-to-total annual revenue from 2015-2024.

Exhibit 3.4 - Net Debt-to-Total Annual Revenue
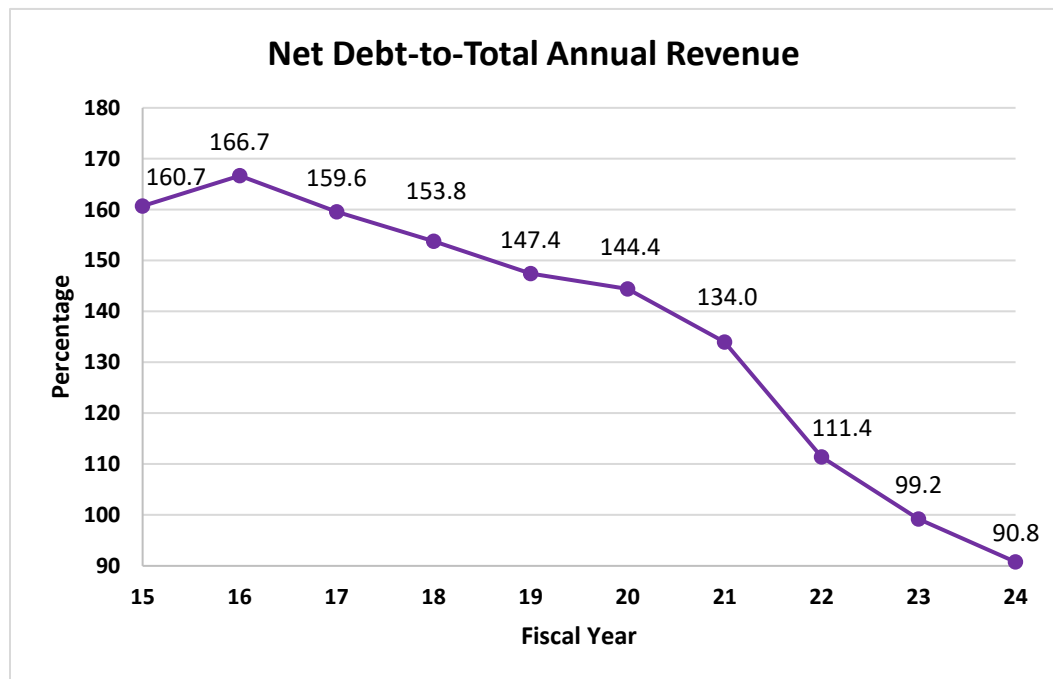
Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.11 Net debt-to-total annual revenue has been consistently decreasing since 2016. We have assessed trends as:

- long term – favourable
- short term – favourable

Expense by Function-to-Total Expenses

3.12   Expense by function-to-total expenses shows the trend of government spending over time. If the cost to servicing debt increases, there is less funding available to deliver services.

3.13   See Exhibit 3.5 below for percentage of expense by function-to-total expenses for fiscal year ended March 31, 2024.

Exhibit 3.5 - Percentage of Expense by Function-to-Total Expenses at March 31, 2024

Percentage of Expense by Function-to-Total Expenses

Function	Percentage
Health	34.7%
Education and Training	21.6%
Social Development	14.8%
Central Government	7.1%
Transportation and Infrastructure	7.0%
Service of the Public Debt	4.3%
Protection Services	3.3%
Economic Development	3.2%
Resources	2.7%
Labour and Employment	1.3%

Percentage of Total Expenses

Source: Prepared by AGNB based on Public Accounts 2024.

3.14   The following exhibit details expense by function-to-total expenses for 2015-2024:

- Health, Education and Training, Social Development, Service of the Public Debt
- Transportation and Infrastructure, Central Government, Other

