

Chapter 4

Results of our Audit of the Province of New Brunswick's Financial Statements

Contents

Introduction.....	85
NB Power's Ability to Self-Sustain its Operations Remains a Concern	86
Auditor General Access to Vestcor Remains Unresolved	88
Updates Needed to Policies/Legislation and Other Accounting Issues.....	90
Inventory and Accounting Issues – Department of Health.....	93
Property Tax Accounting Issues – Department of Finance and Treasury Board.....	95
Collection of Disaster Financial Assistance Receivable - Department of Justice and Public Safety	96
Improvements are Still Needed in SNB's Property Assessment Processes.....	97
Oracle Fusion System – AGNB Audit Testing and Findings.....	99
IT Computer Systems Audited During the Provincial Financial Statement Audit.....	104
Multiple Weaknesses in IT System.....	105
Province Still has Major Outdated IT Systems	106

Results of our Audit of the Province of New Brunswick's Financial Statements

Introduction

- Deputy Auditor General signed unqualified audit opinion*** **4.1** On September 22, 2022 the Deputy Auditor General signed an unqualified (“clean”) audit opinion on the consolidated financial statements of the Province of New Brunswick for the year ended March 31, 2022. This opinion indicates the Province’s consolidated financial statements are presented fairly in accordance with Public Sector Accounting Standards.
- 4.2** To reach an opinion on the consolidated financial statements, we:
- perform audit work on the major programs and activities in government departments and Crown agencies;
 - audit significant revenue items;
 - audit a sample of expenses; and
 - examine internal controls of significant computer systems.
- Recommendations made to the Office of the Comptroller, government departments and Service New Brunswick*** **4.3** In this Chapter, we present our significant findings and recommendations we made during our audit of the Province’s public accounts. We made recommendations to:
- the Office of the Comptroller;
 - the Department of Health;
 - the Department of Finance and Treasury Board;
 - the Department of Justice and Public Safety; and
 - Service New Brunswick.
- Recommendations made related to IT systems*** **4.4** We also present our findings regarding Oracle Fusion and the Province’s major outdated information technology systems. Oracle Fusion is the new enterprise resource planning system the Province started using this year to replace some of the outdated systems.
- 4.5** In our view, while all of our recommendations were important to report to the Comptroller, government departments and Service New Brunswick, they were

not, however, sufficiently large in monetary or qualitative terms to affect our opinion on the consolidated financial statements.

- 4.6** While we have not noted any significant fraud, the existence of our findings may increase the risk of loss or error in the Province's consolidated financial statements. These findings should be addressed prior to the next audit cycle.
- 4.7** NB Power's ability to self-sustain its operations, the Auditor General's access to Vestcor and certain aspects of the Province's conversion to a new ERP system were among the most significant areas of concern we found in our audit. These items as well as others were included in a presentation we made to the Province's audit committee at the end of our audit.

NB Power's Ability to Self-Sustain its Operations Remain a Concern

Ongoing concerns regarding NB Power's ability to self-sustain operations

- 4.8** For several years, we have reported our concerns that NB Power may not be able to self-sustain its operations in the long-term without involvement or assistance from the Province. Our concerns are due to continued elevated debt levels, nominal annual net earnings, new operating challenges and significant capital investments which will be required in the future. Appendix I provides a summary of our recent reports regarding these concerns.

- 4.9** NB Power is accounted for in the Province's consolidated financial statements as a Government Business Enterprise. This means only NB Power's earnings or losses are included in the Province's consolidated financial statements.

Accounting method for NB Power will change if it can no longer self-sustain its operations

- 4.10** If NB Power was ever determined to no longer be self-sustaining (e.g. through rate payers), it would no longer be considered a Government Business Enterprise for accounting purposes. If this were to occur, the Province's consolidated financial statements would be required to include NB Power's:
- \$7.9 billion in assets and regulatory balances;
 - \$7.2 billion in debt and liabilities;
 - \$2.2 billion in revenues; and

Province's financial results could change significantly

- \$1.9 billion in expenses.

