



# News Release

## Provincial Auditor

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### Government's financial condition stable, says Auditor

For Immediate Release

Regina, September 14, 2004— Saskatchewan Provincial Auditor Fred Wendel says that the condition of the Government's finances remained stable for the year ending March 31, 2004. This is an improvement from his 2003 finding that the Government's financial condition had weakened. The Auditor described his findings in his report, *Understanding the Finances of the Government*, released today.

The Auditor measures the Government's financial condition using three types of indicators. Indicators that measure *sustainability* show whether the Government is living within its means. Indicators that measure *flexibility* look at the Government's ability to raise more revenue from the economy or through borrowing. Indicators that measure *vulnerability* examine the extent to which the Government relies on money from the Federal Government.

In measuring *sustainability*, the Report notes that the Government spent \$147 million more than it raised in revenue. This increased the Government's accumulated deficit. However, comparing the amount of the accumulated deficit to the size of the economy provides a better measure of sustainability. Saskatchewan's economy grew during the year, compensating for the increase in the accumulated deficit.

One method the Report uses to measure the Government's *flexibility* to respond to rising commitments is to look at how much the Government spends on interest. For 2004, the Government spent twelve cents of every dollar of revenue to pay for interest. This was unchanged from 2003. Another method for measuring flexibility is to compare the amount of revenue raised by the Government from sources within the Province to the size of the economy. This too was unchanged from 2003.

Finally, the Report measures the Government's *vulnerability* to sources of revenue beyond its control. The Report compares the amount the Government raised from sources within the Province (for example, through taxes) to the amount the Government received from the Federal Government. For 2004, the Government raised more revenue from within the Province compared to revenue received from the Federal Government.

The Report also describes continuing risks to the Government's finances. The Government's accumulated deficit of \$9.3 billion is large for Saskatchewan's population of one million. The Government's finances remain exposed to the risks of low commodity prices, high interest rates, and bad weather.

"Our measures show that the Government's financial condition is relatively unchanged," said Wendel. "Although the financial condition is stable, the Government must carefully manage the risks that can affect its revenues and spending."

The Report also compares Saskatchewan's finances with the finances of other provinces. These comparisons are based on the most recent information available from other provinces (for the year ended March 31, 2003). The comparisons indicate that the Government's finances compare favourably with those of most other provinces.

The Auditor notes that in March 2004, the Government for the first time published a financial plan covering all of Government. As the Government publishes actual results, the public will be able to assess whether the Government's financial performance is better or worse than what was planned.

— 30 —

This Report is available on the Internet at <http://www.auditor.sk.ca>.

For further information, contact:

Mr. Fred Wendel, CMA, CA  
Provincial Auditor for Saskatchewan  
1500 – 1920 Broad Street  
Regina, Saskatchewan S4P 3V7

Telephone (306) 787-6361  
Fax: (306) 787-6383  
E-mail: [info@auditor.sk.ca](mailto:info@auditor.sk.ca)