

# Chapter 13

## Crown Agencies Audited by Others

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# Crown Agencies Audited by Others

## Background

**13.1** We do not audit the financial statements of all the Crown Corporations, Boards, Commissions and other Agencies included as part of the provincial reporting entity. Following is a list of the agencies audited by other auditors.

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

- Board of Commissioners of Public Utilities
- Forest Protection Limited
- Kingsbrae Horticultural Garden Inc.
- New Brunswick Investment Management Corporation
- New Brunswick Liquor Corporation
- New Brunswick Museum
- New Brunswick Power Corporation
- Service New Brunswick
- Strait Crossing Finance Inc.
- Workplace Health, Safety and Compensation Commission of New Brunswick
- The eight regional hospital corporations

**13.3** Other Agencies:

- Atlantic Lottery Corporation Inc.

## Scope

**13.4** 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.

## New Brunswick Power Corporation

**13.5** During the year, we reviewed the working papers of the auditors of New Brunswick Power Corporation. We were satisfied with the work done by the auditors of the Corporation for the year ended 31 March 2001.

**13.6** The auditors issued a management letter to the Corporation at the conclusion of their audit. Their letter addressed a number of unresolved matters arising from prior years' letters, as well as issues arising from the 2001 audit.

**13.7** One of the unresolved issues from prior years was a recommendation that management undertake a review of certain existing liabilities. The liabilities relate to the costs of disposing of irradiated nuclear fuel and decommissioning Point Lepreau Generating Station. The costs were previously being accumulated on the basis of the Point Lepreau Generating Station operating until 2014, but this date was changed to 2008.

**13.8** Management had indicated that cost studies in these two areas would be updated in 1999. These were not completed as anticipated. In 2001 the Corporation decided not to make any changes to its accounting for these future costs until a decision is made concerning the refurbishment of the Point Lepreau Generating Station.

**13.9** The Corporation added the following note to its 2001 financial statements in order to explain the current situation:

*As indicated in note 1(i), the Corporation annually charges income with amounts calculated to be adequate, when accumulated with interest, to cover the total costs of permanently disposing of irradiated nuclear fuel and for decommissioning the nuclear generating station to return the site to a state of unrestricted use. Because of the various assumptions and estimates inherent in the calculations, the Corporation periodically reviews these estimates and adjusts them on a prospective basis if necessary.*

*During the year the Corporation completed reviews of its estimates for the costs of permanently disposing of irradiated nuclear fuel and decommissioning the nuclear generating station. The reviews considered the impacts on the estimates of changes in costs, interest rates and inflation rates.*

*The annual charges for irradiated nuclear fuel disposal and decommissioning costs are further impacted by the timing of the end of the generating station service life and the consequent timing of decommissioning. The current year reviews did not consider any changes in these factors beyond the last reviews completed in 1996.*

*The reviews done in 1996 reflected a generating station service life of 2014. However, in the year ended March 31, 1999, the service life of the Point Lepreau generating station, for amortization purposes, was changed to 2008.*

*Currently the Corporation is investigating the feasibility of refurbishing the nuclear generating station to extend its service life beyond 2008. In early 2002, the Corporation's Board of Directors will make a decision on whether or not to refurbish the station which will impact the estimates for irradiated fuel*

*management and decommissioning costs, and amortization. If a decision is made to refurbish the nuclear generating station and extend its service life, the annual charges for irradiated fuel management and decommissioning will increase from their current level by \$3 million and the annual charge for amortization will decrease by \$23 million. If a decision is made not to refurbish the plant, the annual charges for irradiated fuel management and decommissioning will increase by \$13 million and the annual charge for amortization will remain unchanged from current levels.*

*In view of the uncertainty relating to the decision on refurbishment that will determine the estimated service life for the nuclear generating station, the Corporation's financial statements continue to reflect the 1996 reviews for purposes of calculating the annual charge for irradiated fuel management and decommissioning. Accordingly, when the refurbishment decision is made in 2002, it is reasonably possible that the annual charges to income for irradiated fuel management and decommissioning of the nuclear generating station and its amortization will differ, and could differ materially, from the estimated amounts provided in these financial statements.*

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

**13.10** During the year, we reviewed the working papers of the auditors of the Workplace Health, Safety and Compensation Commission of New Brunswick. We were satisfied with the work done by the auditors of the Commission for the year ended 31 December 2000.

**13.11** The auditors issued a management letter to the Commission at the conclusion of their audit. Many of the auditors' observations related to computer controls, reflecting the extent of computer information processing in the organization. They dealt with user IDs, audit logs and password policies. Management of the Commission agreed with the recommendations and noted the actions that have been taken or will be taken to address the issues raised.

## **Regional hospital corporations**

**13.12** Auditors of four of the eight regional hospital corporations provided our Office with management letters issued following the completion of their audits of the financial statements for the year ended 31 March 2001. Two auditors indicated that no issues arose warranting such letters. In general, auditors continue to report good co-operation from the hospital corporations in implementing recommended changes.