

Chapter 1

Financial Audit - Key Messages from the Auditor General

Contents

Chapter Summary.....	3
Introduction.....	5
Acknowledgements.....	8
Key Findings and Observations.....	9
Recommendations and Responses.....	11



Financial Audit Volume

Report of the Auditor General – Volume III 2022

What We Found

2022 Surplus

- 2022 annual surplus was \$777 million, \$1 billion better than budgeted and the fifth consecutive annual surplus
- Revenues increased by \$1 billion from 2021, mostly due to increases in provincial tax revenues, \$646 million of which relates to HST and personal and corporate incomes taxes
- Tax revenues for HST and personal and corporate incomes taxes are subject to a significant amount of uncertainty and may not be indicative of future results
- Expenses increased by \$704 million from 2021, \$600 million of which relates to increases in Health, Education and Training, and Social Development

Net Debt

- Net Debt significantly decreased by \$1.1 billion to \$12.4 billion, the third consecutive annual decrease which was largely caused by the surplus
- Net Debt consists mostly of \$9.1 billion of tangible capital assets such as highways and hospitals and \$3.0 billion of accumulated previous deficits
- Net Debt-to-GDP ratio decreased 5.9% to 29.9%, the lowest the ratio has been over the past ten years
- Net Debt per capita saw a large reduction and decreased to \$15,700 per New Brunswicker
- Government's Net Debt reduction targets have been mostly met over the past five years

State of the Province's Financial Condition

- Overall, the Province's financial condition has significantly improved from 2021
- Decrease in Net Debt and increases in GDP and provincial source revenues resulted in improvements in financial trends

Results of our Audit of the Province of New Brunswick

- The Province started implementing a new system, Oracle Fusion, to replace certain out of date systems - a significant audit area which required a substantial amount of audit time
- Recommendations made regarding Fusion to address weaknesses in internal control and improve existing processes
- We remain concerned about NB Power's ability to self-sustain its operations
- Auditor General access to Vestcor remains unresolved

Results of our Audit of Crown Agencies

- We found some Service New Brunswick payments made in duplicate or not properly authorized, which can lead to increased risk of fraud
- Opportunities New Brunswick (ONB) needs to improve its process for estimating loan provisions to reflect current repayment information
- Weaknesses were also noted in ONB's payment processes

Financial Audit - Key Messages from the Auditor General

Introduction

- 1.1** This Volume of the Report deals with matters arising from the Office’s financial audits of:
- the Province of New Brunswick for the year ended March 31, 2022; and
 - Crown agencies since our last report in February 2022.
- 1.2** I was appointed Auditor General effective January 1, 2022. Since I was responsible for the overall accounting of the Province for nine months of the March 31, 2022 fiscal year under audit, professional audit standards prevented me from participating in, or influencing the outcome of, these audits. Instead, the Deputy Auditor General, Janice Leahy, has overseen this work.
- 1.3** Except for this introductory chapter, I have not drafted or edited the chapters, or made any comments on the material. I acknowledge, however, as Auditor General, I am responsible to present this Report to the Legislative Assembly and, as Auditor General, I stand behind and fully support its contents.

Unqualified (clean) audit opinion issued on September 22, 2022

- 1.4** On September 22, 2022, the Office completed the Province’s public accounts audit and issued an unqualified audit opinion on the Province’s 2022 consolidated financial statements. An unqualified opinion, also referred to as a “clean audit opinion”, indicates the Province’s consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

Significant signs of fiscal progress for year-ended March 31, 2022

- 1.5** As discussed in Chapter 2, the Office is encouraged by the significant signs of fiscal progress for the year ended March 31, 2022 as the Province:
- recorded an annual surplus of \$777.3 million (the fifth consecutive surplus);
 - performed better than budget by \$1.0 billion;
 - decreased Net Debt by \$1.1 billion (the third consecutive decrease and the largest decrease in the last ten years); and
 - exceeded its Net Debt reduction target by \$1.3 billion.