Exhibit 3.6 - Expense by Function-to-Total Expenses
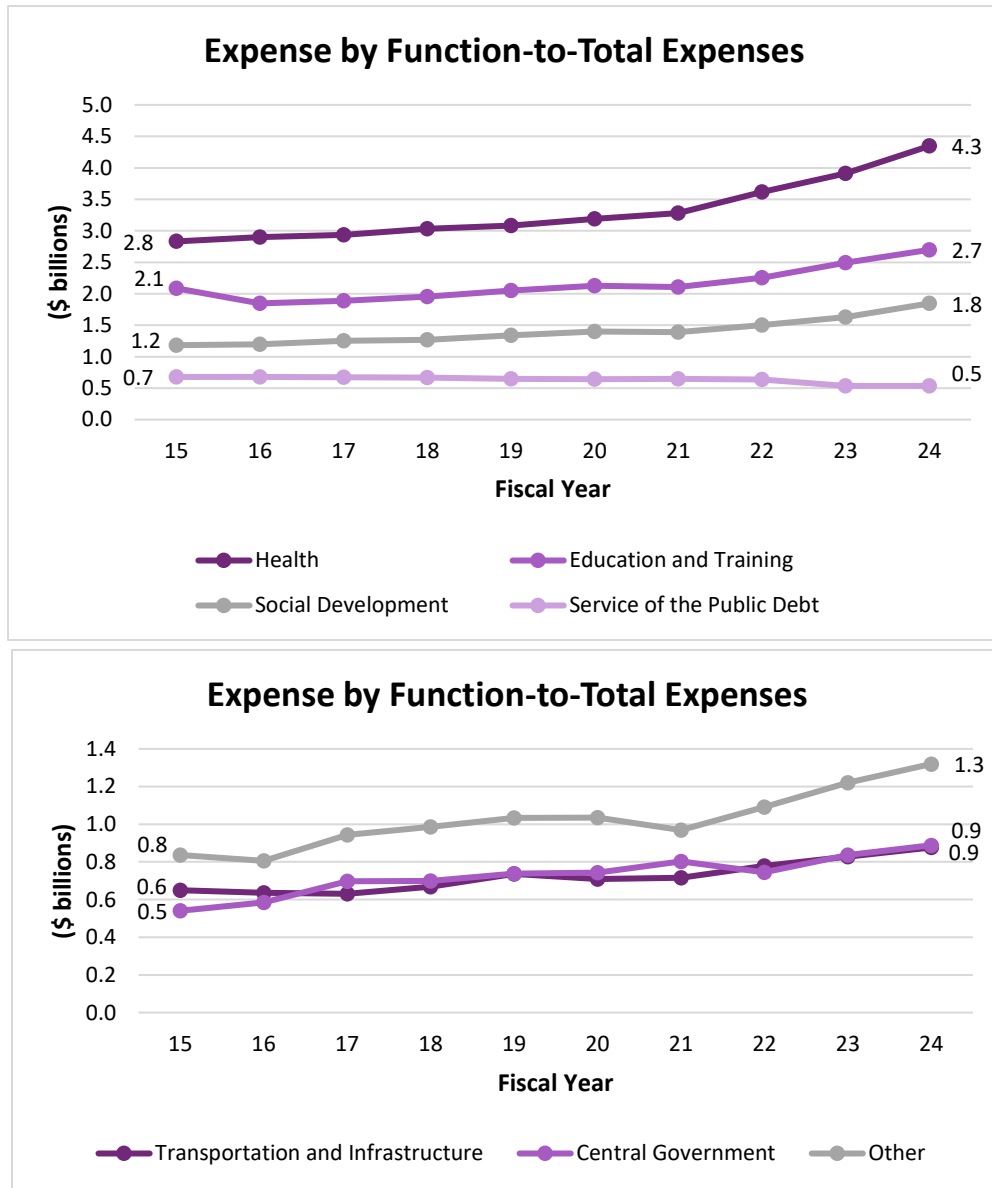
Expense by Function-to-Total Expenses

Legend: Health, Education and Training, Social Development, Service of the Public Debt

Expense by Function-to-Total Expenses

Legend: Transportation and Infrastructure, Central Government, Other

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

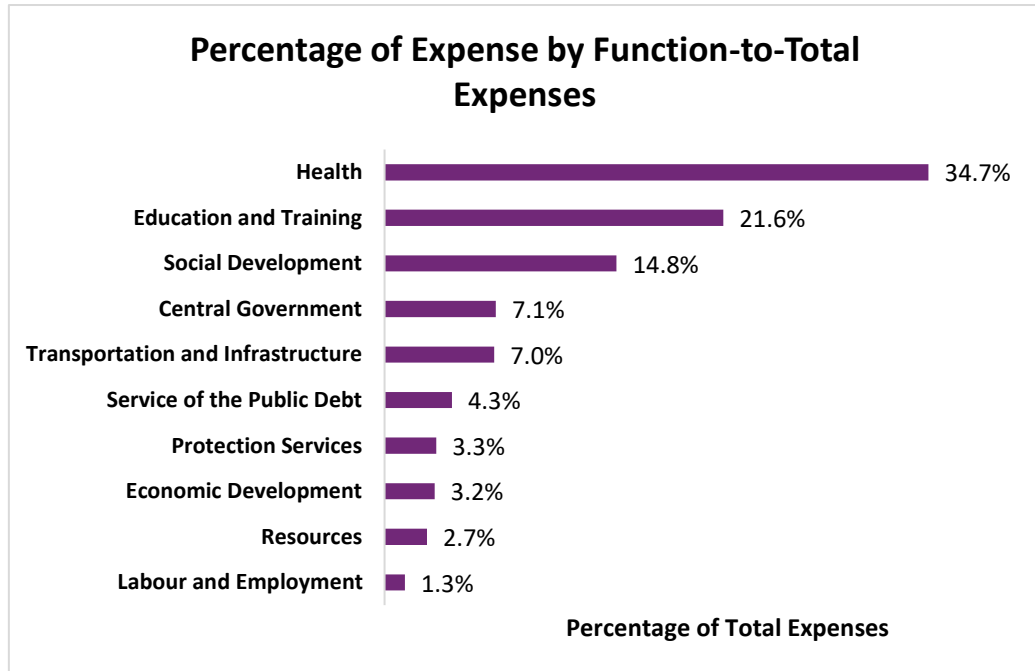*Other: Includes Economic Development, Labour and Employment, Protection Services, Resources, and Loss from Restructuring*

