

# Chapter 16

## Crown Agencies Audited by Others

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# Crown Agencies Audited by Others

## Background

**16.1** We do not audit the financial statements of the Crown Corporations, Boards, Commissions and other Agencies listed below.

**16.2** Agencies included in the Public Accounts:

- Board of Commissioners of Public Utilities
- Forest Protection Limited
- New Brunswick Geographic Information Corporation
- New Brunswick Investment Management Corporation
- New Brunswick Liquor Corporation
- New Brunswick Museum
- New Brunswick Power Corporation
- Strait Crossing Finance Inc.
- Workplace Health, Safety and Compensation Commission of New Brunswick

**16.3** Other Agencies:

- Atlantic Lottery Corporation Inc.
- Provincial hospital corporations.

**16.4** The Auditor General Act requires the auditors of these agencies to submit the agencies' audited financial statements to our Office annually. The auditors must also provide copies of any reports and recommendations arising out of their audits.

## Scope

**16.5** We review the financial statements and other documents as they are received. We also visit the auditors periodically to review their working papers. We do this to determine whether we can continue to rely on their work in carrying out our audit of the financial statements of the Province. During the year we reviewed the 1998 working papers of the auditors of New Brunswick Power Corporation and the 1997 working papers of the auditors of three hospital corporations.

## New Brunswick Power Corporation

**16.6** We were generally satisfied with the work done by the auditors of the Corporation for the year ended 31 March 1998. However, we did not agree with the auditors' conclusion on the deferred asset of \$450 million relating to the Point Lepreau nuclear generating station. This matter is discussed in chapter 2 of our Report where we explain our reservations on the Province's financial statements.

**16.7** The auditors issued a management letter to the Corporation at the conclusion of their audit. The auditors noted that a large number of issues raised in the previous year had been resolved to their satisfaction. However, they again stressed the importance of the security of core business systems and the need for the completion of a disaster recovery plan for critical operations.

**16.8** A number of new matters were raised by the auditors in their 1998 management letter. One related to financial risk management in the Corporation. The auditors encouraged the Corporation to continue its current review of existing financial risk management strategies. This review should take into account the use of any new financial products, anticipated activity in transactions in foreign currencies and expectations around energy costs and debt management. The Corporation indicated that they had engaged consultants in this regard, and had created a new Financial Planning and Treasury department.

**16.9** A second matter concerned the outcome of the discussion paper "Electricity in New Brunswick Beyond Year 2000". The auditors recommended the Corporation develop a decision support system to ensure it has sufficient time to review and react to issues such as the carrying value of assets, which may be affected by fundamental changes in the electric utility industry in New Brunswick. The Corporation undertook to review the carrying value of their plant assets "when there is sufficient information about the future operating and regulatory environment to make such a review meaningful."

## **Workplace Health, Safety and Compensation Commission of New Brunswick**

**16.10** The auditors issued a management letter to the commission at the conclusion of their audit for the year ended 31 December 1997. A number of their recommendations dealt with computer controls in areas such as security standards, software change procedures, Year 2000 readiness and disaster recovery planning. Management agreed with the recommendations and noted the actions that had been taken or will be taken to address the issues raised.

## **Hospital Corporations**

**16.11** We have received copies of management letters issued to hospital corporations by five of the eight auditors. These letters arose out of their audits of the financial statements for the year ended 31 March 1998. The letters dealt with weaknesses in internal controls and included recommendations to improve accounting procedures. One auditor also raised concern regarding the hospital corporation's working capital deficiency. The auditor pointed out that "cash and investment reserves have been exhausted and it is unlikely that the existing bank line of credit will prove adequate in the long term to enable the Corporation to discharge its liabilities as they come due." We comment on the financial position of hospital corporations in chapter 2 of this Report.

**16.12** We were satisfied with the work done by the auditors of the three hospital corporations whose 1997 audit files we reviewed.