



REPORT OF THE

# Auditor General of New Brunswick

## Financial Audit

Volume III

2025

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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 2025 Report to the Legislative Assembly.

Respectfully submitted,

Paul Martin, FCPA, FCA  
Auditor General

Fredericton, N. B.  
December 2025



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**REPORT OF THE**

**Auditor General of  
New Brunswick**

**VOLUME III 2025: FINANCIAL AUDIT**



# Auditor General's Comments



On September 25, 2025, the Office completed the annual audit of the Province's public accounts and issued an unqualified, or "clean" audit opinion.

This year's deficit of \$104 million was the Province's first recorded deficit in eight years, while net debt increased marginally. Overall, the Province's financial condition has remained stable since 2024.

In this report we present the results of our audit of public accounts. Notable items include the self-sustainability of NB Power, delays in collecting over \$300 million in accounts receivable, accounting for a significant tobacco settlement, and the amount of debt owed by the Province.

This report also discusses the results of our audits of Crown agency financial statements. While we issued clean audit opinions in most of these audits, we have identified several areas for improvement. This year, we completed eleven audits and issued a total of 26 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.

A handwritten signature in black ink that reads "Paul Martin". The signature is fluid and cursive.

**Paul Martin**, FCPA, FCA  
Auditor General





2025

# Annual Deficit, Net Debt and Funded Debt

## Chapter 2

**Volume III: Financial Audit**  
AGNB Annual Report







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## Annual Deficit, Net Debt and Funded Debt

ANNUAL DEFICIT, NET DEBT AND FUNDED DEBT

# Chapter 2 Highlights

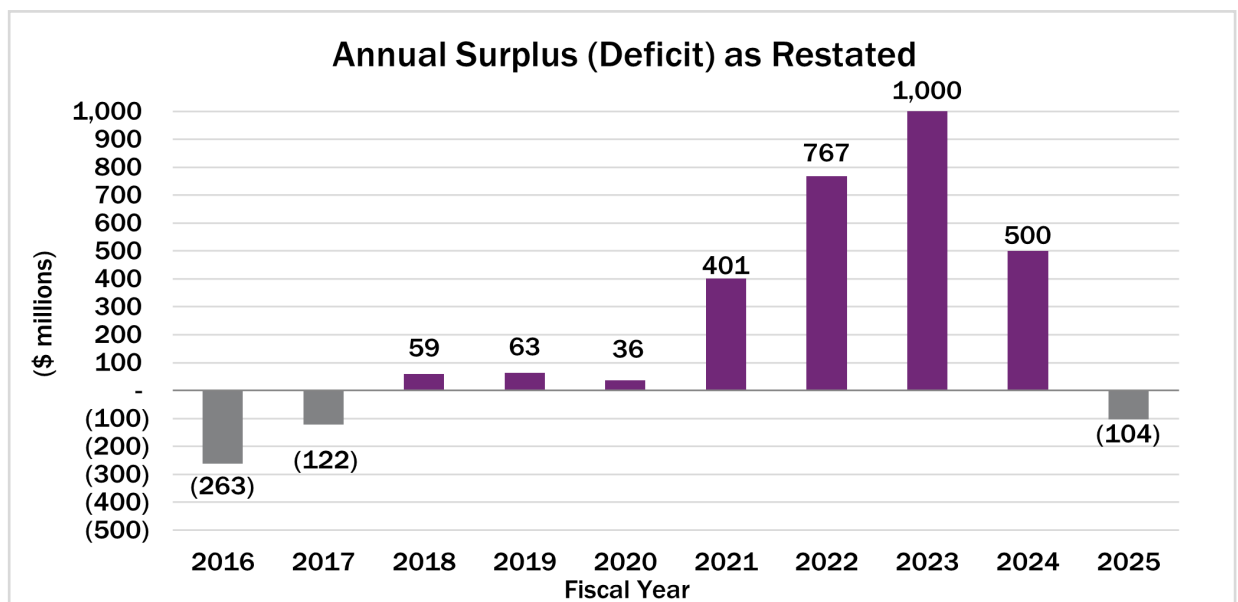
Annual deficit of \$104 million was the Province’s first recorded deficit in eight years	Provincial expenses increased by \$1.1 billion	Net debt has increased by \$500 million
\$5.2 billion in funded debt is due to be repaid over the next four years		

# Annual Deficit

## FIRST RECORDED DEFICIT IN EIGHT YEARS

- 2.1** After seven consecutive years of recording an annual surplus, the Province of New Brunswick has recorded an annual deficit. The March 31, 2025 audited consolidated financial statements reported an annual deficit of \$104 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*







*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 annual deficit in 2025 compared to the annual surplus in 2024.

Exhibit 2.2 - Breakdown of 2025 Annual Deficit

What happened since last year?	
	<b>Provincial Expenses</b> <i>Increased \$1.1B from 2024</i>
	<b>Provincial Tax Revenue</b> <i>Increased \$49M from 2024</i>
	<b>All Other Provincial Revenue Sources</b> <i>Increased \$185M from 2024</i>
	<b>Revenue from the Federal Government</b> <i>Increased \$283M from 2024</i>

Source: Prepared by AGNB using 2025 Public Accounts

INCREASES IN EXPENSES OUTPACED INCREASES IN REVENUES

2.4 The \$104 million deficit was due to increases in provincial expenses which outpaced increases in total revenues. The most significant increases to expenses included:

- Health expenses of \$337 million (an increase of 8%)
- Social Development expenses of \$297 million (an increase of 16%)
- Education and Training expenses of \$178 million (an increase of 7%)

PROVINCIAL TAX REVENUES ARE A SIGNIFICANT SOURCE OF REVENUE

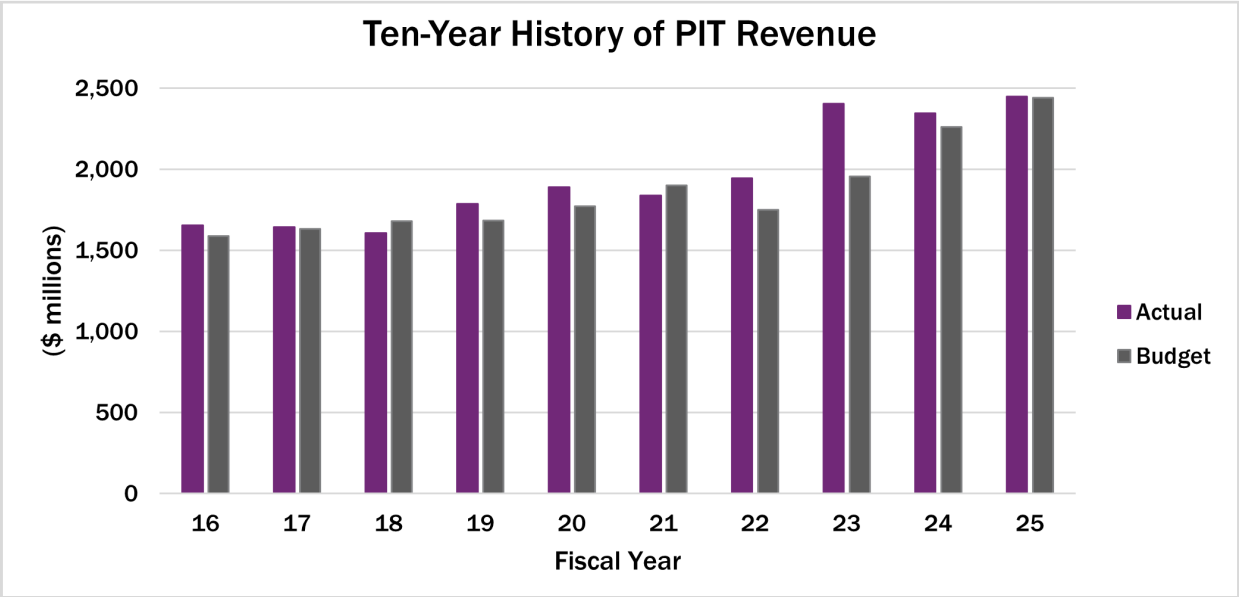
2.5 Provincial tax revenues totaled \$6.4 billion this year and made up 75% of provincial source revenue. Significant provincial tax revenues this year included:

- personal income tax of \$2.4 billion
- corporate income tax of \$0.7 billion
- harmonized sales tax of \$2.2 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