- Fiscal progress this year was largely driven by fluctuations in tax revenues***
- 1.6** These results indicate the Province’s fiscal situation continues to improve; however, a note of caution is required as the annual surplus this year was largely driven by fluctuations (increases) in Harmonized Sales Tax, Personal Income Tax and Corporate Income Tax revenues, which may not recur in the future.
- 1.7** In Chapter 3 we further discuss the state of New Brunswick’s financial condition. Overall, we note sustainability trends have remained mostly favourable in the short term and have improved to mixed from unfavourable in the long-term. This year, we have assessed vulnerability indicators as mixed in both the short-term and long term. Flexibility indicators, however, are assessed as unfavourable in both the short and long term.
- 1.8** In our view, for the Province to continue to improve its fiscal situation independently, over the long term, it will need to continue to find ways to manage spending, consider revenue increases, or a combination of both in the future.
- \$18.4 billion in Funded Debt outstanding***
- 1.9** Despite significant fiscal progress, we are still concerned with the amount of Funded Debt outstanding, which remained at a record high of \$18.4 billion in 2022. This is the long-term debt the Province is legally bound to pay in the future. The annual cost of servicing this debt, mostly consisting of interest costs, was \$635 million in 2022. This debt figure does not include \$4.6 billion in NB Power borrowing, as well as just under \$1 billion in New Brunswick Municipal Finance Corporation borrowing relating to the financing needs of New Brunswick municipalities.
- New enterprise resource planning system was a significant area of the audit of public accounts***
- 1.10** In Chapter 4, we discuss the results of our audit of the Province’s financial statements. This year, the Province started using Oracle Fusion (Fusion) enterprise resource planning system to replace its outdated IT systems which are at risk of failure. Fusion was a significant area to audit for our public accounts work this year and required an extensive amount of audit time for our Office.

Implementing our recommendations is important to address risks related to Fusion

- 1.11** As part of our work over Fusion, we made recommendations to address weaknesses in internal control and to improve existing processes. In our view, given Fusion is still early in its life cycle, implementing our recommendations early is important to reduce risk as the Province continues to implement Fusion.
- 1.12** Chapter 4 further discusses our audit testing and findings regarding Fusion. It also provides an update on the progress and expected timeline to continue implementing this system.

NB Power's ability to self-sustain its operations requires ongoing review

- 1.13** NB Power is another important area for our public accounts audit which we have reported on for a number of years. We remain concerned NB Power may not be able to self-sustain its operations over the long term. Items such as capital investments, debt load, environmental challenges and legislative changes impact the ongoing analysis of NB Power's ability to self-sustain its operations. We will continue to monitor this situation closely for our public accounts audit.

Auditor General access to Vestcor remains unresolved

- 1.14** Another concern for the Office is our ongoing audit access to Vestcor. This year's public accounts audit did not have the same audit risks regarding investment market changes (volatility) as in our 2020 audit. Although we did not require access to Vestcor this year to complete our work, the underlying issue of access to Vestcor remains unresolved. We were pleased though to note some transparency improvements regarding Vestcor's activities. However, if extreme market volatility similar to March 2020 were to recur in the future around year-end, the issue regarding access to Vestcor would again be critical to our audit.

Pervasiveness of accounting errors this year is concerning

- 1.15** Each year as part of our work, we usually find accounting and year-end account reconciliation errors. This year, however, the number of errors we noted is concerning. We found errors were not as isolated as in previous years and this year, they were much more pervasive and appeared across multiple departments and Crown agencies during our work.
- 1.16** As a result of the pervasiveness of these errors, we made recommendations to the Office of the Comptroller along with government departments and Crown agencies. Many of our findings show the need to

provide additional support, training and review of key accounting processes. Chapter 4 discusses the concerns we noted as part of our public accounts audit and Chapter 5 discusses our findings in our Crown agency audits of Service New Brunswick, Opportunities New Brunswick, Provincial Holdings Ltd. and the New Brunswick Legal Aid Services Commission.

Improvements still needed at SNB to validate property assessment data

1.17 For the past three years, we have reported the results of our public accounts audit relating to SNB's work on property assessments. Overall, while progress has been made, further improvements are needed in the area of validating assessment data. These findings and recommendations relating to property assessment are presented in Chapter 4.