3.15 There has been little change in expense allocation during the past nine years, with the exception of Health which has increased in the short term. We have assessed overall trends as:

- long term – neutral
- short term – neutral

Net Debt-to-GDP

3.16 Net debt-to-GDP shows the relationship between net debt and the activity in the economy. A percentage that is:

- decreasing indicates a positive trend as the growth of GDP exceeds the growth in net debt
- increasing would be negative, as it indicates the growth in net debt exceeds that of GDP

3.17 See Exhibit 3.7 below for net debt-to-GDP results from 2015-2024.
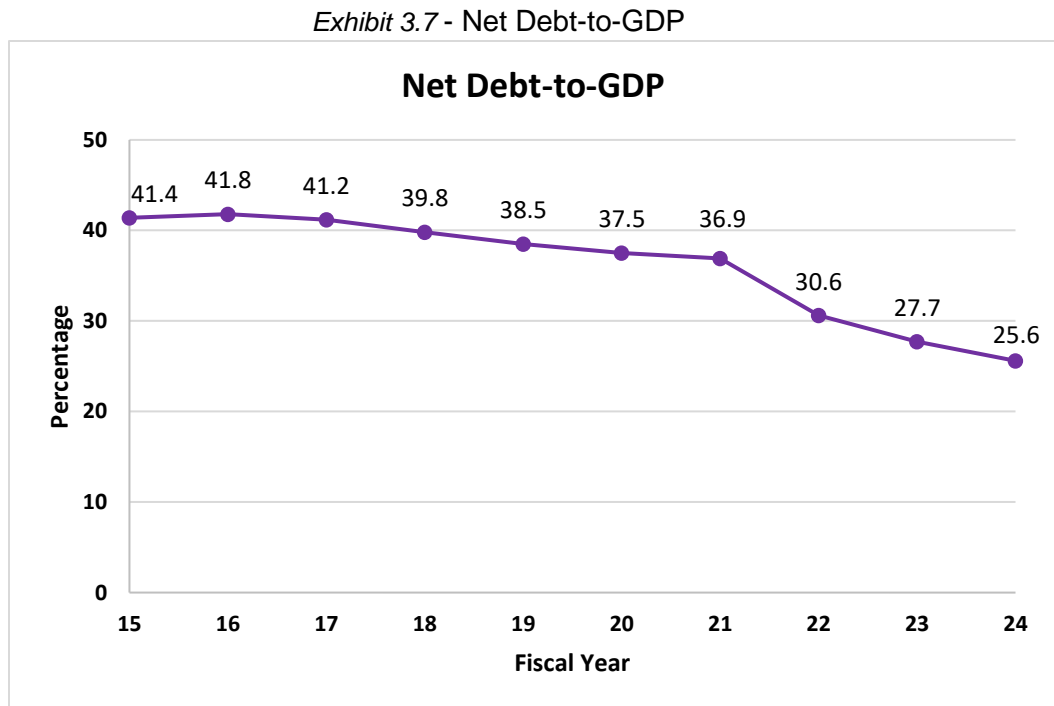
Exhibit 3.7 - Net Debt-to-GDP

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.18 Net debt-to-GDP has consistently decreased since 2016. We have assessed trends as:

- long term – favourable
- short term – favourable

Accumulated Deficit-to-GDP

3.19   Accumulated deficit-to-GDP shows the trend of government spending over time in relation to the growth in the economy. The accumulated deficit is the extent to which current and past annual revenues have been insufficient to cover the current and past annual costs of providing services. An accumulated deficit-to-GDP percentage that is:

- decreasing indicates a positive trend as the growth of GDP is outpacing the growth in the accumulated deficit
- increasing indicates a negative trend as the accumulated deficit is outpacing the growth of GDP

3.20   See Exhibit 3.8 below for accumulated deficit-to-GDP results from 2015-2024.
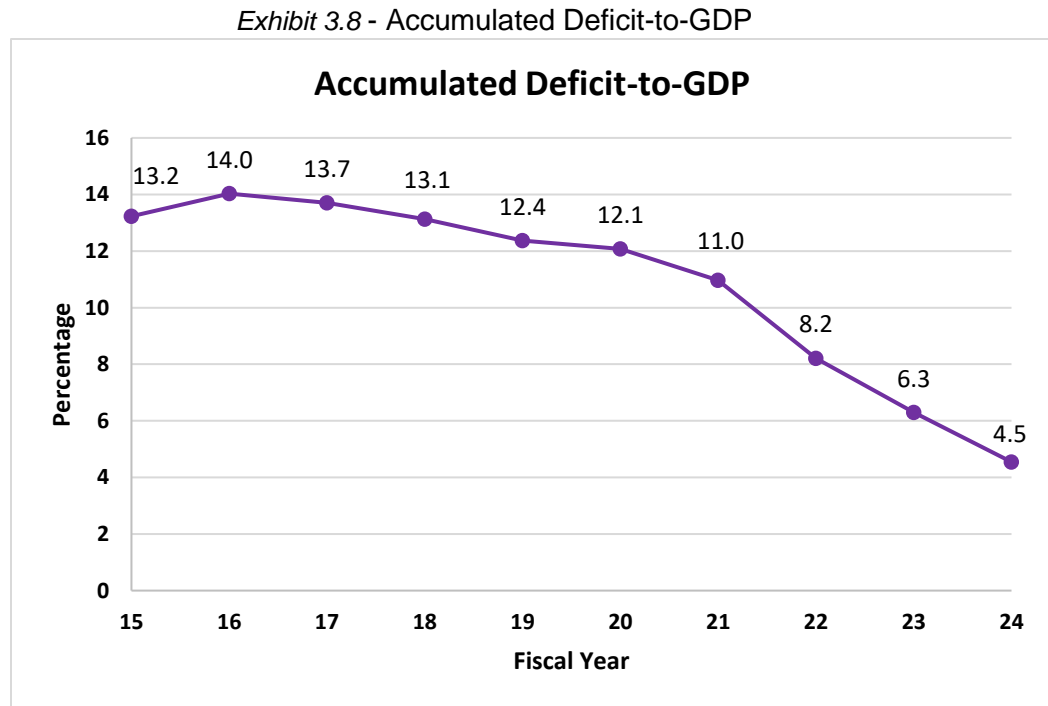
Exhibit 3.8 - Accumulated Deficit-to-GDP

