

Chapter 1

Introductory Comments by the Auditor General

Contents

Audit requested by the Legislative Assembly	3
Acknowledgements.....	5

Introductory Comments by the Auditor General

Audit requested by the Legislative Assembly

1.1 I have the honour of presenting my report entitled, “Financial Assistance to Atcon Holdings Inc. and Industry”. This report was prepared in response to the June 2013 unanimous motion of the Legislative Assembly requesting we complete an audit of this area.

Focus of the Audit

1.2 The Province’s past relationship with the Atcon group of companies was complex and spanned multiple government mandates. The focus of our audit was on events surrounding government’s decision making process in granting financial assistance to Atcon for the period from 2008 to 2010, as well as how to improve the performance of the Department of Economic Development.

Government decisions caused the taxpayer loss

1.3 The provision of loan guarantees to Atcon, and the subsequent loss incurred by New Brunswick taxpayers, occurred because the government of the day chose to disregard the expert advice of its senior civil servants. Despite numerous recommendations to reject Atcon’s request for assistance, the government provided loan guarantees to the Atcon Group, and then compounded the Province’s risk of loss by giving up its first security position on Atcon’s assets in favour of Atcon’s bank. Following Atcon’s bankruptcy in April 2010, the Province was left with close to \$70 million in unrecovered funds.

AG respects government’s challenges however, unable to conclude decisions were reasonable in the circumstances

1.4 I have utmost respect for Cabinet’s responsibility for making tough decisions in difficult economic times, including balancing competing priorities such as the maintenance of jobs at taxpayers’ expense with proper stewardship of public resources. However, nothing we saw during our examination would support a conclusion that the

decisions taken by government on this file were reasonable in the circumstances. Although we did have access to Cabinet documents, we are unable to provide government's rationale for their decisions. Such rationale was not documented.

Similar situation could happen again

- 1.5** The substantial financial loss to taxpayers in our opinion was totally unnecessary. Unless government sees fit to make changes to the way in which financial assistance to industry is approved at the Cabinet level, I believe a similar situation could happen again. At present, the only impediment for current and future governments is that they will ultimately be held accountable by the electorate for their decision-making.

Challenges in carrying out audit

- 1.6** The passage of time, as well as numerous changes among senior officials in the Department of Economic Development, presented some challenges. However, we were generally pleased with the cooperation provided by both past and current Department management and staff in providing the information we needed to complete our work.

Access to Cabinet documents is not typical but stemmed from 2013 Report of Conflict of Interest Commissioner Report

- 1.7** My office had full access to all evidence from the 2013 Inquiry conducted by the Conflict of Interest Commissioner. It should be noted the frequent and detailed account of cabinet documents and cabinet events contained in this report is not typical of AG reports nor will it be in the future. Such documents are considered to contain "cabinet privileged information" and are not usually cited as a specific source of audit evidence in our reports.

Questions may remain

- 1.8** It should also be noted the focus of our work was in response to the request of the Legislative Assembly. It may not answer all remaining questions the public may have regarding government's involvement with the Atcon Group of Companies, such as the ultimate loss or recovery to the Province given that legal matters are still ongoing.

AG prepared to pursue matter further if required

- 1.9** We did not do a forensic audit, we did not carry out an inquiry, nor did we put anyone under oath during our audit process. Such an extensive exercise, if undertaken by my office, would require additional funding and expertise beyond existing resources. However, I am prepared to pursue future direction on this matter if required by the Legislative Assembly.

Acknowledgements

- 1.10** My staff worked very hard in carrying out the work contained in this Report. This Report is a reflection of their commitment, professionalism and diligence. I would like to express my appreciation for their contribution and continuing dedication to fulfilling the mandate of the Auditor General of New Brunswick.



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