1.18 Key information presented in this book is summarized in Exhibit 1.1 (key findings and observations) and Exhibit 1.2 (recommendations and responses).

Acknowledgements

1.19 We are grateful for the continuing cooperation we receive from government departments and Crown agencies during our financial audit work.

1.20 I want to thank all the Office's staff for their commitment and dedication to fulfilling the mandate of the Office of the Auditor General of New Brunswick. This report reflects their hard work and professionalism.



Paul Martin, FCPA, FCA
Auditor General



Janice Leahy, CPA, CA, CIA
Deputy Auditor General

Exhibit 1.1 - Key Findings and Observations Table

Paragraph	Key Findings and Observations by Chapter
Chapter 2	Annual Surplus, Net Debt and Funded Debt
2.1	<i>Province recorded an annual surplus of \$777 million – its fifth consecutive surplus</i>
2.3	<i>Increased surplus is mostly due to increased revenue</i>
2.5	<i>Harmonized Sales Tax (HST), Personal Income Tax (PIT), and Corporate Income Tax (CIT) account for 60% of provincial source revenue</i>
2.6, 2.11	<i>HST, PIT and CIT estimates are subject to a significant amount of uncertainty and impact of estimate uncertainty was evident in 2022</i>
2.12, 2.13	<i>HST, PIT and CIT revenues were \$662 million greater than budgeted in 2022 and were \$646 million greater than in 2021</i>
2.14	<i>Current year revenues may not be indicative of future results</i>
2.16	<i>\$1.1 billion decrease in Net Debt mostly caused by surplus</i>
2.20	<i>Net Debt is made up of mostly tangible capital assets and past deficits</i>
2.22	<i>Net Debt is \$1.4 billion higher than it was 10 years ago</i>
2.32, 2.37	<i>New Brunswick's Net Debt as a percentage of GDP and Net Debt per Capita are favourable among comparable provinces</i>
2.40	<i>Net Debt reduction targets have been mostly met for the past five years</i>
2.45	<i>Funded Debt remains at a historic high of over \$18 billion</i>
2.49	<i>\$4.6 billion of debt is due to be repaid over the next four years</i>
2.52	<i>Debt servicing costs were \$635 million during the year</i>
2.54	<i>Approximately \$24 billion in debt between the Province's Funded Debt, NB Power debt and NBMFC debt</i>
Chapter 3	State of New Brunswick's Financial Condition
3.1	<i>The Province's financial condition has improved from 2021</i>
Exhibit 3.4	<i>One short-term and four long-term trends improved while one short-term trend deteriorated</i>
Chapter 4	Results of our Audit of the Province of New Brunswick's Financial Statements
4.1	<i>Deputy Auditor General signed an unqualified (clean) audit opinion on the Province's consolidated financial statements for the year-ended March 31, 2022</i>

Paragraph	Key Findings and Observations by Chapter
4.8	<i>We have ongoing concerns regarding NB Power’s ability to self-sustain operations</i>
4.10, 4.11	<i>Accounting method for NB Power will change if it can no longer self-sustain its operations - Province’s financial results could change significantly as a result</i>
4.17, 4.24	<i>Auditor General access to Vestcor remains unresolved, however some transparency improvements were noted</i>
4.29, 4.33, 4.37	<i>Recommendations made to the Office of the Comptroller to update policies to support and authorize billions of dollars in payments, to work with departments to address accounting errors and to amend the Financial Administration Act</i>
4.46, 4.48	<i>Recommendations made to the Department of Health related to oversight of agreements with third parties who manage critical inventory and errors in year-end accounting processes</i>
4.54	<i>Errors found in property tax accounting related to recent government decisions</i>
4.58	<i>Department of Justice and Public Safety has \$110 million of uncollected Disaster Financial Assistance Receivables</i>
4.65, 4.66	<i>Some property assessment processes have improved, however we are still concerned with delays in validating property assessment data</i>
4.67	<i>Approximately 61,000 properties with Fast Track property assessment data are still not fully validated</i>
4.69	<i>Approximately 200,000 properties have not been visually re-inspected in more than ten years</i>
4.73, 4.74	<i>Oracle Fusion is a new enterprise resource planning system and was a significant risk for our audit this year</i>
4.78, 4.79	<i>Recommendations made to address internal control weaknesses in Fusion and to improve existing processes</i>
4.84	<i>No date for when Oracle Fusion implementation will be complete</i>
4.86	<i>We found IT weaknesses in four of our computer system audits and we are concerned with the nature, number and severity of the weaknesses</i>
Chapter 5	Results of Crown Agency Financial Statement Audits
5.1	<i>Unqualified audit opinions issued to all crown agencies we audited</i>
5.7	<i>Two recommendations made to Service New Brunswick to address risk of fraud when processing payments</i>
5.22, 5.26	<i>Recommendations made again this year to Opportunities New Brunswick to improve estimates of loan provisions and to address weaknesses when processing payments</i>
5.32	<i>Recommendations made to Provincial Holdings Ltd. to improve accounting estimates</i>
5.39	<i>Recommendation made to New Brunswick Legal Aid Services Commission to improve review of accounting and payroll processes</i>