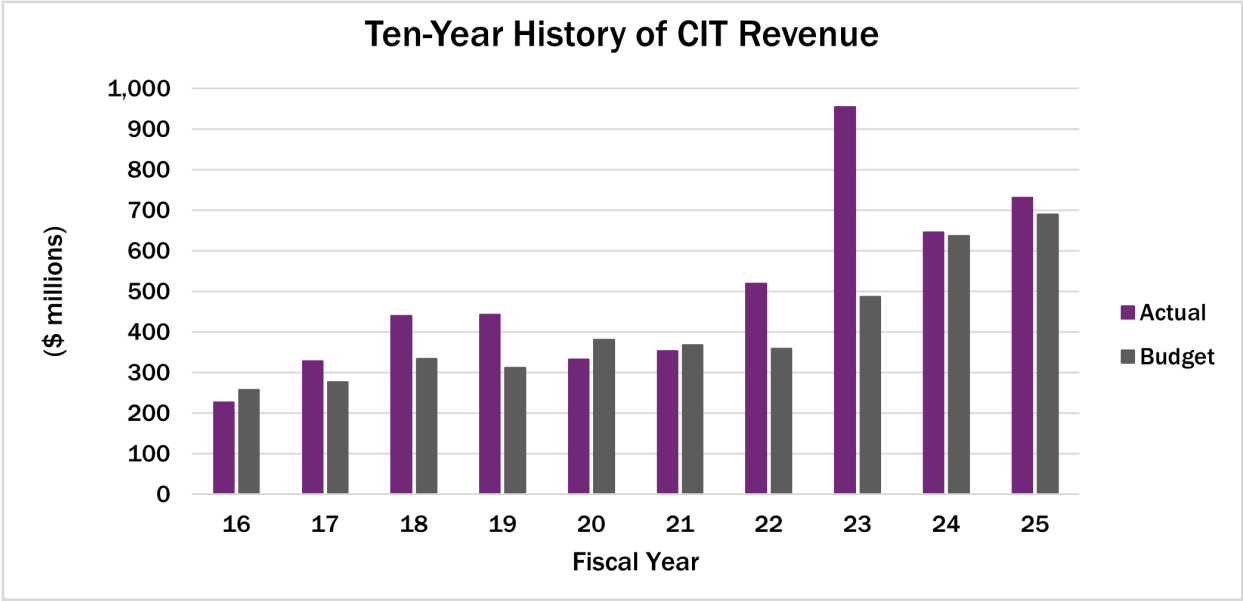


Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

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



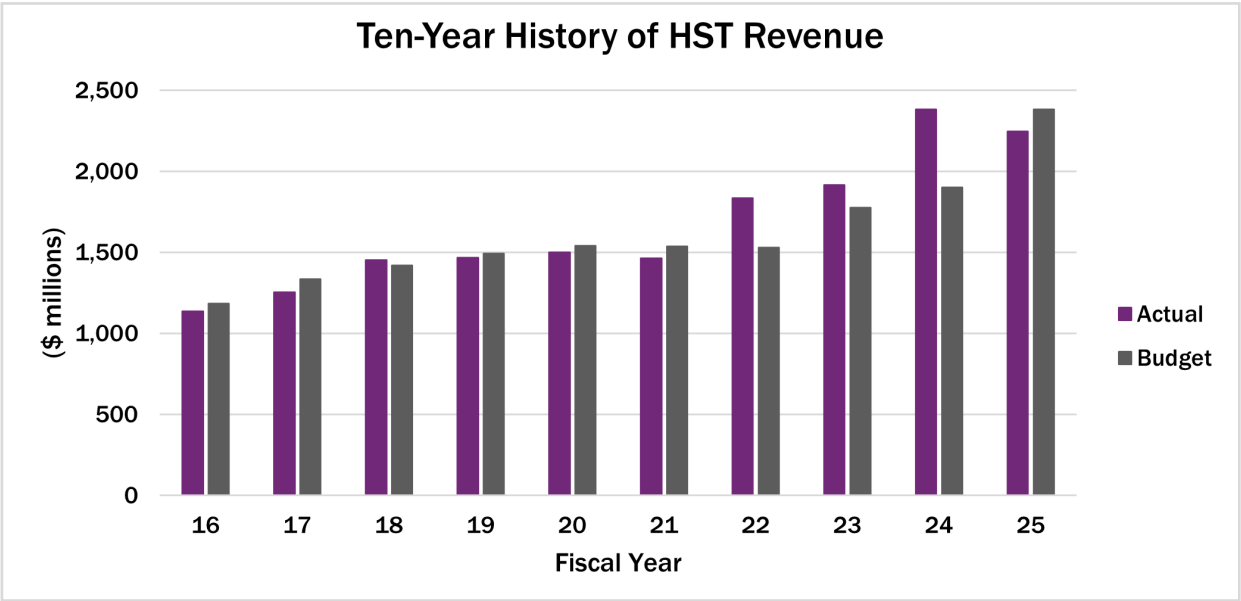
Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts



## 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 of 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	2025 Amount	Definition
<b>Net Debt</b>	\$12.3 billion	An accounting calculation presented as total liabilities <i>minus</i> financial assets.
<b>Funded Debt</b>	\$18.4 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.
<b>Service of the Public Debt</b>	\$690 million	Annual cost of servicing funded debt**, consisting mostly of interest costs.

*Source: Prepared by AGNB using 2025 Public Accounts*

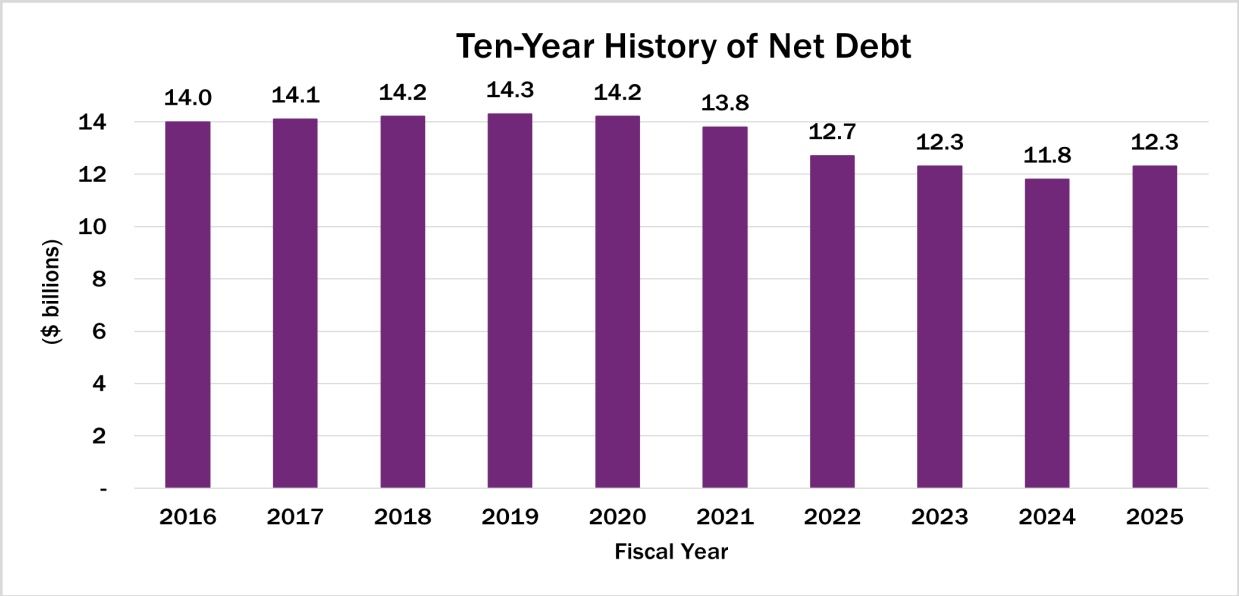
*\* Funded debt excludes \$5.4 billion borrowed on behalf of NB Power*

*\*\*Service of the funded debt consists mostly of interest, interest on capital leases and public private partnerships, interest on short-term borrowing, and interest recovery for debt incurred for NB Power*

INCREASE IN NET DEBT

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 increased by \$0.5 billion this year and is \$12.3 billion for the year ended March 31, 2025. See Exhibit 2.7 below for the ten-year history of net debt.

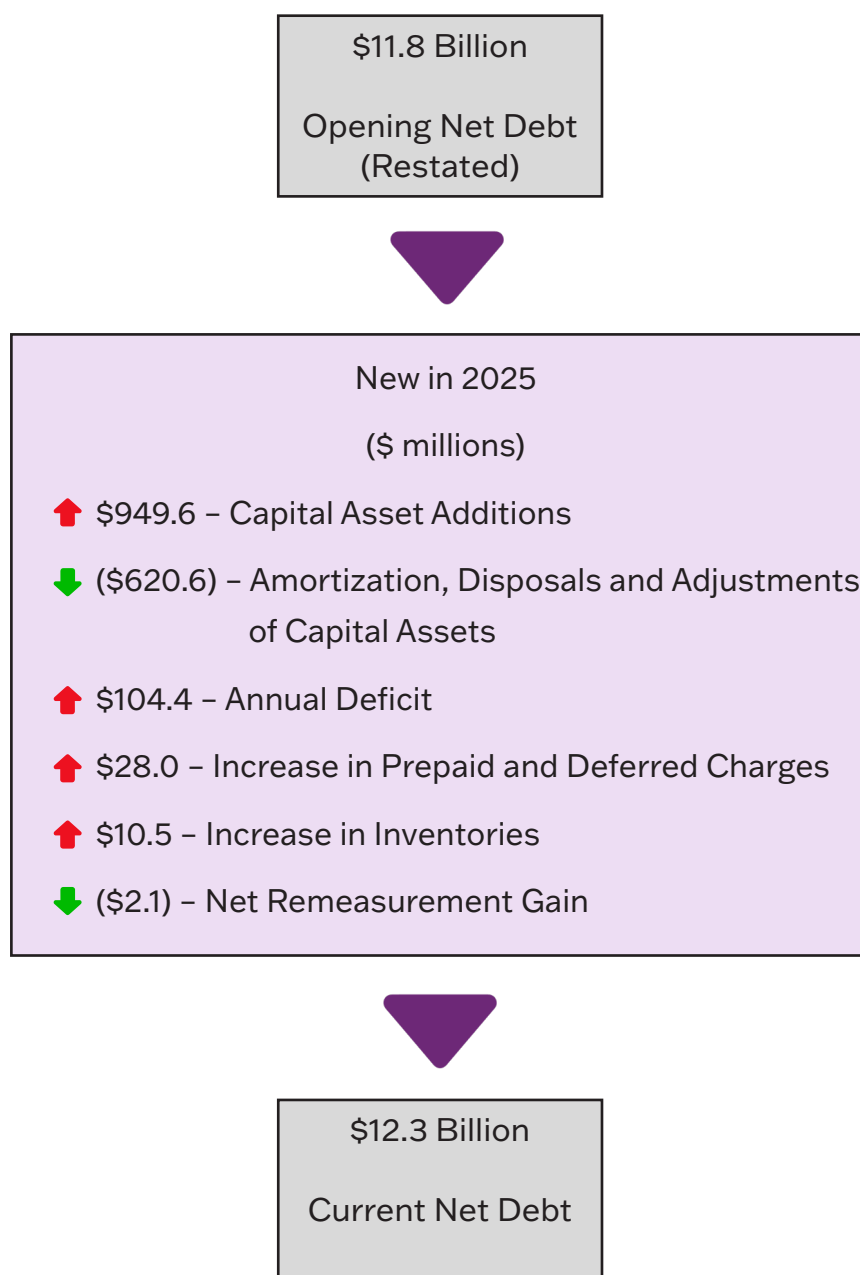
Exhibit 2.7 - Ten-Year History of Net Debt



Source: Prepared by AGNB based on applicable years Public Accounts data 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