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.21   Accumulated deficit-to-GDP has consistently decreased since 2016. We have assessed trends as:

- long term – favourable
- short term – favourable

Total Expenses-to-GDP

3.22 Total expenses-to-GDP shows the trend of government spending over time in relation to the growth in the economy. A percentage that is:

- increasing indicates a negative trend as the government expenses continue to grow faster than the economy
- decreasing indicates a positive trend as the economy continues to grow faster than government expenses

3.23 See Exhibit 3.9 below for total expenses-to-GDP results from 2015-2024.
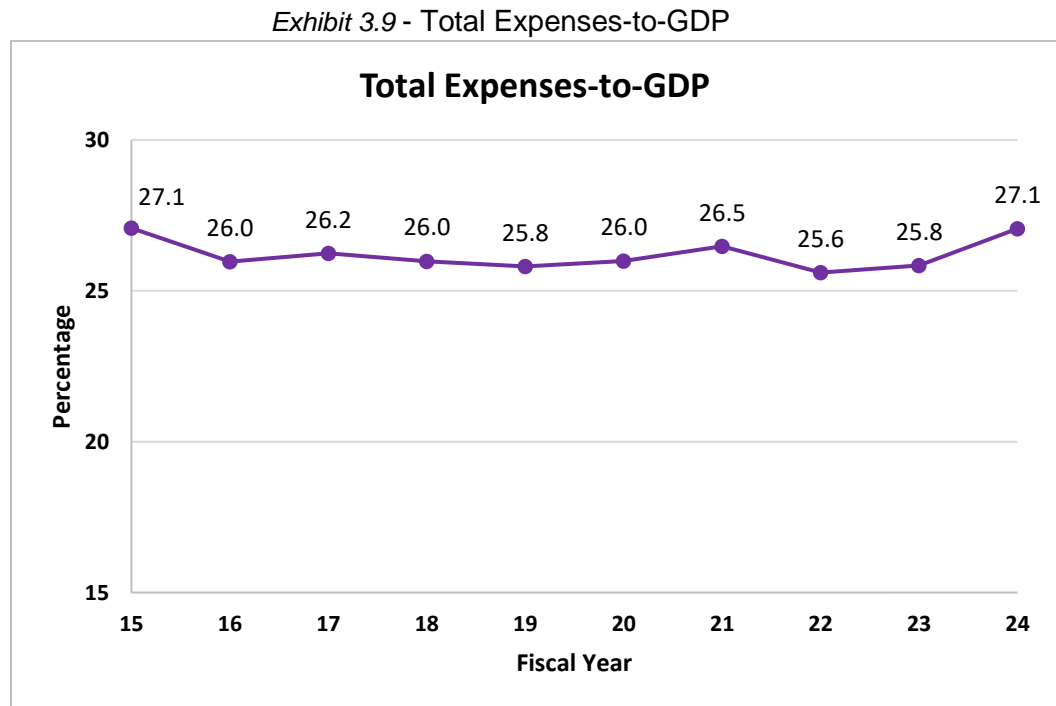
Exhibit 3.9 - Total Expenses-to-GDP

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.24 There has been little change during the past nine years. We have assessed trends as:

- long term – neutral
- short term – unfavourable

Flexibility Indicators

Debt Charges-to-Revenues

3.25 Debt charges-to-revenues measures the extent that past borrowing decisions limit ability to meet current financial and service commitments. A percentage that is:

- decreasing indicates a favourable trend, as proportionately less revenue is needed to service the funded debt
- increasing indicates an unfavourable trend, as proportionately more revenue is needed to service the funded debt