- 4.11** Including these balances in the financial statements could cause significant changes to the Province's financial results. This could impact items such as:
- the Province's annual surplus and net debt (the importance of these items is included in Chapter 2 of this Volume);
 - the indicators of the Province's sustainability, vulnerability and flexibility (see Chapter 3 of this Volume for more information on the indicators); and
 - the Province's credit rating.
- 4.12** This would also result in a much more complicated process to account for NB Power in the consolidated financial statements and significantly increase the risk in our audit work.

Factors affecting ability to self-sustain operations face significant challenges in the future

- 4.13** We noted again this year NB Power's ability to self-sustain its operations will continue to face important challenges in the future. During our audit this year, we noted the following areas of significant concern:
- Significant investments will be required in the future for items such as refurbishing the Mactaquac dam which has an estimated cost of over \$3 billion.
 - NB Power's debt load is approximately \$5 billion and NB Power is still not meeting the 80/20 debt-to-equity ratio required by the *Electricity Act*. The current debt to equity ratio is approximately 87/13 and NB Power's long-term plan indicates they do not expect to meet this ratio until 2027.
 - Investing in new generating and transmitting infrastructure and implementing changes to the *Electricity Act* may also have an impact on future operations.
 - This year, NB Power had net earnings of \$80 million. We noted if unrealized investment income (mark-to-market) of \$46 million is removed, this is the first year NB Power has made a profit on its own operations since 2016.

- We monitor NB Power every year*** **4.14** Each year, we request the Office of the Comptroller (OOC) prepare an accounting analysis regarding NB Power's ability to self-sustain its operations. Although we accepted the OOC's analysis that NB Power can self-sustain its operations as at March 31, 2022, we noted a more robust analysis (which includes realistic and specific plans on how NB Power will be financially self-sufficient in the future) is needed for the next fiscal year. Given the challenges identified above, the situation remains very concerning.
- Recommendation*** **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:**
- **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 *Electricity Act*; and**
 - **the impact of changes to the *Electricity Act*.**
- 4.16** We will continue to monitor the accounting for NB Power in the Province's financial statements and report our concerns regarding its ability to self-sustain its operations, as well as concerns, if any, related to an independent rate setting process being maintained.

Auditor General Access to Vestcor Remains Unresolved

- Auditor General access to Vestcor remains unresolved*** **4.17** For the past two years, we have reported on how Auditor General access to Vestcor remains unresolved. This situation occurred in 2020 when Vestcor denied the Auditor General unrestricted access to view the Vestcor Investment Entities' (VIE) external audit files as part of our audit of the Province's 2020 financial statements. In our view, this access was necessary given the volatility in financial markets between December 31, 2019 and March 31, 2020.
- Vestcor manages over \$ 15 billion in pension plan assets for the public service and teachers*** **4.18** The VIE manage over \$15 billion in public sector pension plan assets of the New Brunswick Public Service and Teachers' Pension Plans (NBPSPP and NBTPP).

- 4.19** For the past two years, we have also reported how we were able to work co-operatively with the OOC to have the VIE auditor provide information needed for our work.
- 4.20** During our work each year, we design audit procedures to respond to areas of audit risk and our procedures will change from year to year as audit risks change. While there was some volatility in the financial markets between December 2021 and March 2022, it was significantly less than the volatility which occurred between December 31, 2019 and March 31, 2020. As a result, we did not require access to review the VIE external auditor files this year.
- Access to Vestcor could become critical to our audit** **4.21** While the circumstances of our audit risk may change from year to year, the underlying issue of access to Vestcor remains unresolved. 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. We would again require more audit assurance in this situation to address the underlying investment audit risks.
- A permanent solution is needed** **4.22** While we have been able to work cooperatively with the OOC, in our view, a permanent solution is still needed for our audit of the Province's financial statements.
- Recommendation** **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.**
- Transparency improvements – Vestcor report on controls provided for the first time, but a more extensive report is needed** **4.24** This year, for the first time, Vestcor provided a SOC 1 Type 1 external auditor's report on the description of its investment management and pension and benefits administration system and on the suitability of the design of its controls. Although we were pleased to see some transparency improvements with this new report, the report was dated as at December 31, 2021 and we would typically see this report cover a larger period of time such as in a SOC 1 Type 2 (Type 2) report.
- 4.25** We were informed Vestcor plans to expand this report in the future with a Type 2 Report covering the period of January 1, 2022 to December 31, 2022. In our view,

obtaining a Type 2 report is needed given Vestcor's stated role as an external services provider to the Province.