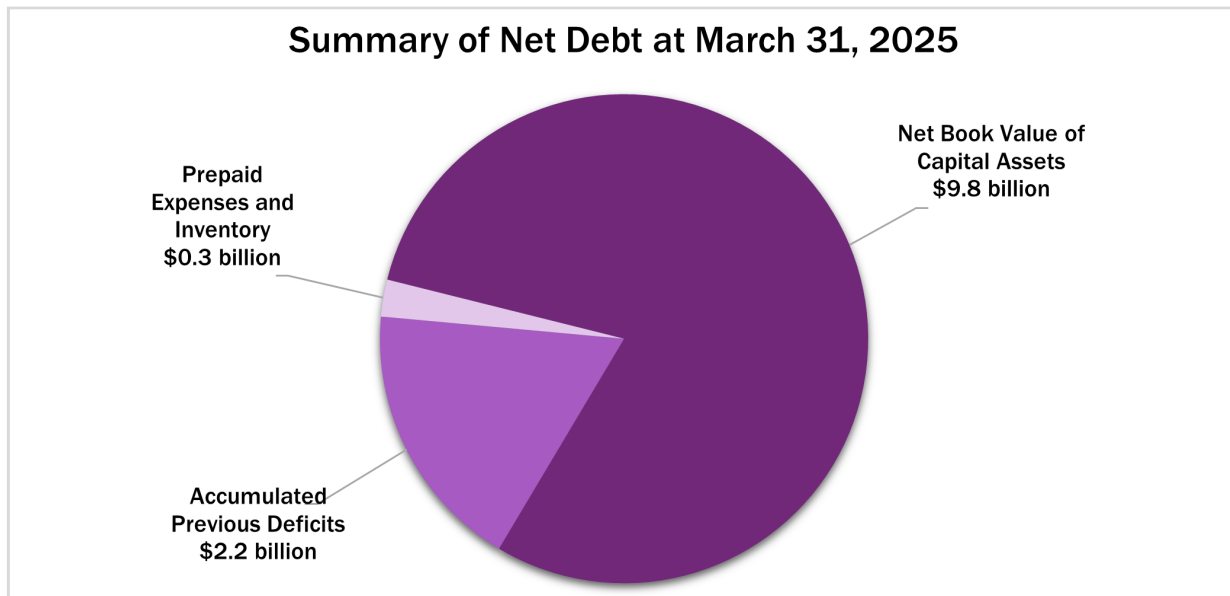


Source: Prepared by AGNB using 2025 Public Accounts

## WHAT MAKES UP THE \$12.3 BILLION IN NET DEBT?

**2.13** See Exhibit 2.9 for the net debt composition for fiscal year ended 2025.

*Exhibit 2.9 - Summary of Net Debt at March 31, 2025*



*Source: Prepared by AGNB using 2025 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

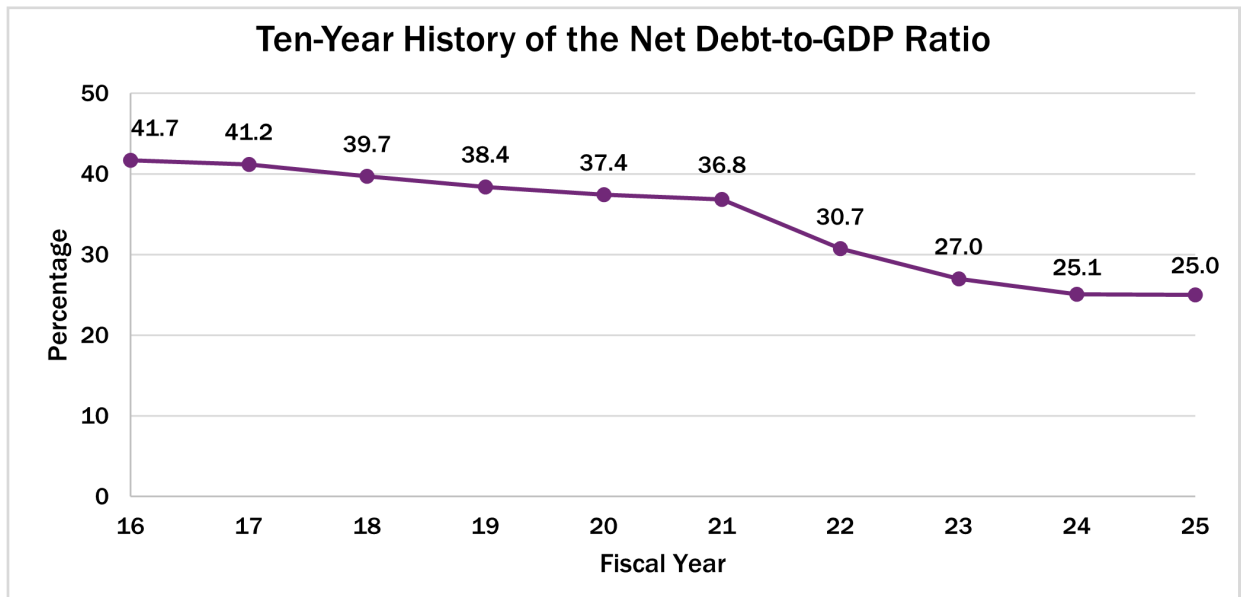
## NEW BRUNSWICK'S NET DEBT-TO-GDP RATIO

**2.15** The net debt-to-gross domestic product (GDP)<sup>1</sup> 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.

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

**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*



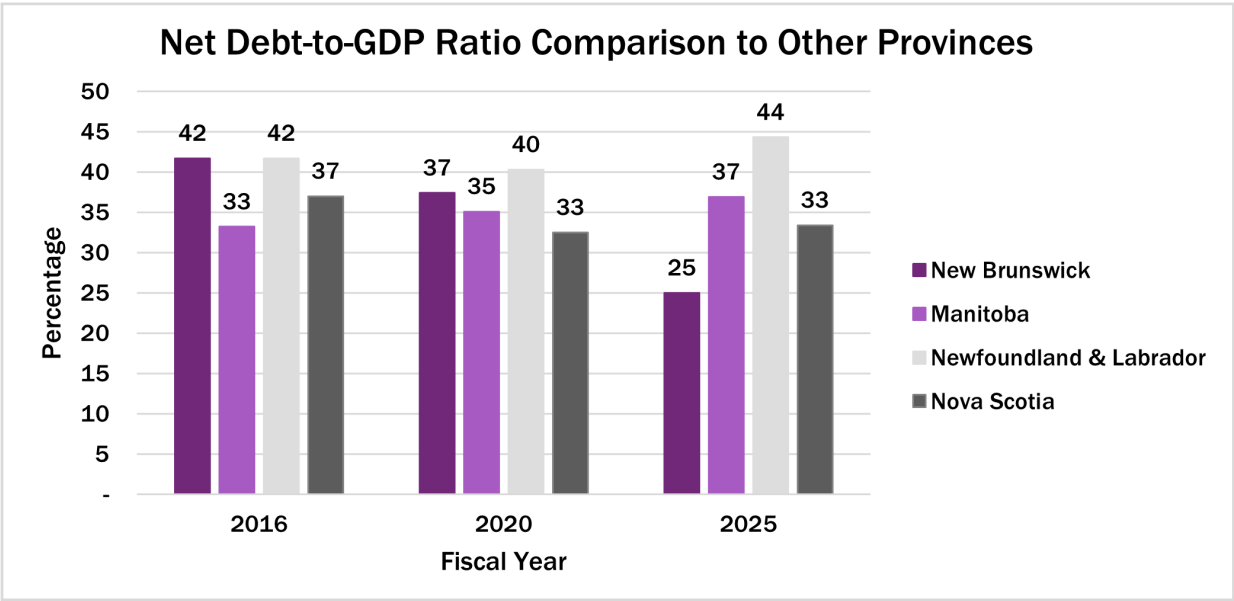
*Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts*

**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.

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 three other provinces. For fiscal year ended 2025, New Brunswick had the lowest net debt-to-GDP ratio.

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

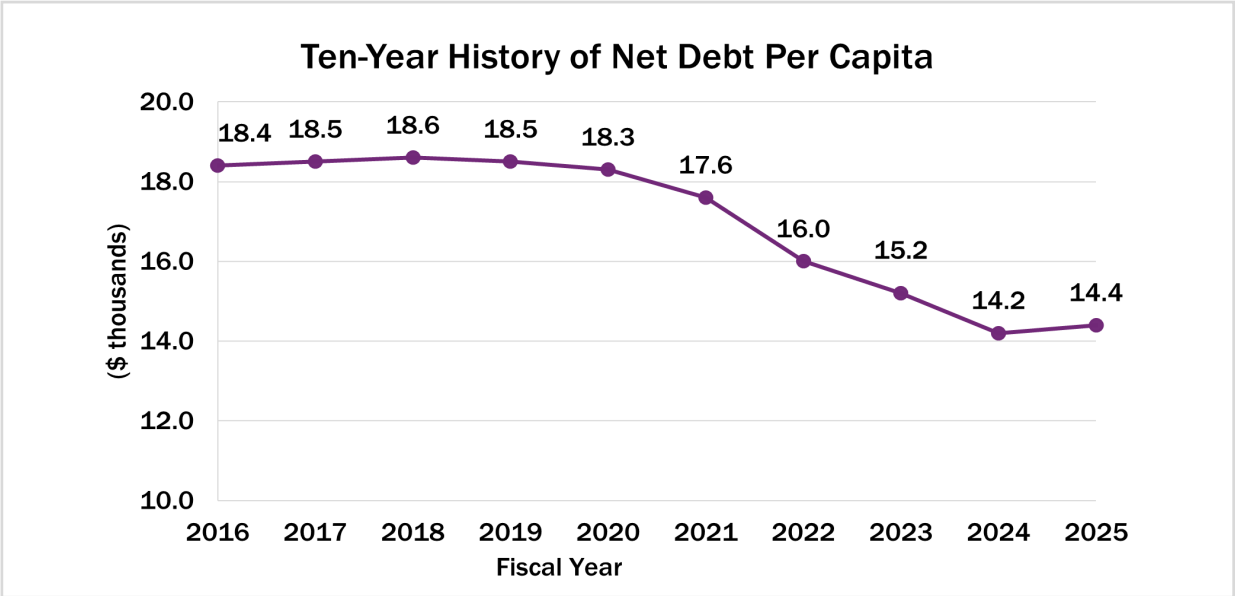


Source: Prepared by AGNB as restated where available

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 has since decreased to \$14,400 in 2025. Exhibit 2.12 shows the ten-year history of net debt per capita, highlighting a continual improvement from 2018 through 2024, followed by an increase in 2025.