Exhibit 1.2 – Recommendations and Responses

Recommendation	Department's response	Target date for implementation
<p>4.15 We recommend the Office of the Comptroller continue to update and improve its accounting analysis for NB Power to include items such as:</p> <ul style="list-style-type: none"> • NB Power's forecasts of net earnings; • estimated costs related to refurbishing the Mactaquac dam; • the target date to meet the 80/20 debt-to-equity ratio required by the <i>Electricity Act</i>; and • the impact of changes to the <i>Electricity Act</i>. 	<p><i>The Office of the Comptroller will update the accounting analysis for NB Power's classification as a Government Business Enterprise, as it has for the past five fiscal years. The analysis will continue to consider the characteristics of a Government Business Enterprise definition, as per Public Sector Accounting Standards PS1300 – Government Reporting Entity.</i></p>	<p><i>Spring 2023</i></p>
<p>4.23 We again recommend the Office of the Comptroller work with Vestcor to allow the Auditor General unrestricted access to pension plan information including access to Vestcor Investment Entities.</p>	<p><i>Through legislation, Vestcor is not an agent of the Crown and was established to operate independently of government. The Office of the Comptroller understands that there is no plan to change legislation to allow the Auditor General unrestricted access to Vestcor.</i></p>	<p><i>Not applicable</i></p>

Recommendation	Department’s response	Target date for implementation
<p>4.26 We recommend the Office of the Comptroller review Vestcor’s planned SOC 1 Type 2 report on controls covering the period of January 1, 2022 to December 31, 2022 before the 2022-2023 public accounts audit.</p> <p>4.27 We also recommend the Office of the Comptroller follow up on any exceptions or irregularities noted in the report, especially any found to relate to entities within the government reporting entity.</p>	<p><i>The Office of the Comptroller, in conjunction with its regular work completed in relation to service organizations, will review the SOC 1 Type 2 report provided by Vestcor.</i></p>	<p><i>Spring 2023</i></p>
<p>4.31 We recommend the Office of the Comptroller (in conjunction with the Department of Finance and Treasury Board) review, and update as necessary, Administration Manual Policies AD-6402 – Approval of Payments and AD-6405 – Purchase Card to reflect current processes and technology.</p> <p>4.32 We recommend the Office of the Comptroller educate departments on what is required under these updated policies, especially with regards to external payment systems.</p>	<p><i>These policies have been reviewed and updated to reflect processes occurring in the new ERP solution, Oracle Fusion. The policies, which have been shared with departments in draft form, will be added to the Administration Manual once they have received final approval.</i></p> <p><i>Training has been provided to Oracle Fusion users as part of the project implementation. The government intranet contains an Enterprise Resource Planning site which provides user guides, job aids and training videos explaining procedures and processes to be followed in the new Oracle Fusion systems, including those related to payments.</i></p>	<p><i>Spring 2023</i></p> <p><i>Ongoing</i></p>