- Recommendations**
- 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.
- 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.

Updates Needed to Policies/Legislation and Other Accounting Issues

- 4.28** As part of our work, we made other recommendations to the OOC, the Department of Health (DOH), the Department of Finance and Treasury Board (FTB), the Department of Justice and Public Safety (JPS) and Service New Brunswick (SNB). These recommendations are summarized in the sections below.
- Policies need to be updated to support and authorize billions of dollars in payments**
- 4.29** This year, the Province started replacing some of its outdated IT systems with a new Enterprise Resource Planning (ERP) system called Oracle Fusion (Fusion). The new Fusion system processed approximately \$6 billion in payments in 2022 and we found key policies to support and authorize these payments have not been updated or put in place.
- 4.30** In our view, not having updated policies for approval of payments increases risk of fraud or error. Updating these policies is necessary under the *Financial Administration Act* and is also necessary to reflect current processes and terminology as a result of converting to Fusion. Educating and training departmental staff will be a critical piece of these policy updates.

- Recommendations**
- 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.
- 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.
- Errors in accounting and year-end account reconciliations**
- 4.33** During our work, we found numerous issues relating to how transactions were accounted for and how year-end reconciliations were prepared. Some examples of issues we found include the following:
- We found issues where bank reconciliations and cash on hand reconciliations were either not prepared or contained errors.
 - Transactions were recorded in the wrong account on the financial statements.
 - The Department of Transportation and Infrastructure (DTI) does not review the estimate of the useful lives of its tangible capital assets on an annual basis. These amounts are used to estimate amortization expense and should be reviewed yearly to ensure useful lives of assets are still appropriate. DTI amortization expense this year was approximately \$345 million. We were informed DTI only performs this review periodically.
- 4.34** We also noted the recurrence of prior year misstatements which include items such as the following:
- Statute barred or very old receivables still need to be written-off. We found departments have not yet requested to write off these amounts as required by the *Financial Administration Act*.
 - Certain entities are still accounted for using the transaction method of accounting instead of the consolidation method. We found these amounts continue to grow each year.

- 4.35 Although the OOC provides departments with accounting support, the issues we found demonstrate training is required on how to account for transactions and how to prepare year-end balance sheet and income statement account reconciliations. In our view, Section 14 of the *Financial Administration Act* - Duties of the Comptroller indicates the OOC would be a leader in addressing these issues and additional support, training or review for departments may be required.
- Recommendation** 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.**
- Financial Administration Act needs to be amended** 4.37 For the past four years, we have made multiple recommendations to the Executive Council Office, the Department of Finance and Treasury Board, and the OOC regarding the need for the *Financial Administration Act* (FAA) to be updated. The FAA remains out of date and does not align with current accounting standards or governance best practices.
- 4.38 Although we were pleased to see the OOC has assembled a project team with the objective of updating the FAA, we noted the FAA was not amended during fiscal 2022.
- Recommendation** 4.39 **We again recommend the Office of the Comptroller take the lead to amend the *Financial Administration Act* and develop a timeline to complete this work in 2023.**
- 4.40 In general, the OOC agreed with our recommendations and intends to address our concerns in the coming year.

Inventory and Accounting Issues - Department of Health

Millions of dollars in inventory received to help respond to the COVID-19 pandemic