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



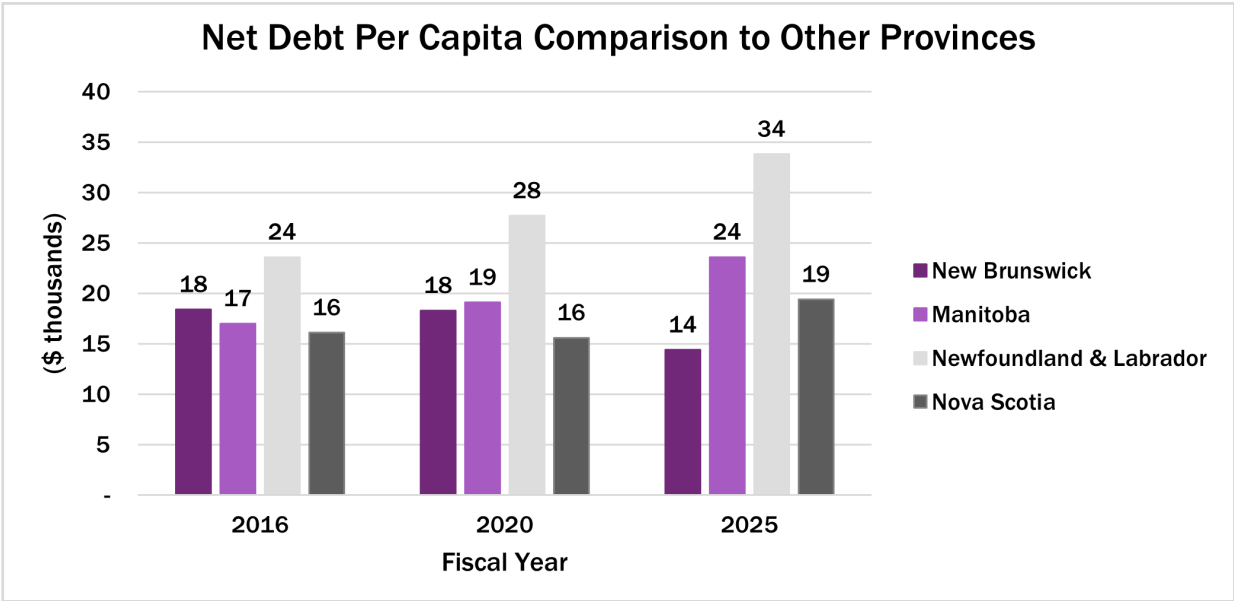
Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts



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 three other provinces. For fiscal year ended 2025, 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

## 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)

	2021	2022	2023	2024	2025
Target (Increase) Decrease	129	(241)	(15)	(183)	(315)
Actual (Increase) Decrease	477	1,091	361	505	(470)
<b>Difference</b>	348 (Actual Decrease Higher than Projected)	1,332 (Actual Decrease when an Increase was Projected)	376 (Actual Decrease when an Increase was Projected)	688 (Actual Decrease when an Increase was Projected)	(155) (Actual Increase Higher than Projected)
<b>Target Met or Exceeded?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>

*Source: Prepared by AGNB based on applicable years 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 three of the past five years.

*Exhibit 2.15 - Five-Year History of Net Debt-to-GDP Targets Compared to Actual  
(as restated where applicable)*

	2021	2022	2023	2024	2025
Target	34.7%	36.4%	30.1%	24.9%	26.7%
Actual*	36.8%	30.7%	27.0%	25.1%	25.0%
<b>Difference</b>	2.1% (Actual Ratio Higher than Projected)	(5.7)% (Actual Ratio Lower than Projected)	(3.1)% (Actual Ratio Lower than Projected)	0.2% (Actual Ratio Higher than Projected)	(1.7)% (Actual Ratio Lower than Projected)
<b>Target Met or Exceeded?</b>	No	Yes	Yes	No	Yes

*Source: Prepared by AGNB based on applicable years 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** 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 2025-2026 Main Estimates are presented in Exhibit 2.16.
- 2.25** While we are pleased to see targets being set, we are concerned by these targets increasing net debt and the net debt-to-GDP ratio each year.

*Exhibit 2.16 - Province's Net Debt Reduction Targets*

	2026 Budget	2027 Plan	2028 Plan	2029 Plan
Annual (Increase) Decrease in Net Debt (\$ millions)	(929)	(917)	(675)	(486)
Net Debt-to-GDP Ratio	26.6%	27.7%	28.3%	28.5%

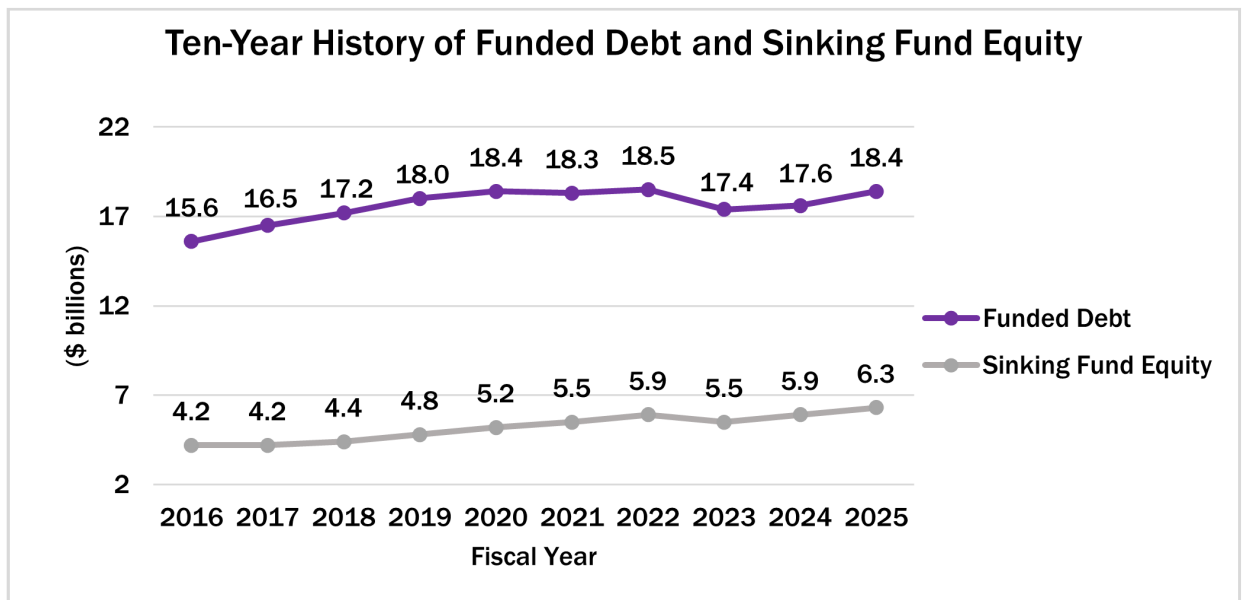
*Source: <https://www.gnb.ca/en/gov/budget.html>*

# Funded Debt

## \$18.4 BILLION IN FUNDED DEBT

- 2.26** This year, funded debt increased from \$17.6 billion in 2024 to \$18.4 billion.
- 2.27** 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, 2025, the value of the Province's sinking fund equity was approximately \$6.3 billion.
- 2.28** 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 years Public Accounts data with restatements where identified in Public Accounts

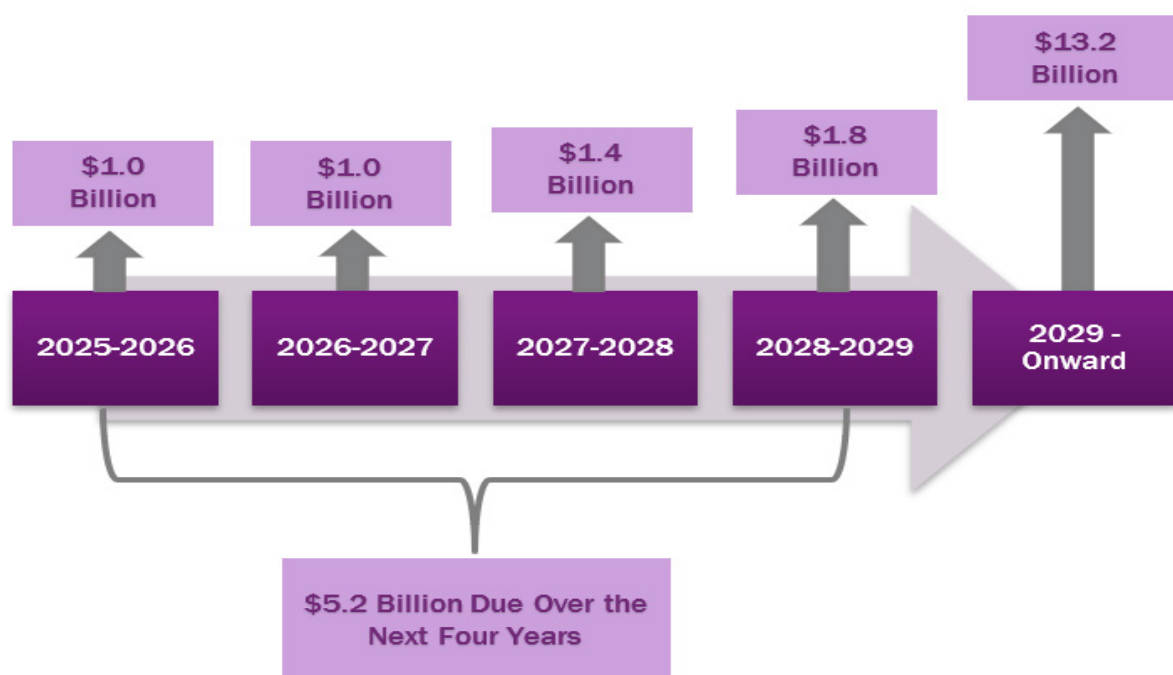
- 2.29** As noted above, funded debt is significantly more than the equity in the sinking fund. Additional cash outlays of approximately \$12 billion will be needed in the future to repay the total funded debt.

**2.30** Over the next four years, approximately \$5.2 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 2025 include:

- \$800 million (CAD) was repaid
- \$1.55 billion (CAD) of new debt was issued

**2.31** 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 2025 Public Accounts*

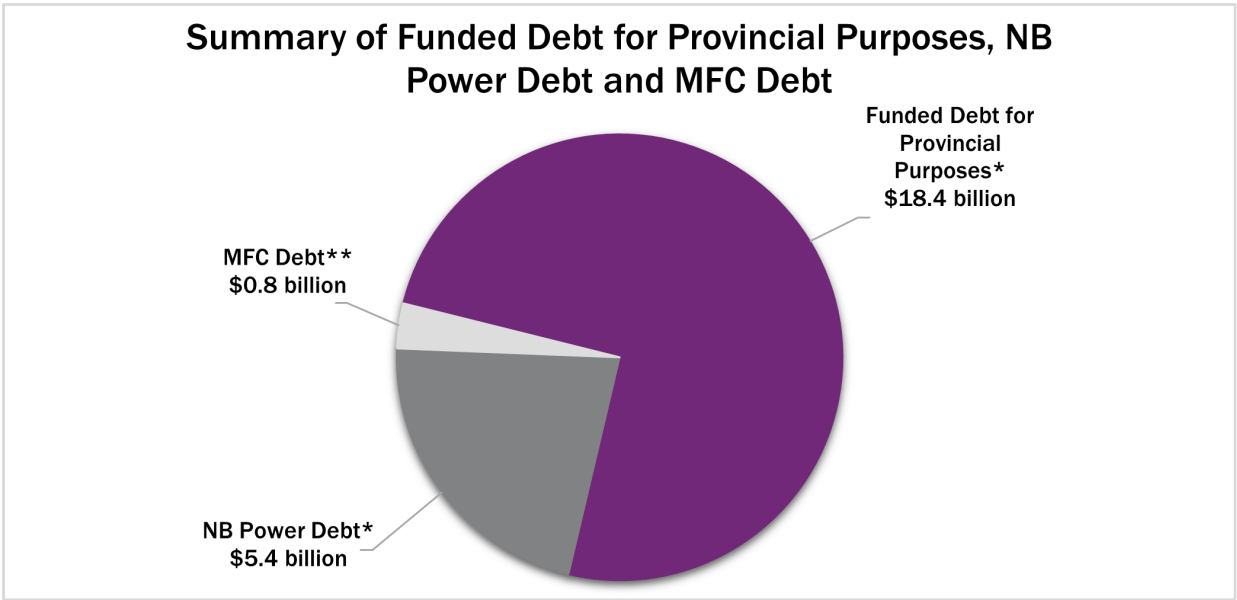
## INTEREST COSTS

**2.32** In the fiscal year ended 2025, the service cost of this debt (excluding NB Power), was \$690 million. This is an annual cost and does not reduce the principal amount outstanding.

