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News Release

Government General Revenue Fund Financial Statements Wrong, Says Provincial Auditor

REGINA, Sask., December 4, 2012 – The Saskatchewan Government uses “two sets of books” to report its finances despite longstanding recommendations to stop this practice, says Provincial Auditor Bonnie Lysyk in Volume 2 of her 2012 Report, released today. In the Report, Lysyk states that the Government’s General Revenue Fund (GRF) financial statements contain significant errors and are materially wrong.

Most provinces in Canada present their finances to the public using only one set of financial statements - Summary Financial Statements - which are prepared in accordance with Canadian generally accepted accounting principles. In Saskatchewan, however, the Government uses two different sets of financial statements depending on the message it wants to send to the public regarding the state of its finances. When discussing debt or balancing the budget, it most frequently refers to the GRF statements – a custom that is both poor practice and misleading to the public, particularly when those statements contain significant errors.

For example, the GRF statements for March 31, 2012 excluded \$6.12 billion in pension liabilities and \$100 million of related pension expenses. “An omission of this magnitude is similar to a company not including in its financial statements all relevant information for its shareholders, such as the financial results of a mine it owns that is losing money,” says Lysyk. “The ‘creative accounting rules’ that the Government uses for the GRF allows it to communicate to the people of Saskatchewan that the GRF budget is balanced and there is a surplus when in actual fact, there is not.” For the year ended March 31, 2012, the Government reported a surplus in the GRF of \$352.3 million. What it should have reported was a deficit in the GRF of \$46 million.

If the Government used proper accounting rules, the forecasted GRF surplus of \$56.2 million in last week’s 2012-13 Mid-Year Report would have actually been a deficit of \$528.3 million.

Lysyk further cites an example of how a continued focus on the GRF can affect decision-making. In October this year, the Provincial Auditor found that the Government had issued letters to four school divisions promising to fund all of their principal and interest payments for new external capital loans totaling \$31 million until the loans are paid off. As such, the GRF financial statements for March 31, 2012 should have included an additional expense of \$31 million. The Ministry of Education recently advised the Provincial Auditor’s Office that it plans to notify the affected school divisions, in writing, that it has revoked its promise to fund their new debt. Instead, it will determine each year whether it will fund the annual payments due on these loans. However, this debt is still included in the Government’s Summary Financial Statements and must be paid each year. “The intent of the letters appears to be to avoid having this new debt recorded in the GRF financial statements,” Lysyk notes. “This is just another example of why the GRF statements do not provide the complete financial picture to the people of Saskatchewan. We continue to recommend that the Government record the \$31 million in the GRF.”

In early 2013, the Provincial Auditor will release a report focused on the importance of clear and transparent provincial financial statement budgeting and reporting. “The GRF issue can be complex and difficult to explain clearly, but my Office is committed to ensuring that the public fully understands why the Government should not be using the GRF statements to explain its finances,” says Lysyk. “It is time for the Government of Saskatchewan to focus its financial reporting on **only** the Summary Financial Statements.”



PROVINCIAL AUDITOR
of Saskatchewan

The full **Provincial Auditor's 2012 Report - Volume 2** is available online at www.auditor.sk.ca.

The Provincial Auditor is an Independent Officer of the Legislative Assembly of Saskatchewan. The Office of the Provincial Auditor serves the Members of the Legislative Assembly and the people of Saskatchewan by providing independent assurance and advice on the management, governance, and effective use of public resources.

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