



News Release

Provincial Auditor

Government builds financial resilience, says Auditor

For Immediate Release

Regina, September 7, 2006—Saskatchewan's Provincial Auditor reports that the Government is building financial resilience. The comments are in the Auditor's 2006 Report—Volume 2, entitled *Understanding the Finances of the Government*. "The Government has improved its finances by living within its means and prudently paying down its debt," said Wendel.

The Report shows that the Government has reduced its net debt (the total amount it owes less its financial assets) by \$726 million, from \$8.5 billion to \$7.8 billion. This reduces the debt that future generations would have had to pay for or finance. While net debt has reached a sixteen-year low, the Auditor notes that the amount is still high given Saskatchewan's population of one million.

By reducing its net debt, the Government has also reduced its interest costs. However, the Report observes that interest payments remain significant. Interest costs of \$841 million represented the fourth largest expense of the Government and were about equal to what the Government pays for social services and assistance.

The Report also shows that the Government has become less reliant on the Federal Government to pay for provincial programs. Relying on its own revenue gives the Government more flexibility to respond to changing needs.

The Report credits the strong provincial economy for supporting the improved state of the Government's finances. The Auditor cautions that the Government's finances remain vulnerable to downturns in the economy. "While the Government has improved its financial resilience," said Wendel, "it must continue to carefully manage its exposure to the increased costs and lower revenues that would accompany such a downturn."

Understanding the Finances of the Government is based on the Government's Summary Financial Statements. The Auditor notes that the Statements are not accompanied by a financial statement discussion and analysis. Many people have difficulty understanding financial statements. "The Government should provide a financial statement discussion and analysis," said Wendel. "By setting out its analysis of the results and describing how it managed risks, the Government would help legislators and the public to understand its financial performance."

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Understanding the Finances of Government, 2006 Report—Volume 2, is available on the Internet at www.auditor.sk.ca.

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