3.26 See Exhibit 3.10 below for debt charges-to-revenues from 2015-2024.

Exhibit 3.10 - Debt Charges-to-Revenues
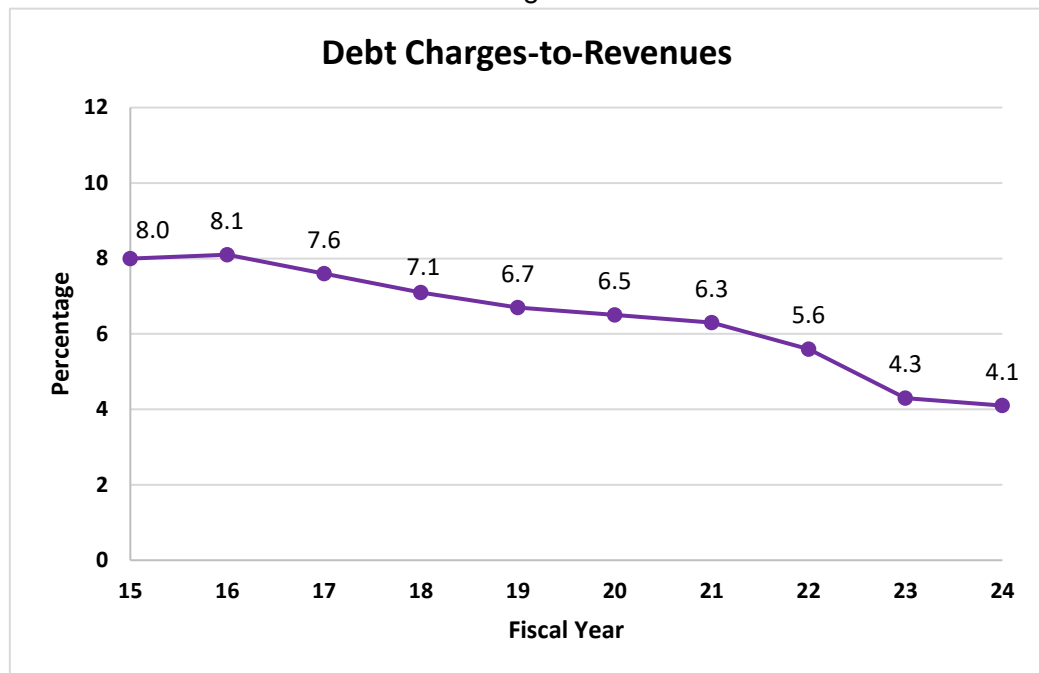
Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.27 Debt charges-to-revenues has consistently decreased in the past eight years. We have assessed trends as:

- long term – favourable
- short term – favourable

Net Book Value of Capital Assets-to-Cost of Capital Assets

3.28 Net book value of capital assets-to-cost of capital assets measures the estimated useful lives of tangible capital assets available to provide products/services. A percentage that is:

- decreasing indicates a negative trend as assets are depreciating (being used) at a faster rate than they are being replaced
- increasing indicates a positive trend as assets are being replaced at a faster rate than they are depreciating (being used)

3.29 See Exhibit 3.11 below for net book value of capital assets-to-cost of capital assets from 2015-2024.

Exhibit 3.11 - Net Book Value of Capital Assets-to-Cost of Capital Assets
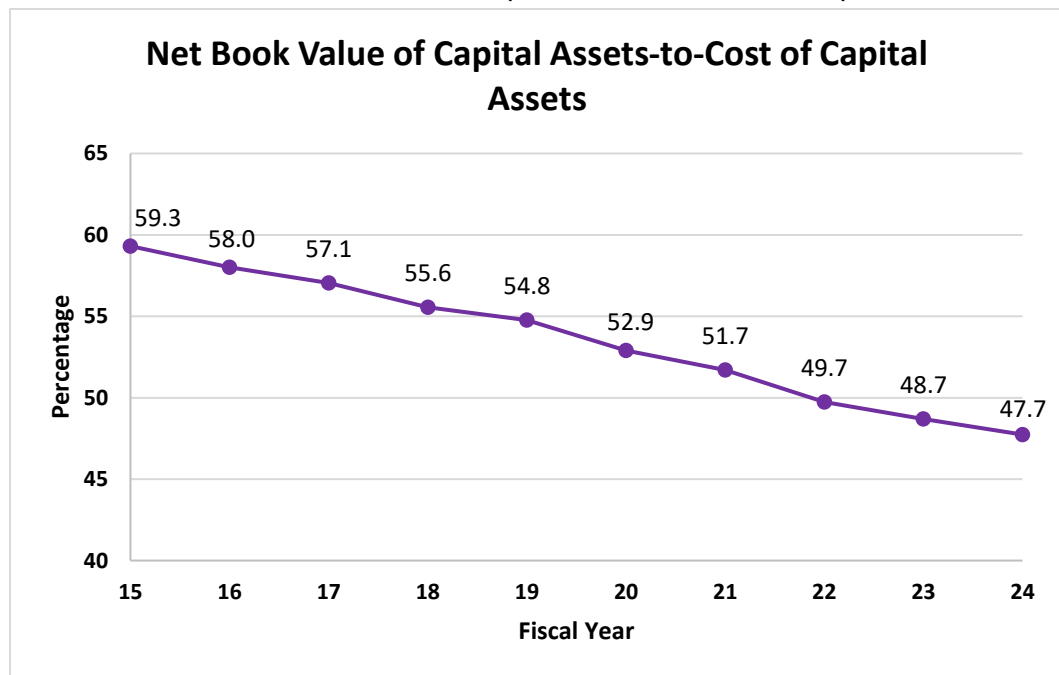
Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.30 Net book value of capital assets-to-cost of capital assets has consistently decreased since 2015. We have assessed trends as:

- long term – unfavourable
- short term – unfavourable

Own Source Revenues-to-GDP

3.31 Own source revenues-to-GDP measures the extent income is taken out of the economy. A percentage that is:

- increasing indicates a negative trend as it makes the Province less flexible in how it can generate revenue
- decreasing indicates a positive trend as it makes the Province more flexible in how it can generate revenue

3.32 See Exhibit 3.12 below for own source revenues-to-GDP for 2015-2024.
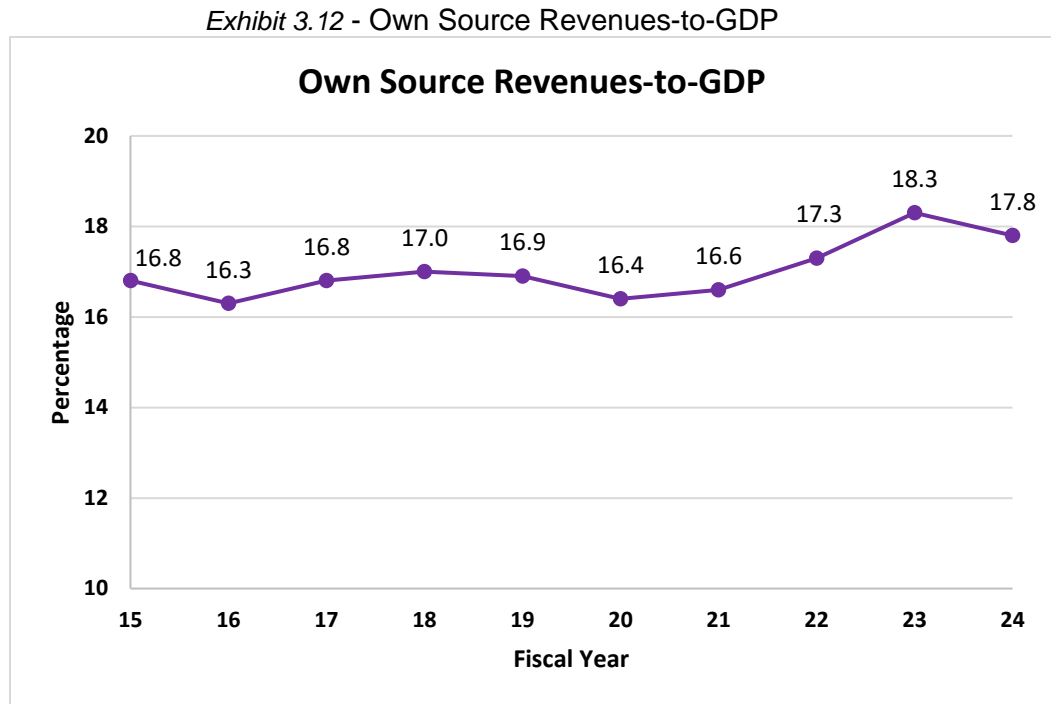
Exhibit 3.12 - Own Source Revenues-to-GDP

Own Source Revenues-to-GDP

[Line chart showing Percentage on the y-axis (10 to 20) and Fiscal Year on the x-axis (15 to 24). Data points: 15 = 16.8, 16 = 16.3, 17 = 16.8, 18 = 17.0, 19 = 16.9, 20 = 16.4, 21 = 16.6, 22 = 17.3, 23 = 18.3, 24 = 17.8]

Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.33 Own source revenues-to-GDP has remained relatively stable since 2015. We have assessed trends as:

- long term – neutral
- short term – neutral

Vulnerability Indicators

Government Transfers-to-Total Revenue

3.34 Government transfers-to-total revenue measures the dependence on another level of government. A percentage that is:

- decreasing indicates a positive trend as the Province is less dependent on government transfers for revenue
- increasing indicates a negative trend as the Province is more dependent on government transfers for revenue