- 4.41** This year, we made recommendations to the Department of Health (DOH) as a result of our audit. Health-related items are a significant component of the consolidated financial statements. For example, in 2022, health expenditures totaled \$3.6 billion which represents 34% of all expenditures in the Province.
- 4.42** This year, to assist with the response to the COVID-19 pandemic, the Federal government donated point-of-care tests and personal protective equipment to the Province. These donated items were recorded in the consolidated financial statements by DOH. This year, DOH recorded approximately \$91 million in revenue related to this inventory and, at year-end, approximately \$39 million remained in inventory.
- 4.43** We found the Department has contracted daily management and shipping logistics of this donated inventory to an external third party. The third party is responsible to receive the goods at its two warehouses located in the province.
- 4.44** As part of our work, we found the following issues in how the third party fulfills its duties under the contract with DOH.
- A physical year-end inventory count was only performed at one warehouse. Under the terms of the contract, we would expect this to include a physical count of all inventory on hand at year-end. At the time of our work, we were informed accounting staff of DOH were not aware these counts had not been performed.
 - Inventories of rapid tests were recorded in the opposite warehouse from where they were physically stored. The terms of the contract require DOH be provided with bi-weekly inventory reports. In our view, recording inventory in an opposite location increases the risk of error in these reports.
- 4.45** We also found DOH made errors when accounting for this inventory. As a result of our work, DOH recorded an adjustment to increase revenue and expenses each by \$16 million.

<i>Oversight of agreements with third parties who manage critical inventory needs improvement</i>	4.46	While, in our view, these issues did not result in a material misstatement, they demonstrate increased diligence is needed by DOH to monitor and manage the terms of the contract with the third party.
<i>Recommendation</i>	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.
<i>Errors in year-end accounting processes</i>	4.48	We made other recommendations for DOH to improve its year-end accounting processes. The issues we found include the following. <ul style="list-style-type: none"> • DOH was not able to provide a detailed listing to support an accrued expenditure balance of \$66 million. • DOH could not explain a decrease of approximately \$20 million in this same account balance from 2021. • DOH was not able to identify certain payments to Regional Health Authorities. These payments are required to be identified (and eliminated) as part of consolidating the Province's financial statements.
	4.49	Although we were informed these items were partially caused by lack of human resources within DOH, investigating these issues required a significant amount of unplanned time for audit staff and staff of DOH. In our view, these issues demonstrate increased diligence is needed when performing year-end accounting processes.
<i>Recommendations</i>	4.50	We recommend the Department of Health train staff on how to perform year-end accounting processes.
	4.51	We also recommend the Department of Health, as necessary, consult with the Office of the Comptroller when performing year-end accounting processes.

- 4.52 Overall, the Department of Health accepted our recommendations and intends to address our concerns in the coming year.

**Property Tax Accounting Issues –
Department of Finance and Treasury Board**

- 4.53 This year, we made a recommendation to the Department of Finance and Treasury Board (FTB) related to accounting for property taxes. FTB processes over \$1.4 billion in property taxes receivable, \$560 million in revenue and \$440 million in deferred revenue.
- Errors found in property tax accounting related to recent government decisions*
- 4.54 During our audit, we found issues related to year-end accounting for property taxes. Many of these issues occurred because FTB staff did not properly account for the impact of recent government decisions. We found the following items were not accounted for properly:
- a new tax relief program (approximately \$12 million);
 - a credit balance (approximately \$28 million) which occurred as a result of the delay in tax billing; and
 - a variance (approximately \$10 million) in one account related to clearing revenues and expenses.
- 4.55 In our view, these issues show increased diligence is needed by staff when preparing year-end accounting entries and additional review is needed when accounting for new or unusual property tax transactions. We also believe Department staff should consult with the Office of the Comptroller when accounting for new or unusual property tax transactions.
- Recommendation*
- 4.56 **We recommend the Department 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.**

- 4.57 The Department of Finance and Treasury Board agreed with our recommendation and intends to address our concerns in the coming year.

**Collection of Disaster Financial Assistance Receivable -
Department of Justice and Public Safety**

Department of Justice and Public Safety - \$110 million of uncollected disaster financial assistance receivables

- 4.58 The Department of Justice and Public Safety (JPS) has approximately \$110 million of uncollected disaster financial assistance receivables from the Federal Government. Some of these receivables are from disaster events as far back as 2014 and include items such as:

- tropical storm Arthur in 2014 (\$10 million); and
- various heavy rain and flooding events between 2014 and 2019 (\$97 million).

We are concerned with the length of time taken to collect these receivables.