Recommendation	Department's response	Target date for implementation
<p>4.36 We recommend the Office of the Comptroller, in conjunction with government departments, ensure transactions are properly accounted for and year-end account reconciliations are properly prepared.</p>	<p><i>The Office of the Comptroller recognizes there are areas for improvement in the preparation of account reconciliations and in accounting for unusual transactions. As noted by the Office of the Auditor General, while there were some issues with accounting for particular transactions this year, they did not result in material misstatements to the consolidated financial statements.</i></p> <p><i>The Office of the Comptroller will continue to work with departments, providing additional guidance and/or training where relevant and appropriate, with a focus toward continuous improvement.</i></p>	<p><i>Ongoing</i></p>
<p>4.39 We again recommend the Office of the Comptroller take the lead to amend the <i>Financial Administration Act</i> and develop a timeline to complete this work in 2023.</p>	<p><i>The Office of the Comptroller has assembled a project team with the objective of updating the Financial Administration Act.</i></p>	<p><i>Spring 2023</i></p>

Recommendation	Department's response	Target date for implementation
<p>4.47 We recommend the Department of Health review its agreement with the third party to ensure it complies with the terms of the agreement, especially with regards to reporting COVID-19 related inventory.</p>	<p><i>Year-end Cycle Counts:</i></p> <p><i>Consistent with the terms of the agreement between the third party and DH, year-end cycle counts for each warehouse will be performed by the third party in the two warehouses as follows:</i></p> <p><i>Warehouse 1 – completed and reported as of March 31st.</i></p> <p><i>Warehouse 2 – initially completed and reported as of February 28th, with subsequent and final reconciliation to be completed and reported as of March 31st by way of tracking and accounting for inventory level adjustments from March 1st to March 31st.</i></p> <p><i>The third party's cycle count process is one month in duration per warehouse.</i></p> <p><i>It should be noted that the third party had confirmed to the DH Health Emergency Management Branch in March 2022 that it would be unable to perform the year-end inventory count for the Warehouse 1 location due to the heavy service demands and impact on its human resources resulting from the COVID-19 pandemic.</i></p> <p><i>POCT (Rapid Test) Kits Storage Location Reporting:</i></p> <p><i>Consistent with the terms of the agreement between the third party and DH, all inventory (including POCT kits) is recorded and tracked in the third party's inventory system, which includes specifying the warehouse location where inventory is physically stored.</i></p>	<p><i>Immediately</i></p>

Recommendation	Department’s response (continued)	Target date for implementation
	<p><i>In terms of POCT kits (rapid tests), except for a portion of the inventory that’s physically transferred to Warehouse 2 each week in order to fill that week’s regular orders to clients, all POCT inventory is currently (since 2021) stored in Warehouse 1.</i></p> <p><i>This physical transfer and “pick” of POCT kits at Warehouse 2 are being done to save on additional labour and freight costs attributed to filling certain client orders for POCT kits and other products stored in Warehouse 2 under one shipment and invoice (as opposed to two separate “picks”, shipments, and invoices from two warehouses for one client order).</i></p> <p><i>The volume of POCT inventory being transferred each week from Warehouse 1 to Warehouse 2 is approximately 10-14 pallets/skids depending on the weekly demands. All POCT kits (including the weekly allotments of POCT kits transferred to Warehouse 2) are recorded as being in Warehouse 1 until they are shipped out to clients. This is necessary to ensure all inventory remains under the “FEFO” standard in the third party’s inventory system, i.e., to change the location in this instance from Warehouse 1 to Warehouse 2 would provoke the inventory system to record the transferred stock as a “new” shipment of stock, which would then undermine the “FEFO” provision by prompting the third party to pick from older stock at Warehouse 1 instead of the transferred inventory at Warehouse 2.</i></p> <p><i>POCT kits are the only inventory items in the stockpile that require a weekly transfer from one warehouse to the other.</i></p>	