3.35 See Exhibit 3.13 below for government transfers-to-total revenue for 2015-2024.

Exhibit 3.13 - Government Transfers-to-Total Revenue
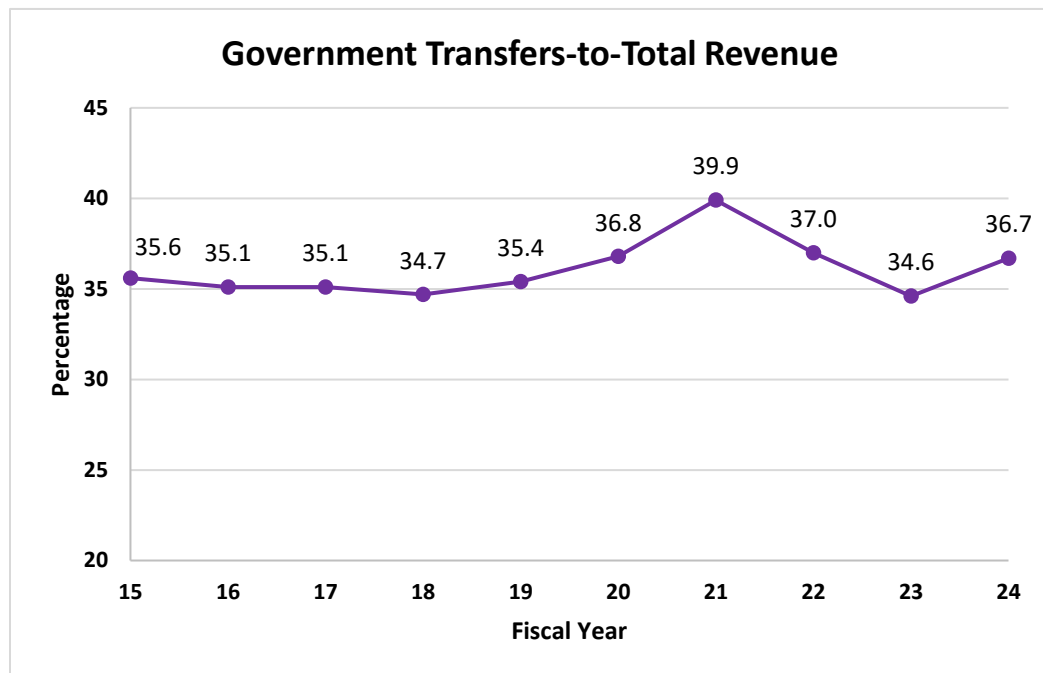
Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts.

3.36 Government transfers-to-total revenue has remained relatively stable over the past ten years. There was a noted increase in government transfers in 2021, due to COVID funding. When removed from the analysis as an extraordinary item, we have assessed trends as:

- long term – neutral
- short term – neutral

Foreign Currency Debt-to-Net Debt

3.37   Foreign currency debt-to-net debt measures government's potential vulnerability to currency fluctuations. As the Province has hedged 100% of its foreign currency, we have assessed trends as:

- long term – favourable
- short term – favourable

AUDITOR GENERAL
OF NEW BRUNSWICK

VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

December 2024

Results – Audit of the Province of New Brunswick's Financial Statements

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2024 AGNB Annual Report – Volume III Chapter 4 – Results – Audit of the Province of New Brunswick's Financial Statements

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2024 Volume III 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, 2024	
NB Power's ability to self-sustain its operations remains a concern	Department of Health is not recovering monies owed from pharmaceutical companies in a timely fashion
The Province continues to use IT systems with noted risks	

2024 AGNB Annual Report – Volume III Chapter 4 – Results – Audit of the Province of New Brunswick's Financial Statements

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Audit of the Province's Financial Statements

Auditor General Issued Unqualified Audit Opinion

4.1   On September 10, 2024, 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, 2024. 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 the 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

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Health: 18 Months Behind in Issuing Invoices

Department of Health: Owed $97 Million

4.6 Under the New Brunswick Prescription Drug Plan Price Listing Agreement, the Department of Health (DOH) invoices pharmaceutical companies each month to recover some of the costs incurred by DOH during the year.

4.7 As of March 31, 2024, DOH was 18 months behind in preparing and issuing invoices worth an estimated $97 million.

4.8 While the amounts related to these invoices have been appropriately recorded 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.

4.9 We made a recommendation to DOH to develop and implement a process to regularly prepare and submit invoices under this agreement.

Government IT Systems

Oracle Fusion System

4.10 The scope of the Oracle Fusion Enterprise Resource Planning project is extensive and will require multiple years to fully implement. Fiscal 2024 was the third full year the Province used Fusion. The system has several functionalities including:

- payroll and human resource management
- procurement (purchasing)
- finance (payments, general ledger, fixed assets, cash management etc.)

4.11 Once fully implemented, Fusion will be used by:

- Part I (departments)
- Part II (school districts)
- Community Colleges

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Internal Control and Accounting Processes

4.12 To address the risks associated with a complex IT system, we performed detailed testing on the Fusion system. Testing procedures were designed to ensure amounts recorded and processed by Fusion are materially complete and accurate.

4.13 While we found no issues of a material nature, we noted improvements can be made by ensuring adequate support is obtained for transactions recorded in the general ledger.

Other IT Systems

4.14 In addition to Fusion, we performed work on the following government IT systems:

- Oracle Financials (EBS) - Finance and Treasury Board
- Teachers' Payroll - Education and Early Childhood Development
- Employee Payroll (HRIS) - Service New Brunswick
- IT Infrastructure - Service New Brunswick, Finance and Treasury Board
- Property Tax - Finance and Treasury Board
- Property Assessments - Service New Brunswick

4.15 We noted recommendations for all IT systems except EBS and Property Tax. Common themes in improvements required related to:

- segregation of duties
- appropriateness of user access

IT Systems with Noted Risks

4.16 With Fusion being partially implemented, the Province continues to use IT systems with noted risks.

4.17 One example is the system used to process teachers' payroll. This system uses a mainframe that is over 20 years old and poses significant risk. While three of the Province's seven school districts migrated to the Fusion system in April 2024, the remaining four districts are scheduled to migrate before March 31, 2026.