Some money may not be collected until 10 years after a disaster occurs

- 4.59 To receive this money, JPS must submit claims for disaster assistance to the Federal government. Normally, JPS has up to five years after the Governor General in Council has authorized a disaster event to submit a claim. We found the Federal government has approved JPS's requests to extend some of these claims beyond five years. For example, we noted approximately \$41 million of uncollected receivables from 2014 and 2015 have been extended to deadlines in May and June 2024.

- 4.60 Although the Federal government provides some advance payments and has approved JPS's requests to extend these deadlines, in our view, timelier cash receipts and receivables collection could help reduce the cost of borrowing for the Province.

Recommendation

- 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.**

- 4.62 The Department of Justice and Public Safety agreed with our recommendation and intend to address our concerns in the coming year.

Improvements are Still Needed in SNB's Property Assessment Processes

	4.63	For the past three years, we have reported the results of our work regarding SNB's property assessment processes which we perform each year as part of the audit of the Province's consolidated financial statements.
<i>Property assessment values are a critical component in calculating provincial revenue</i>	4.64	Property assessment values are a critical component in calculating revenue and accounts receivable amounts for the Province. Each year, Service New Brunswick (SNB) is mandated to assess approximately 480,000 properties which generate approximately \$76 billion in tax assessment base for the Province and municipalities.
<i>Some processes have improved</i>	4.65	During our audit this year, we found SNB continues to respond to our past recommendations and has improved some of its property assessment processes. This includes creating a Quality Assurance unit and improving the accuracy of some property assessment data.
<i>We are still concerned with delays in validating property assessment data</i>	4.66	We remain concerned, however, with continued delays in validating property assessment data from the Fast Track initiative and the timeline for when properties are visually re-inspected. We noted these delays during previous years, and in our view, they increase the risk of error in property assessment values.
<i>Approximately 61,000 properties with Fast Track assessment data are still not fully validated</i>	4.67	<p>Fast Track property data refers to properties which were assessed in 2017 as part of the Fast Track initiative. This initiative used certain methodologies which resulted in numerous errors in property assessment data. At the time of our work in 2022, we were informed that of the approximately 78,500 properties from this initiative:</p> <ul style="list-style-type: none"> • SNB has not yet started to validate data on approximately 14,000 properties (18% of total). • SNB has started, but not yet completed, the process of validating data for approximately 47,000 properties (60% of total). • SNB has fully validated approximately 17,500 properties (22% of total).

<i>No change in number of Fast Track properties fully validated</i>	4.68	Although SNB made some progress this year in the number of properties it has started to validate, we noted, however, the total of 17,500 properties with fully validated data is unchanged from last year.
<i>Approximately 200,000 properties have not been visually re-inspected in more than ten years</i>	4.69	<p>During our work, we also found SNB has not visually re-inspected many properties within established timelines. SNB has an internal timeline to visually re-inspect all properties in the province every ten years. We found, however, the following properties have not been visually re-inspected within SNB's timeline of ten years.</p> <ul style="list-style-type: none"> • Approximately 197,000, or 52%, of all residential properties. Residential properties include items such as homes. • Approximately 5,800, or 18% of all non-residential properties. Non-residential properties include items such as shopping centres and gas stations. <p>We also noted the International Association of Assessing Officers recommend properties be re-inspected, as a best practice, every 4 to 6 years.</p>
<i>Recommendations</i>	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.
	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).
	4.72	Overall, SNB agreed with our recommendations and intends to continue its work in the coming year to improve property assessment processes and address our concerns.

