



Auditor general lists New Brunswick financial concerns following province's bond rating trend downgrade

June 12, 2018

FREDERICTON (GNB) – Following the province's recent bond rating trend downgrade by bond rating agencies, Auditor General Kim MacPherson remains deeply troubled about New Brunswick's continuing fiscal decline. Her report released today highlights a number of important fiscal concerns.

Continuing provincial deficits and increasing net debt

“Over the past ten years net debt has increased almost seven billion dollars,” MacPherson said. “As I have reported repeatedly, this net debt growth is not sustainable.”

The auditor general cautioned that New Brunswick's ability to reduce the net debt will be more challenging than other provinces given New Brunswick's declining population, high unemployment rates and slow economic growth.

In fact, MacPherson said, the \$700 million interest cost in 2017 is more than the spending budget for the Department of Transportation and Infrastructure.

“I am concerned that future generations will need to pay for this excessive spending and that the province has no immediate plan to address the continuing fiscal decline. If this continues, eventually the government will not be able to provide the same level of programs and services such as health care, education, and roads,” she said.

Governments spending before obtaining legislative approval

Included in her review of government spending, MacPherson found in five of the last ten years, governments overspent their budgets prior to obtaining approval from the legislative assembly. In her view, this goes against the spirit of the Financial Administration Act. The government disagreed with this view. MacPherson recommended that Treasury Board amend the act to align with current accounting practices.

“I have made two recommendations to Treasury Board to resolve this practice by current and past governments,” she said.

Government not effectively managing all its long-term P3 contracts

MacPherson also found that cabinet allowed a P3 school buy-out option to expire even though it was the least cost option among those presented. She was informed cabinet did not receive timely information to make such a significant decision ranging in the tens of millions of dollars. MacPherson noted cabinet received the information a month before the option expiry date.

Releasing the province's audited financial statements before next election

MacPherson also urged for the timely release of the province's audited financial statements in advance of the upcoming September 2018 election.

“In my view, the audited results are important to allow New Brunswickers to judge how the government has managed public money and resources,” MacPherson said.

MacPherson went on to note her office and the Comptroller will make every effort to make this happen. However, it is the Minister of Finance that determines timing of the release of the audited financial statements.

The chapter on Auditor General Concerns: New Brunswick's Fiscal Decline Continues can be found in Volume I of the 2018 Auditor General Report. This volume and the one-page summary of this chapter are available online.

12-06-18

MEDIA CONTACT:

Kevin Maillet, communications, Auditor General of New Brunswick, 506-453-3048.