4.18 We made a recommendation to the Department of Education and Early Childhood Development to continue to monitor and assess the risks associated with using this outdated system.

4.19 A second example is the system used to process payroll for most Part I government employees. This is another system that is over 20 years old and as of March 31, 2024 only two government departments had migrated to Fusion.

4.20 We will continue to monitor the progress to fully implement Fusion.

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December 2024

Results of Crown Agency Financial Statement Audits

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2024 Volume III Chapter 5 Highlights

Our Office has completed nine audits of Crown agencies - we issued unqualified "clean" audit opinions for each one	**We issued recommendations to Crown agencies to improve in the areas of accounting systems and IT, internal control, and accounting processes**

Audits of Crown Agency Financial Statements

What We Found

5.1   Since our last report in December 2023, we have completed the financial statement audits of nine Crown agencies. As a result of our work, we issued unqualified ("clean") audit opinions to each Crown agency. In almost every audit, we also have audit findings and recommendations we issue to management and the Board of Directors. Exhibit 5.1 provides a summary of the audits we have completed since our last report.

Exhibit 5.1 - Summary of Crown Agency Financial Statement Audits Performed Between December 2023 and October 2024
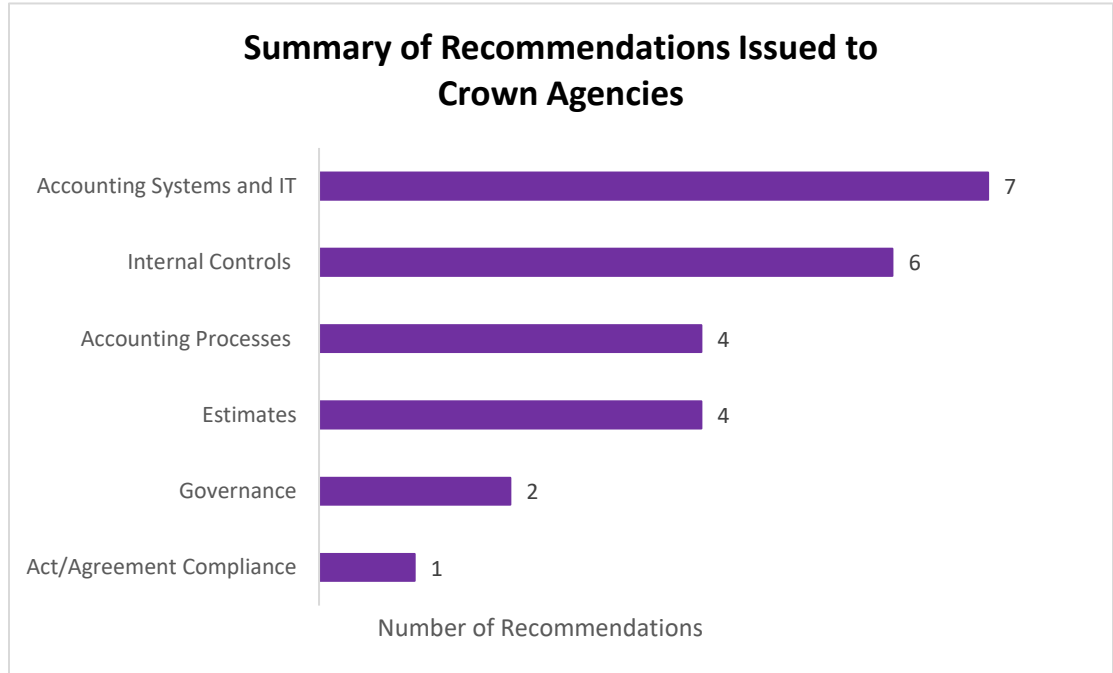
Crown Agency
March 31, 2024 Year End Audits
Opportunities New Brunswick
Service New Brunswick
New Brunswick Legal Aid Services Commission
December 31, 2023 Year End Audits
New Brunswick Municipal Finance Corporation
March 31, 2023 Year End Audits
New Brunswick Highway Corporation
Cannabis Management Corporation
New Brunswick Lotteries and Gaming Corporation
Regional Development Corporation
March 31, 2022 Year End Audits
New Brunswick Highway Corporation

Source: Prepared by AGNB

Summary of Recommendations

5.2 We have issued a total of 24 recommendations to Crown agencies. Exhibit 5.2 summarizes, by theme, areas where we found opportunities for improvements.

Exhibit 5.2 - Summary of Recommendations Issued to Crown Agencies

Summary of Recommendations Issued to Crown Agencies

Theme	Number of Recommendations
Accounting Systems and IT	7
Internal Controls	6
Accounting Processes	4
Estimates	4
Governance	2
Act/Agreement Compliance	1

Source: Prepared by AGNB

5.3 While we did not find evidence of significant fraud or theft, our recommendations show areas for improvements in key areas including accounting systems and IT, internal controls, and accounting processes.

5.4 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.