Oracle Fusion System – AGNB Audit Testing and Findings

<i>Fusion is the Province's new enterprise resource planning system</i>	4.73	<p>This year, the Province started using the Oracle Fusion (Fusion) enterprise resource planning system to replace some of its outdated systems. For the first time, transactions such as payments, payroll, and journal entries were processed by Fusion and recorded in the Province's consolidated financial statements. Fusion also introduced a new chart of accounts and was used as the book of record (general ledger) for the first time this year.</p>
<i>Fusion was a significant risk for our audit this year</i>	4.74	<p>Given the substantial size and breadth of implementing the Fusion system, we considered it a significant risk for our 2022 audit. This is because Fusion is a new, complex IT system and issues may arise when:</p> <ul style="list-style-type: none"> • converting legacy data; • processing transactions; and • ensuring data integrity remains in place.
	4.75	<p>To address this significant audit risk, we performed detailed testing on the Fusion system. These procedures were also designed to ensure amounts recorded and processed by Fusion are materially complete and accurate.</p>
<i>Auditing Fusion requires a significant amount of audit time</i>	4.76	<p>A significant amount of extra audit time was, and will continue to be, required for our Office to respond to this risk and audit the Fusion system. For example, transactions are processed either in Fusion or the legacy enterprise resource planning system and we performed testing to address the risk of duplicate transactions. We also found, as a result of a new chart of accounts, departments often initially recorded transactions incorrectly and made many adjustments throughout the year. This resulted in an extra layer of data for us to audit.</p>
	4.77	<p>As part of our work over Fusion this year, we:</p> <ul style="list-style-type: none"> • performed audit procedures to verify opening balances in the Fusion system were transferred correctly; • obtained an understanding of significant system controls and processes;

		<ul style="list-style-type: none"> • verified amounts processed and recorded were accurate and complete; and • audited relevant control activities and processes used by the Office of the Comptroller to prepare financial statements and disclosures using information from multiple systems.
<i>Recommendations made to address internal control weaknesses in Fusion</i>	4.78	<p>As a result of our work, we identified weaknesses related to the Fusion system and made recommendations to the Department of Finance and Treasury Board, the Office of the Comptroller and Service New Brunswick. We found weaknesses in:</p> <ul style="list-style-type: none"> • payments to vendors; • journal entries; • employee payroll; • monitoring certain aspects of Fusion; and • correcting variances or errors.
<i>Recommendations made to improve existing processes</i>	4.79	<p>As part of our work, we also made recommendations to improve existing processes in place such as:</p> <ul style="list-style-type: none"> • reporting capabilities in Fusion; and • how successful data conversions are documented.
<i>Implementing our recommendations is important to address risks</i>	4.80	<p>In our view, given Fusion is still early in its life cycle, early implementation of our recommendations is important to reduce risks or exposure regarding the control weaknesses we found.</p>
<i>Some findings are sensitive</i>	4.81	<p>We are not publishing the details of our work over Fusion or other IT systems. This is due to the specific nature of many of our findings and the risk of possible loss of government assets if the details of such findings are reported. Instead, we have summarized our observations and provided a brief overview of the most significant findings.</p>
<i>Fusion's scope is extensive</i>	4.82	<p>The scope of the Oracle Fusion Enterprise Resource Planning project is extensive and will require multiple years to fully implement. Fusion will be used by Part I (departments and some Crown agencies), Part II (school districts), and the Community Colleges. The system will cover many areas such as:</p> <ul style="list-style-type: none"> • payroll and human resource management; • procurement (purchasing);

- finance (payments, general ledger, fixed assets, cash management, etc.);
- grant management; and
- other areas such as residential tenancies.

More audit work will be required in the future as Fusion continues to be implemented

4.83

Given certain modules in Fusion were only in place for part of the fiscal year, or have not been implemented yet, we will perform additional audit work in the upcoming fiscal year and may have additional findings.

No date for when Oracle Fusion will be complete

4.84

The Department of Finance and Treasury Board does not have a date for when Fusion will be completely implemented. Exhibit 4.1, shows progress to date and a tentative timeline for continued progress. These dates are subject to change depending on actual progress. As the team responsible for Fusion works through the different stages of implementation, the schedule is revised. Since a date for system completion has not been set, we are unable to comment on if the system implementation is on schedule.