PROVINCIAL DEBT

- 2.33 The amount recorded as provincial debt (\$18.4 billion) does not include:
- \$5.4 billion in NB Power debt
  - \$751.9 million in New Brunswick Municipal Finance Corporation (MFC) guaranteed debt
- 2.34 Exhibit 2.19 below details over \$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



Source: Prepared by AGNB using 2025 Public Accounts  
\*Funded Debt for Provincial Purposes and NB Power debt are as at March 31, 2025  
\*\* MFC Debt as at December 31, 2024

2025

# State of New Brunswick's Financial Condition

## Chapter 3

**Volume III: Financial Audit**  
AGNB Annual Report







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## State of New Brunswick's Financial Condition

# Chapter 3 Highlights

Trends		
<b>Sustainability</b> <ul style="list-style-type: none"><li>• 5/7 short-term favourable</li><li>• 3/7 long-term favourable</li></ul>	<b>Flexibility</b> <ul style="list-style-type: none"><li>• 1/3 short-term favourable</li><li>• 1/3 long-term favourable</li></ul>	<b>Vulnerability</b> <ul style="list-style-type: none"><li>• 1/2 short-term favourable</li><li>• 1/2 long-term favourable</li></ul>

**OVERALL  
CONCLUSION:**

The Province’s financial condition has remained stable since 2024.

# The Province’s Financial Condition

## FINANCIAL INDICATORS

**3.1** The Province’s financial condition has remained stable since 2024. 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.


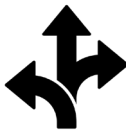

	<p><b>Sustainability</b></p> <p>Sustainability indicates if the Province can maintain its current level of spending and meet debt obligations without increasing taxes or funded debt.</p>
	<p><b>Flexibility</b></p> <p>Flexibility is the degree to which the Province can react to unexpected or increased expenses, either by increasing taxes or increasing funded debt.</p>
	<p><b>Vulnerability</b></p> <p>Vulnerability is the degree to which the Province is dependent on sources of funding outside its control or influence.</p>

Exhibit 3.1 - Summary of Financial Indicators

	Indicator	Purpose	Short-Term Trend	Long-Term Trend
<b>Sustainability</b>	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
<b>Flexibility</b>	Debt charges-to-revenues	Measures extent that past borrowing decisions limit ability to meet current financial and service commitments	Neutral	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	Favourable	Neutral
<b>Vulnerability</b>	Government transfers-to-total revenue	Measures the dependence on another level of government	Unfavourable	Neutral
	Foreign currency debt-to-net debt	Measures the government's potential vulnerability to currency fluctuations	Favourable	Favourable

Source: Prepared by AGNB

# Sustainability Indicators

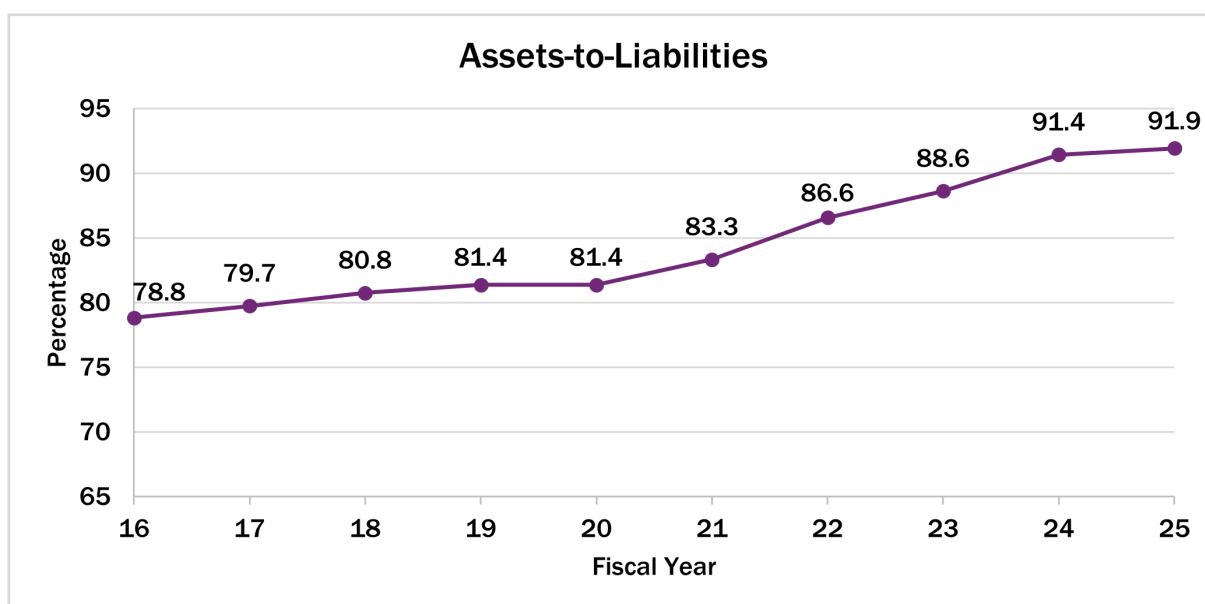
## ASSETS-TO-LIABILITIES

**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 2016-2025.

*Exhibit 3.2 - Assets-to-Liabilities*



*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 over the past five years. We have assessed trends as:

- long term – unfavourable
- short term – favourable

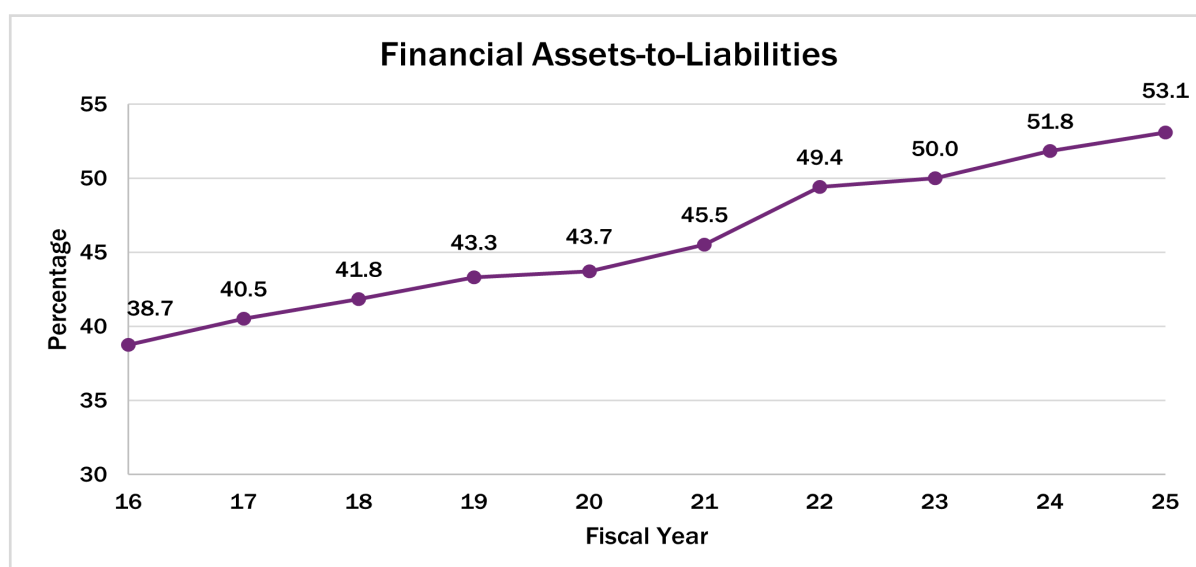
## FINANCIAL ASSETS-TO-LIABILITIES

**3.6** Financial assets-to-liabilities measures the extent future revenues will be needed to pay for past transactions. A percentage that is:

- 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 2016-2025.

*Exhibit 3.3 - 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 2016. We have assessed trends as:

- long term – unfavourable
- short term – favourable

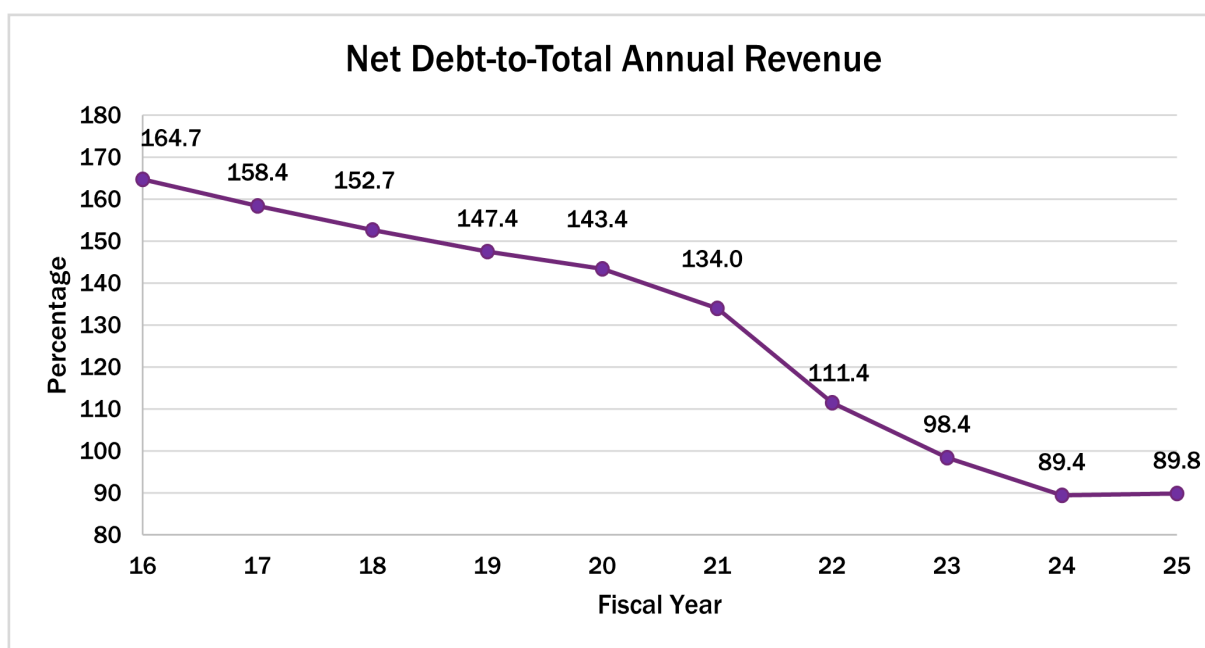
## NET DEBT-TO-TOTAL ANNUAL REVENUE

**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 2016-2025.

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

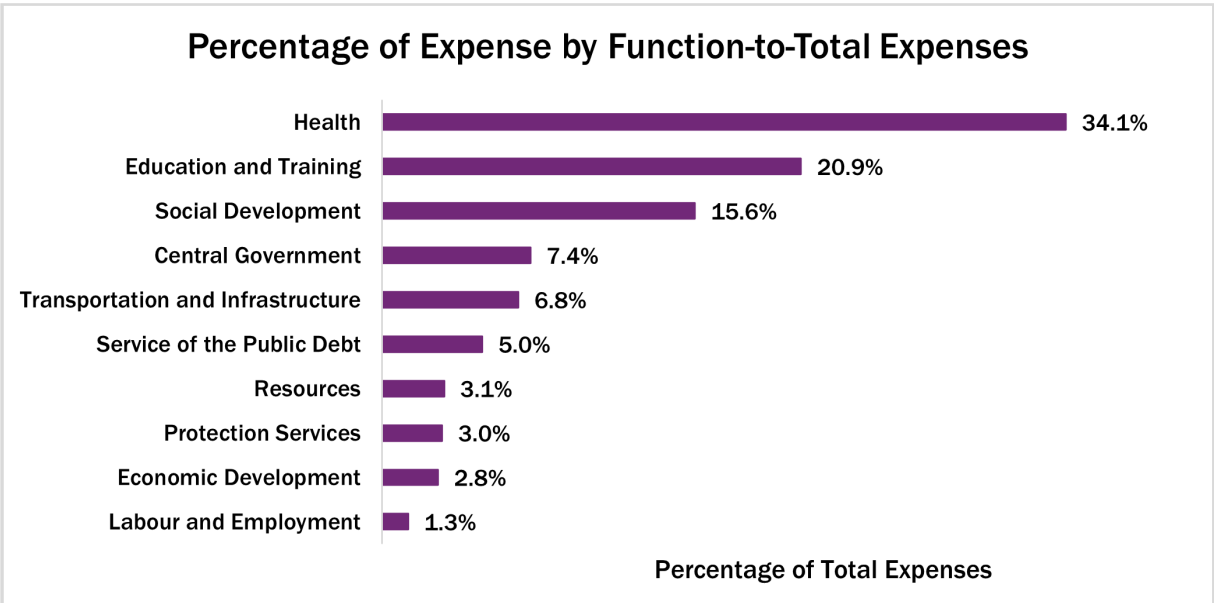
**3.11** The net debt-to-total annual revenue ratio steadily decreased through 2024, followed by a marginal increase in 2025. We have assessed trends as:

- 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, 2025.

*Exhibit 3.5 - Percentage of Expense by Function-to-Total Expenses at March 31, 2025*



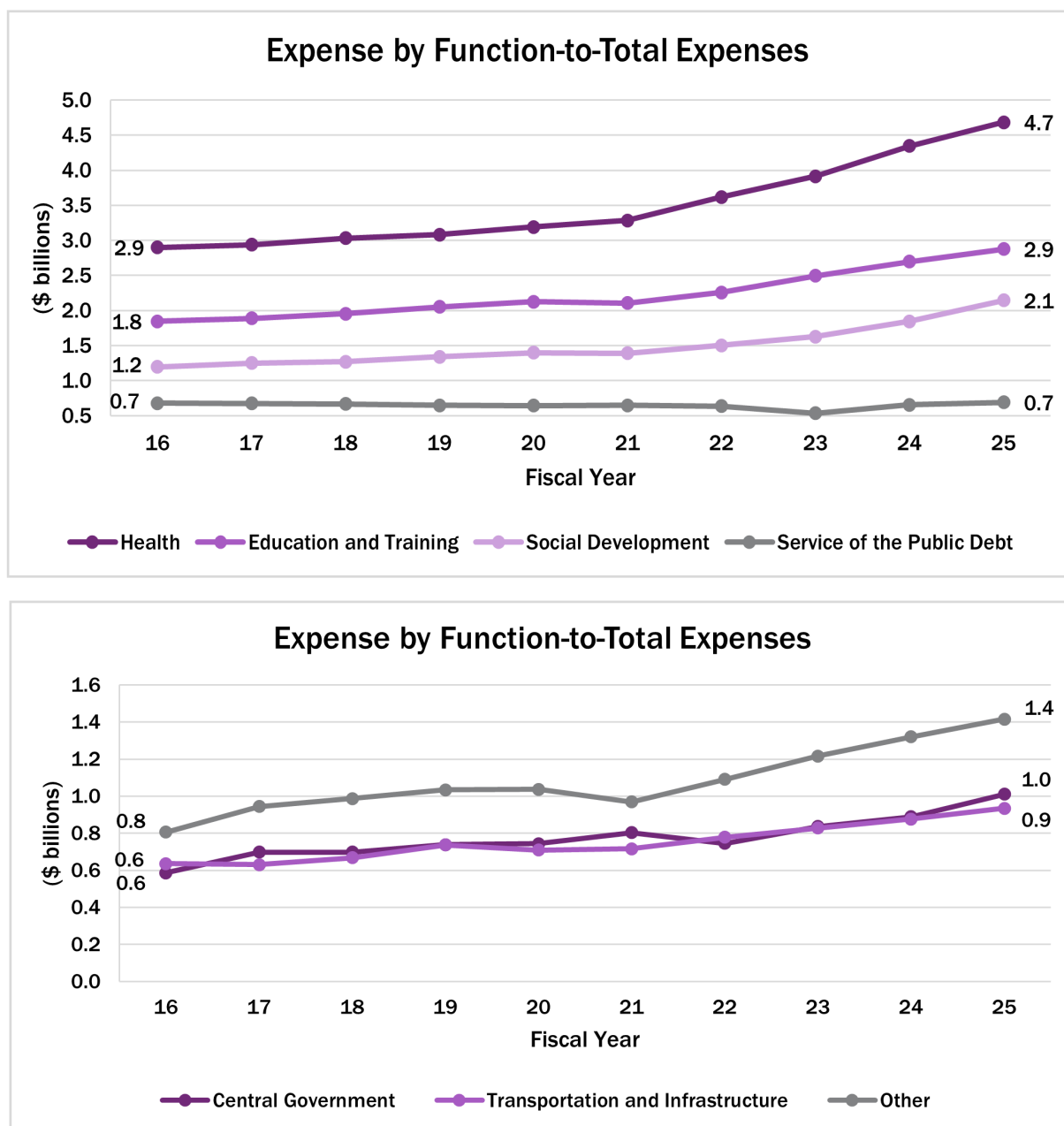
*Source: Prepared by AGNB based on Public Accounts 2025*



**3.14** The following exhibit details expense by function-to-total expenses for 2016-2025:

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

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



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

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

**3.15** There has been little change in expense allocation during the past nine years. We have assessed overall trends as:

- long term – neutral
- short term – neutral

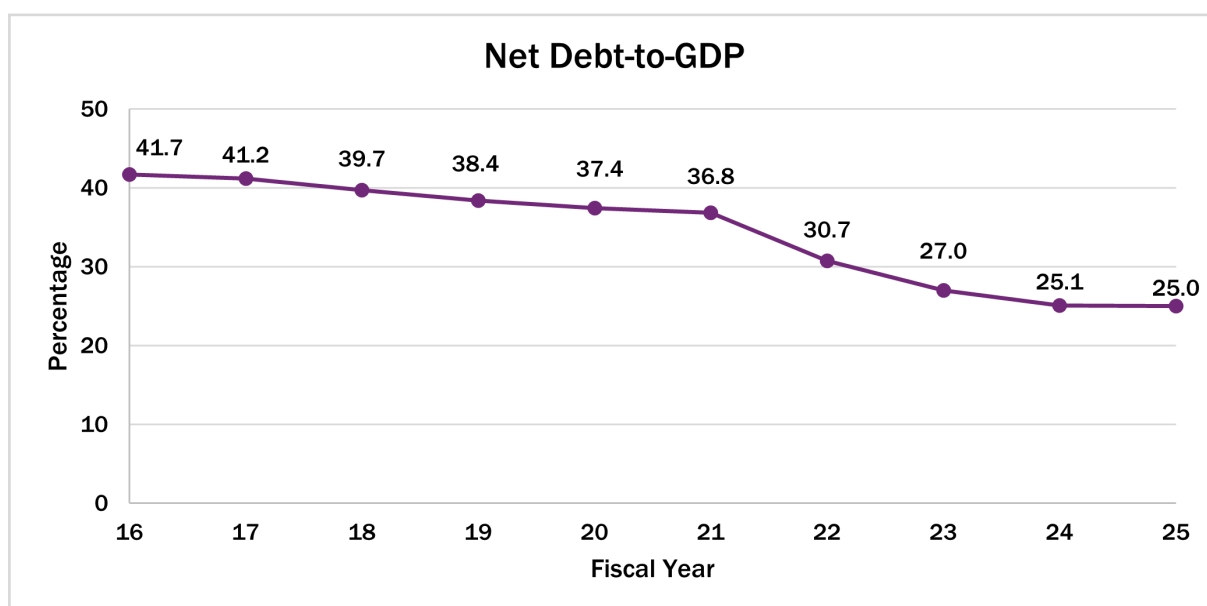
## NET DEBT-TO-GDP

**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 indicates a negative trend as the growth in net debt exceeds that of GDP