Recommendation	Department's response	Target date for implementation
<p>4.50 We recommend the Department of Health train staff on how to perform year-end accounting processes.</p> <p>4.51 We also recommend the Department of Health, as necessary, consult with the Office of the Comptroller when performing year-end accounting processes.</p>	<p><i>Dept of Health Finance has implemented a process to have senior finance staff do a review of all year end processes to ensure that appropriate level of detail is included. We will be retraining staff in account reconciliations and GNB requirements.</i></p> <p><i>We would like to note that there was only 1 account reconciliation that was identified as lacking in the year end process and although the complete listing was provided, it was not presented in a manner that was easy to validate. We do feel that some confusion relates to prior year being in EBS and reconciled to and including consolidation and the current year in FUSION was reconciled to adjust as departments no longer have access to the consolidation ledgers. This issue will not be present in future years.</i></p>	<p><i>Ongoing</i></p> <p><i>Not applicable</i></p>
<p>4.56 We recommend the Department (of Finance and Treasury Board) ensure an additional level of review is in place either internally or externally by Office of the Comptroller when accounting for new or unusual property tax transactions. Evidence of this review should be retained for audit purposes.</p>	<p><i>The Department agrees with this recommendation and will implement a process for having a review done by the Office of the Comptroller when unusual transactions take place to ensure they are being properly accounted for.</i></p>	<p><i>Fiscal 2022-2023</i></p>

Recommendation	Department's response	Target date for implementation
<p>4.61 We again recommend the Department of Justice and Public Safety improve its processes to have timelier cash receipts and receivables collection for disaster financial assistance receivables.</p>	<p><i>The delayed collection of the receivables and requested extensions has allowed GNB to complete all eligible construction projects to mitigate and repair damages from the various active DFA events. Without these extensions, GNB would forego the cost sharing opportunity offered by the federal government for any projects that are completed outside of the standard five year timeline to submit a final claim. The Department will continue to seek advances from the federal government, in an effort to reduce borrowing costs and working capital impacts on the Province.</i></p>	<p><i>Ongoing</i></p>
<p>4.70 We again recommend SNB proceed as quickly as possible to validate the assessment data of properties which were assessed using methodologies from the 2017 Fast Track initiative.</p> <p>4.71 We recommend SNB visually reinspect properties within an appropriate time period, such as the timeline suggested by best practices (every 4 to 6 years) or, at a minimum, the internal timeline set by SNB (every 10 years).</p>	<p><i>SNB recognizes the importance of validating the assessment data of properties that were assessed using the 2017 methodologies. SNB anticipates completing Data Validation this year.</i></p> <p><i>SNB recognizes the importance of re-inspecting properties. A plan to improve the re-inspection cycle has been developed which will be implemented and monitored subject to competing initiatives.</i></p>	<p><i>December 31, 2022</i></p> <p><i>Ongoing</i></p>

Recommendation	Department’s response	Target date for implementation
<p>5.9 We again recommend SNB implement a new accounting and payroll system. If SNB expects an extended timeframe for completing this project, and if it is cost effective, SNB should process transactions in one system reducing the risk of duplicate payments, fraud and staff inefficiencies.</p>	<p><i>The ERP planning project continues to move forward. SNB made the decision in 2015 to wait for this project as it was not cost effective to invest in the three existing systems. SNB has however put various mitigations in place in order to reduce the risk of duplicate payments, fraud and staff inefficiencies. We will continue to improve efforts to identify duplicate transactions in its multiple systems. SNB also wants to address the two observations:</i></p> <ul style="list-style-type: none"> • Duplicate Payments: <i>As mentioned in the observation SNB has been very diligent in identifying and collecting on any duplicate payments made between financial systems. Based on the additional finding we will extend out efforts to test for duplicates within the same system.</i> • Data Transfer Errors: <i>SNB has continued to perform interim reconciliations by account to ensure data integrity between systems, especially with the increased integration of the Fusion ERP. No data transfer errors were identified as part of the audit.</i> 	<p><i>Multi-year ERP Project Dependent</i></p> <p><i>Ongoing quarterly</i></p> <p><i>Ongoing monthly</i></p>
<p>5.12 We recommend SNB train staff on how to prepare and review year-end account reconciliations and how to record transactions near year-end.</p>	<p><i>Management agrees with this recommendation. As more integration is made into the new Fusion Enterprise Resource Planning (ERP) system more training will be provided to key users in all areas including prepaid expenditures and stressing the importance of accounting for transactions in the proper fiscal year.</i></p>	<p><i>March 31, 2023</i></p> <p><i>Ongoing</i></p>