Exhibit 4.1 - Fusion Implementation: Progress To Date and Tentative Timeline

Release	Description	To Replace	Comments
Releases Completed by end of Fiscal 2022			
1	Fusion General Ledger (GL) goes live	Existing Oracle General Ledger (GL) for Part 1, Part 2 and CCNB/NBCC Government	<ul style="list-style-type: none"> Existing Oracle GL is still operating and transactions are transferred to the Fusion GL regularly. Existing Oracle GL and Fusion GL reconcile. Existing Oracle GL is the official book of record.
2	Fusion Payables Module goes live	Existing system to input invoices (IPM)/ Oracle for Part 1 Government	<ul style="list-style-type: none"> Existing IPM system is still operating but in very limited circumstances. Existing Oracle GL is still operating and transactions are transferred to the Fusion GL. Official book of record is now the Fusion GL.
3	Fusion Human Resources*, Payroll and Expenses Modules goes live	Existing payroll system – HRIS and existing expense system iExpense for SNB, FTB, and organizations whose payroll is processed by FTB.	<ul style="list-style-type: none"> First wave of Fusion payroll module.
Releases to be Completed in Fiscal 2023			
4	Planning and Budgeting Capital and Operating Budgets	Existing budgeting systems for Part 1, Part 2 and CCNB/NBCC	<ul style="list-style-type: none"> Budget processes will be migrated to Fusion.
5	Fusion Payables	Existing system to input invoices (IPM)/ Oracle and other legacy systems for NBCC/CCNB and LEG	<ul style="list-style-type: none"> Existing IPM system is still operating but in very limited circumstances. Existing Oracle GL is still operating and transactions are transferred to the Fusion GL.
6A	Project Costing	Existing project costing systems for ELG.	<ul style="list-style-type: none"> Project costing processes will be switched to Fusion. At end of Fiscal 2022 this migration had started.
6B	Fixed Assets	Existing fixed asset systems for Part 1 government and NBCC/CCNB.	<ul style="list-style-type: none"> Fixed Asset processes will be switched in Fusion. At end of Fiscal 2022 this migration had started.

*Includes Core Human Resources functions, Time and Labour, Absence, Benefits and Recruitment

Exhibit 4.1 -Fusion Implementation: Progress To Date and Tentative Timeline (continued)

Release	Description	To Replace	Comments
Releases to be Commenced in Fiscal 2023			
7	Fusion Human Resources, Payroll and Expenses Modules	Existing payroll system - JD Edwards used by SNB and Kings Landing	<ul style="list-style-type: none"> Employees who are paid by JD Edwards system will be transferred over to Fusion Payroll. Kings Landing will not use Employee or Manager Self Service or Recruitment.
8	Fusion Human Resources, Payroll, Expenses and Project Costing Modules	Existing payroll system and expense system for DTI	<ul style="list-style-type: none"> Employees in the Department of Transportation and Infrastructure will be paid out of Fusion Payroll and submit expenses in Fusion Expenses.
9	Fusion Human Resources and Expenses Payroll Module	Existing Teachers' Payroll System and HRIS for ASD-E and DSF-NO	<ul style="list-style-type: none"> Employees in the school districts will be transferred to Fusion Payroll.
Release Dates yet to be Determined			
TBD	Accounts Receivable	Existing accounts receivable systems for Part 1, Part 2 and CCNB/NBCC	<ul style="list-style-type: none"> Move Accounts Receivable processes into Fusion from legacy systems.
TBD	Procurement	Existing procurement systems for Part 1, Part 2 and CCNB/NBCC	<ul style="list-style-type: none"> Move procurement processes to Fusion.
TBD	Fusion Human Resources, Payroll and Expenses	Existing payroll and expense systems for rest of Part 1 (HRIS), SNB (Meditech), rest of Part 2 (Gestion) and CCNB/NBCC (HRIS)	<ul style="list-style-type: none"> Remaining employees to transfer to Fusion Payroll.
TBD	Project Costing	Existing project costing systems	<ul style="list-style-type: none"> Remaining departments will be switched over to project costing in Fusion.
TBD	Talent Management and Learning	No existing talent management and learning systems	<ul style="list-style-type: none"> Move talent management and learning processes to Fusion for Part 1, Part 2 and CCNB/NBCC

Source: ERP Planned Deployment Schedule with comments from AGNB.

IT Computer Systems Audited During the Provincial Financial Statement Audit

4.85 During the audit of the Province's consolidated financial statements, we perform work on various computer systems other than Fusion. In Exhibit 4.2, we provide information on the other computer systems audited and if recommendations were made to each responsible department or Crown agency.

