



News Release

Provincial Auditor

Government finances improved, says Auditor

For Immediate Release

Regina, September 8, 2005— Provincial Auditor Fred Wendel says that the Government's financial condition has improved significantly. The assessment is in the Auditor's annual report on the state of the Government's finances, *2005 Report—Volume 2*.

The Auditor uses three different kinds of indicators to assess the Government's finances. To measure *sustainability*, the Auditor examines whether the Government is living within its means. In 2005, the Government spent \$844 million less than it gathered in revenue. This allowed the Government to reduce its net debt from \$9.3 billion to \$8.5 billion. The Saskatchewan economy also grew almost 10 per cent in 2005. As a result, the size of the debt compared to the size of the economy, an important indicator of sustainability, was substantially improved.

The Auditor uses indicators that measure *flexibility* to look at the Government's ability to raise more revenue from the economy or through borrowing. One indicator of flexibility is the amount of money the Government must pay in interest to service its debt. For 2005, the Government's "interest bite", or amount from each dollar of revenue that the Government must pay in interest, was 10 per cent. This is the lowest amount for interest bite since the Government began to report summary financial information. However, the \$900 million in interest payments this represents remains the Government's third largest expense, after health and education.

The Auditor examines the extent to which the Government relies on money from the Federal Government to measure the *vulnerability* of the Government's finances. Over time, the Government has become less vulnerable as it has increased the revenue it raises from sources within the province. In 2005, revenue from the Federal Government increased. However, this was due mainly to a one-time increase in equalization.

While the Auditor notes the improved financial condition of the Government, he reminds the Government and the public that Saskatchewan's finances remain exposed to significant risks. "Saskatchewan's net debt of \$8.5 billion is large for a province of one million people," said Wendel. "Because of the Government's continued exposure to risks such as low commodity prices, higher interest rates, and bad weather, the Government must continue to carefully manage revenues and spending."

The Auditor presents information on the Government's financial condition to help legislators and the public better understand and evaluate public spending. The Auditor observed that the Government describes its planned spending in its summary financial plan. The Government reports interim results compared to the plan in its Mid-Year Report. The Auditor encourages the

Government to report its results compared to the summary plan on a quarterly basis. “This information will allow legislators and the public to assess how well the Government is performing against its financial plan for the entire Government.”

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

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