Recommendation	Department's response	Target date for implementation
<p>5.15 We recommend SNB provide support for significant accounting estimates included in the financial statements.</p>	<p><i>Management accepts this recommendation. SNB received an acceptable amount of support from Finance and Treasury Board which was provided to the audit staff during the audit along with numerous conversations describing the process.</i></p>	<p><i>Completed</i></p>
<p>5.18 We recommend SNB review, update and document as necessary:</p> <ul style="list-style-type: none"> • the useful life estimates of its Tangible Capital Assets; and • its policies for Tangible Capital Assets. <p>We recommend this review be performed on a regular basis such as annually and be retained for audit purposes.</p>	<p><i>Management accepts this recommendation and will continue to review the useful life estimates of its tangible capital assets and associated policies. We are dedicated to improving the documentation of these reviews and discussions.</i></p>	<p><i>December 31, 2022</i></p>
<p>5.25 We again recommend ONB review and update its process for estimating loan provisions to ensure loan repayment history is appropriately reflected in the estimate.</p>	<p><i>ONB understands the background and reasoning for the above noted recommendation but would like to emphasize that the Auditor General does not believe the financial statements are misstated.</i></p> <p><i>Over the past several years, ONB has made key changes to its Credit Model and review process at the recommendation of the Auditor General. The above noted recommendation will be discussed by the Financial Assistance Division with recommended changes to be made to be presented to the Board (planned for FY23).</i></p>	<p><i>Fiscal Year 2023</i></p>

Recommendation	Department’s response	Target date for implementation
<p>5.27 We again recommend ONB only pay financial assistance claims when sufficient and appropriate support is provided to show claims are valid and eligible under the terms of the financial assistance agreement.</p> <p>We recommend ONB ensure payments are appropriately reviewed and supported prior to payment.</p>	<p><i>ONB agrees with the recommendation and has implemented several key process changes to mitigate the risk of this happening. Specifically, ONB has implemented a checklist and year-end accrual process to ensure all due diligence and required documentation is complete prior to disbursement.</i></p> <p><i>ONB will continue to implement appropriate preventative controls going forward.</i></p>	<p><i>Ongoing</i></p>
<p>5.29 We recommend ONB prepare a detailed and itemized list of its tangible capital assets.</p>	<p><i>ONB has received a cost listing of all costs supporting the book value of the software. ONB received the software after it was already implemented and in use at PETL and was in year 3 of a 5-year amortization.</i></p> <p><i>For all future costs associated with the software; additions, disposals and write-downs will be incorporated in the continuity schedule.</i></p>	<p><i>Ongoing</i></p>

Recommendation	Department's response	Target date for implementation
<p>5.35 We recommend PHL obtain up-to-date engineering reports to support the estimate for environmental liabilities as soon as possible and, as a minimum, every five years or when conditions indicate an updated report is required.</p>	<p><i>On an annual basis, engineers from the department of Transportation and Infrastructure and the Regional Development Corporation evaluate the work that has been done and review the estimates to complete the outstanding work. The liability is then adjusted accordingly. As the revised estimates are based on professional assessments and tender results, we do not believe that obtaining up-to-date engineering reports would improve the accuracy of these amounts.</i></p>	<p><i>Not applicable</i></p>
<p>5.37 We recommend PHL develop and implement a formal policy for its tangible capital assets.</p> <p>We also recommend this policy be approved, and then regularly reviewed, by the Board of Directors.</p>	<p><i>PHL applies the provincial policy when accounting for and recording its tangible assets. As PHL is in the process of divesting of all its assets, we do not feel developing and implementing a formal policy is necessary at this time.</i></p>	<p><i>Not applicable</i></p>
<p>5.40 We recommend NBLASC develop and implement a procedure to review key accounting and payroll processes.</p> <p>We recommend evidence of this review be retained for audit purposes.</p>	<p><i>Agreed. The recommended actions outlined in the Sept 8/22 Payroll Guarantor Issue memo will be implemented. This will be done under the direction of the new Chief Financial Officer. Notes have been made in our audit folder with regards to the other issues listed above.</i></p>	<p><i>End of November 2022</i></p>