*Exhibit 4.2 - List of IT Systems/Areas Audited by AGNB in 2022 and if
Recommendations were Issued to Management of the Department or
Crown Agency*

IT System/Area	Department/Agency	Recommendations Issued Related to IT Systems*
Oracle Fusion	Finance and Treasury Board Service New Brunswick	Yes
Oracle financials (EBS)	Office of the Comptroller	No
Oracle input (IPM)	Service New Brunswick	No
Teachers' payroll	Education and Early Childhood Development	Yes
Employee payroll (HRIS)	Service New Brunswick	Yes
Property tax	Finance and Treasury Board	No
Property assessments	Service New Brunswick	Yes

** In this Exhibit, we only include recommendations which directly impact an IT system*

Source: Prepared by AGNB.

Multiple Weaknesses in IT System

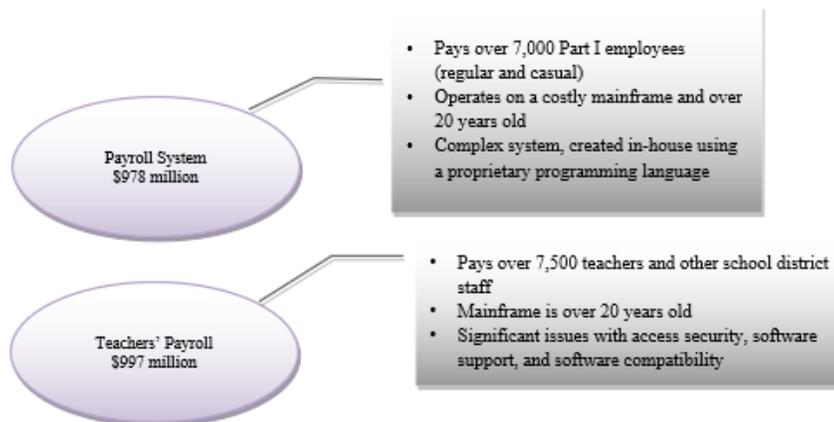
<i>Concerns with the nature, number and severity of system weakness</i>	4.86	In four of the seven computer system audits presented in Exhibit 4.2, we found multiple IT weaknesses. We are concerned with the nature, number and severity of the weaknesses given the significance of the systems examined.
	4.87	We made 12 recommendations relating to controls to reduce the risk of unauthorized access to systems. We found weaknesses in areas such as user access to data, security weaknesses in accessing systems, and lack of review of configuration changes.
<i>Strong controls needed to protect data</i>	4.88	Strong system controls are needed to protect data confidentiality and integrity. Without strong controls the risk increases of fraud, error or unintended exposure of confidential information increases.
<i>Inappropriate segregation of duties</i>	4.89	We found cases where risk exists relating to segregation of duties. Users had access to perform key functions without knowledge or approval of another person.
<i>Weaknesses with maintenance of system accounts</i>	4.90	We found weaknesses relating to how system accounts are maintained. These weaknesses related to both user accounts, as well as system administrator accounts.

Province Still has Major Outdated IT Systems

Despite Fusion being implemented, major systems remain out of date

4.91 Despite Fusion being implemented this year, the Province continues to use major systems which are out of date. Exhibit 4.3 shows the Province's major outdated systems at March 31, 2022, dollars processed, and associated risks.

Exhibit 4.3 - Province's Major Outdated Systems at March 31, 2022



Source: Prepared by AGNB from information provided by SNB and the Department of Education and Early Childhood Development (unaudited).

4.92 These outdated systems process the majority of the Province's employee payroll and a failure of these IT systems would affect many civil servants. Replacing these systems should be a key priority and we are pleased to see the Province started replacing them.

Some outdated systems still in use even after Fusion was implemented

4.93 This year, the Province started using Fusion to process provincial payments to vendors. In 2022, the Fusion payables module was implemented and processed over \$6 billion in payments. The legacy, outdated system, however, will remain in use to process certain payments. We found the legacy system processed approximately \$450 million in payments after the Fusion payables module was implemented.

We will continue to audit the existing outdated systems

4.94 We will continue to audit existing outdated systems as long as they are still in use and still process a significant dollar value of transactions.