**3.17** See Exhibit 3.7 below for net debt-to-GDP results from 2016-2025.

*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

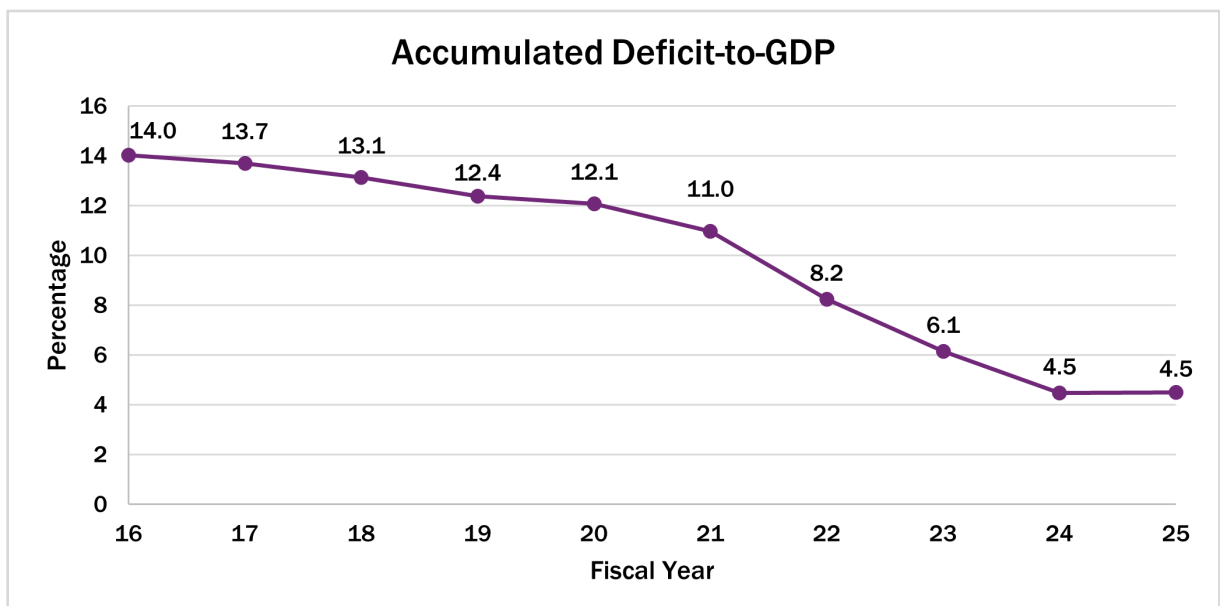
## ACCUMULATED DEFICIT-TO-GDP

**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 2016-2025.

*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 steadily declined up to 2024. We have assessed trends as:

- long term – favourable
- short term – favourable

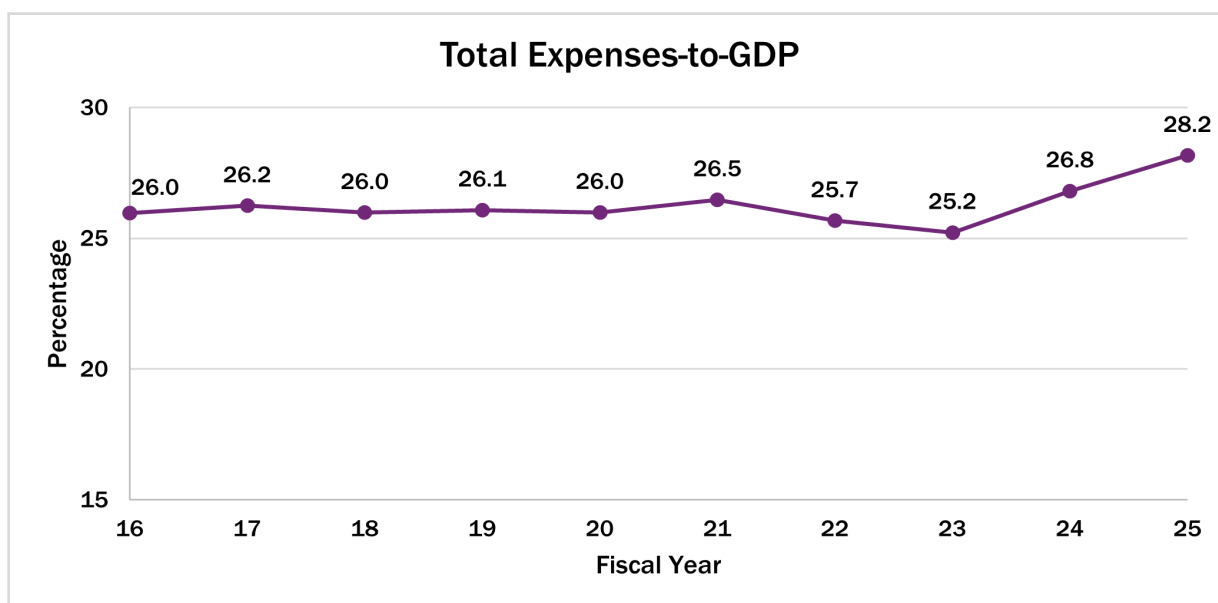
## TOTAL EXPENSES-TO-GDP

**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 2016-2025.

*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 over the past nine years, however, the percentage has been increasing in the short term. We have assessed trends as:

- long term – neutral
- short term – unfavourable

# Flexibility Indicators

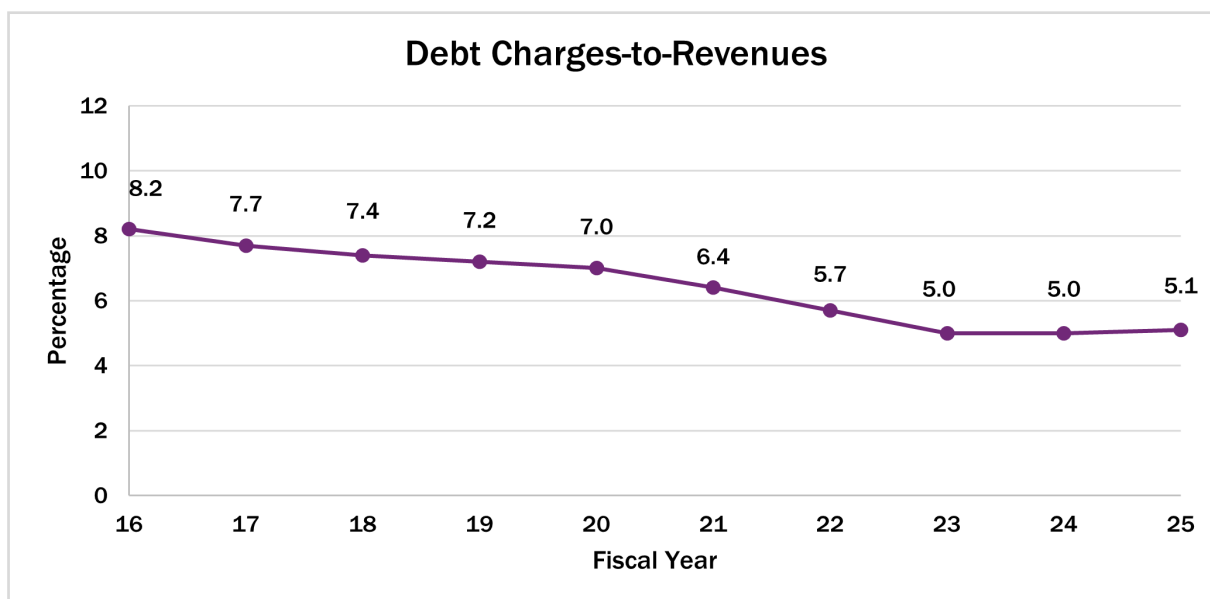
## DEBT CHARGES-TO-REVENUES

**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 2016-2025.

*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 nine years. We have assessed trends as:

- long term – favourable
- short term – neutral

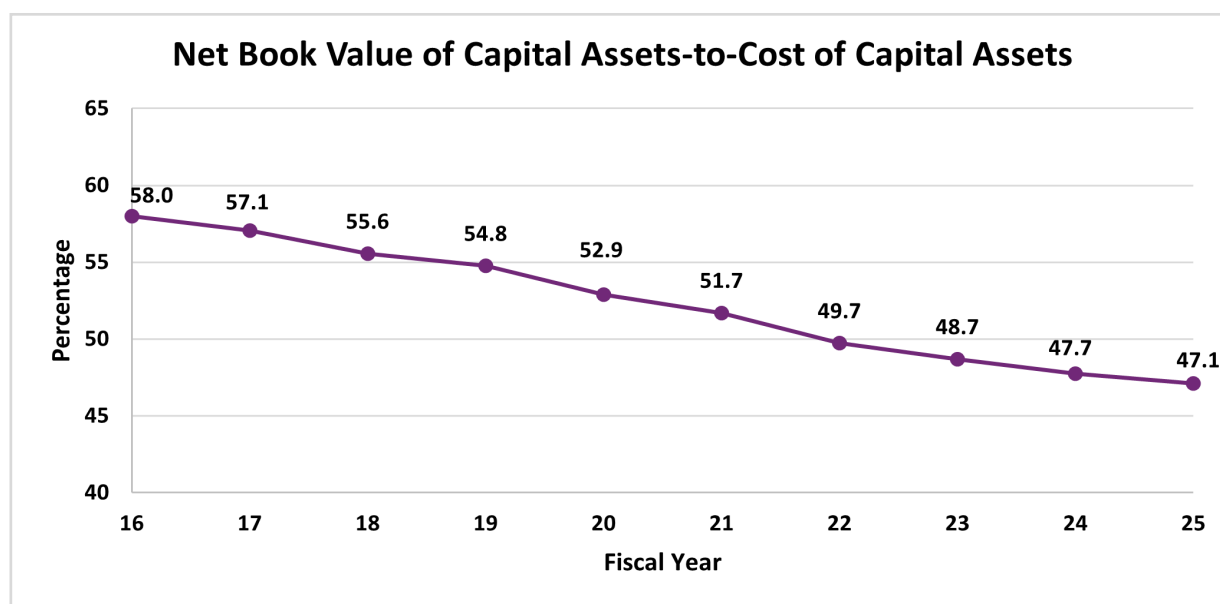
## NET BOOK VALUE OF CAPITAL ASSETS-TO-COST OF CAPITAL ASSETS

**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 2016-2025.

*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 2016. We have assessed trends as:

- long term – unfavourable
- short term – unfavourable

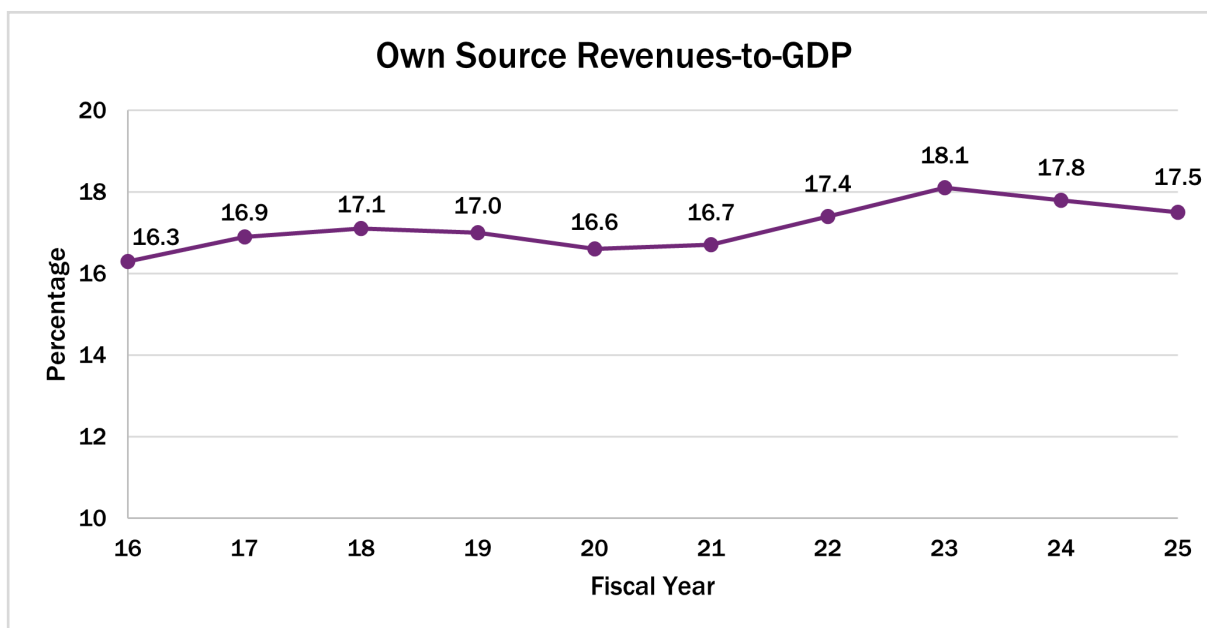
## OWN SOURCE REVENUES-TO-GDP

**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 2016-2025.

*Exhibit 3.12 - Own Source Revenues-to-GDP*



*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 2016, however, the percentage has been decreasing in the short term. We have assessed trends as:

- long term – neutral
- short term – favourable

# Vulnerability Indicators

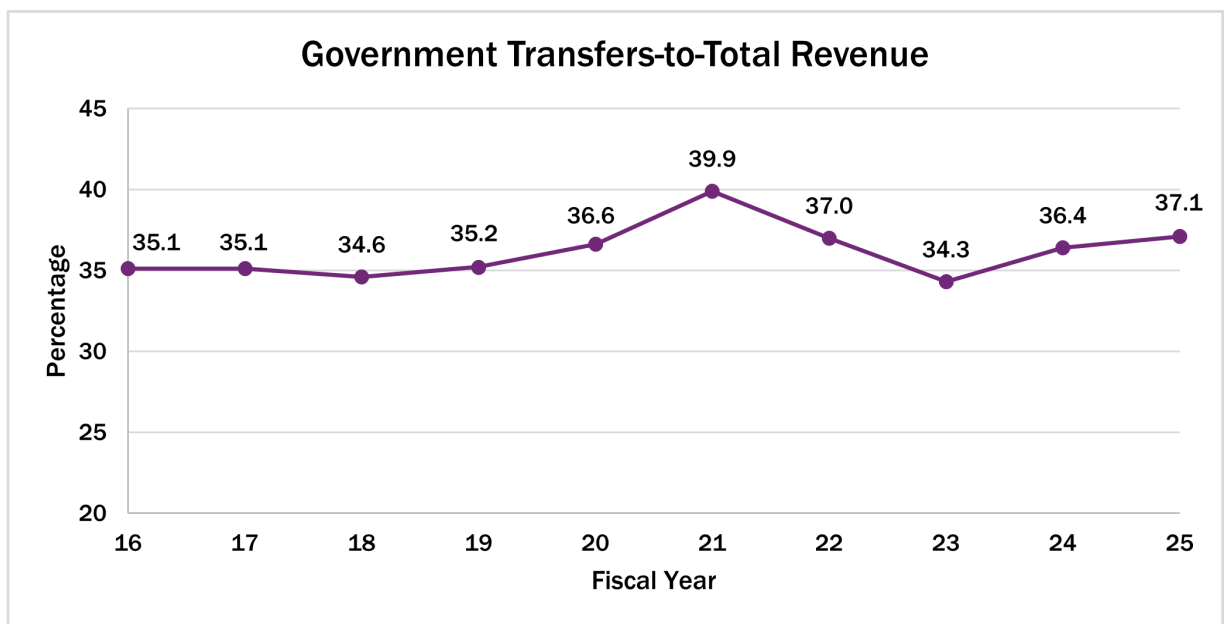
## GOVERNMENT TRANSFERS-TO-TOTAL REVENUE

**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 2016-2025.

*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 since 2016, however, the percentage has been increasing in the short term. 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 – unfavourable

## **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



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

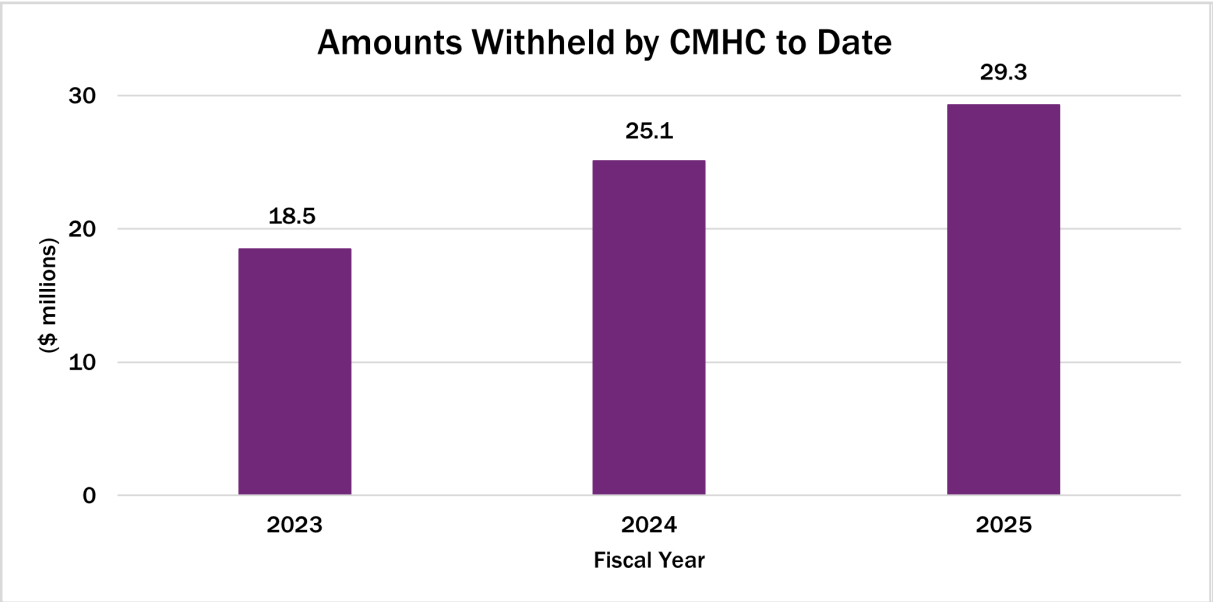
- 4.15** The Department of Justice and Public Safety (JPS) has approximately \$111 million of uncollected disaster financial assistance receivables from the Federal government. Some of these receivables are from disaster events as far back as 2014.

- 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*

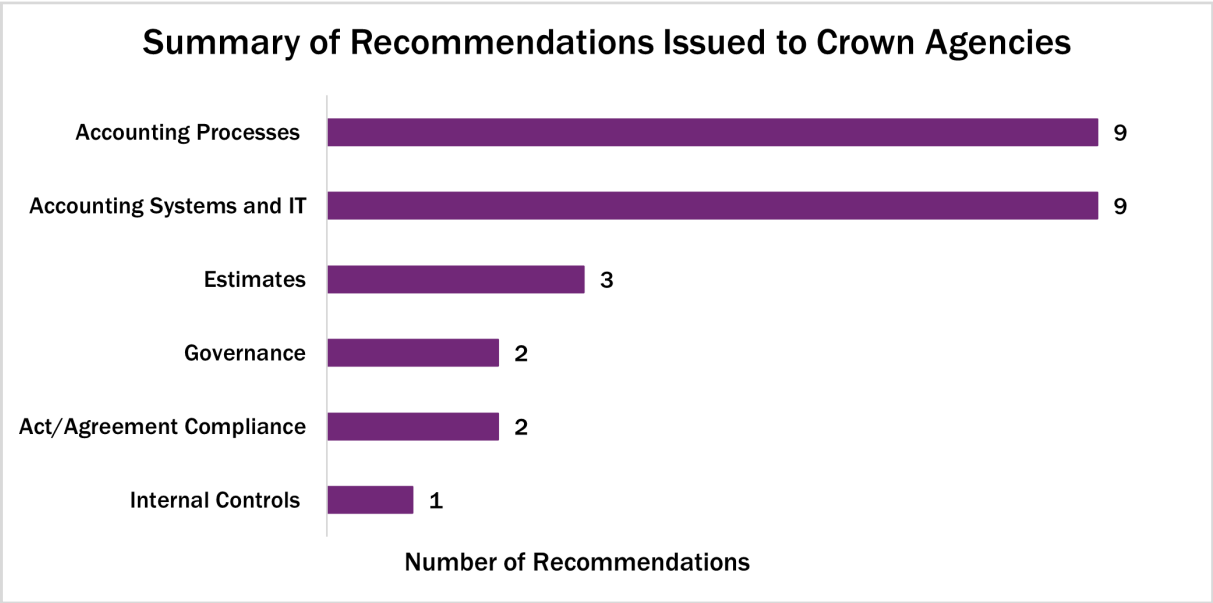
Crown Agency
<b>March 31, 2025 Year End Audits</b>
Opportunities New Brunswick
Service New Brunswick
New Brunswick Legal Aid Services Commission
<b>December 31, 2024 Year End Audits</b>
New Brunswick Municipal Finance Corporation
<b>March 31, 2024 Year End Audits</b>
Cannabis Management Corporation
New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