

2008 Report – Volume 2

Opening statement by Fred Wendel, Provincial Auditor, for his meeting with members of the press regarding the 2008 Report – Volume 2.

Thank you for joining me this morning. With me today are Judy Ferguson, Corrine Rybchuk, and Deann Dickin. Judy and Corrine audit the Government's financial statements and prepared much of the information in the Report that we are issuing today. Deann ensures that our reports are published. She also co-ordinates my activities and this meeting.

Each year, we prepare this Report to help legislators and the public to better understand the Government's financial condition. This report allows for a more informed debate on the affordability of new and existing programs and the level of taxation.

This year's report focuses on the Government's financial condition at March 31, 2008.

To report on financial condition, we use indicators that measure three main areas.

- First, we measure whether the Government is living within its means. In the report, we call this sustainability.
- Second, we measure the Government's ability to meet its commitments by expanding its revenues or borrowing more money. In the report, we call this flexibility.
- Third, we measure the extent to which the Government can manage its own affairs without relying on the Federal Government to pay for existing provincial programs. In the report, we call this vulnerability.

This report includes various graphs showing fifteen-year trends in the financial condition of the Government. The graphs are intended to help readers form their own conclusions about whether the Government's financial condition is strengthening or weakening.

Based on these indicators, we conclude that the Government's financial condition in 2008 has improved significantly from prior years. Record financial results posted in 2008 for the following measures makes this significant improvement evident.

First, the Government spent \$1.9 billion less than it raised in revenue resulting in a record annual surplus of \$1.9 billion. This annual surplus was about \$2.6 billion more than it expected.

Second, the Government's net debt as a percentage of provincial GDP declined to a record low of 11%. With its stronger financial condition, the Government can better meet its borrowing commitments.

And third, the Government's interest bite (that is interest costs as a percentage of revenue) declined to a record low of 7%. This lower percentage means the Government had more money available to pay for services. However, interest costs remained sizable at \$800 million particularly given our population of just over one million. Interest costs were the Government's fourth largest expense after health, education, and social services and assistance.

Now, I want to make a comment about the need for caution because of financial risks. In 2008, the Government's revenues increased by almost 20 per cent over last year. Most of this increased revenue came from non-renewable resources such as oil and potash. Revenues from non-renewable resources can be volatile and are subject to factors outside of the Government's control. This volatility makes it important to be prudent about spending.

The Government needs a strong financial condition to withstand potential swings in its revenues. It must continue to manage its spending and debt carefully.

As in prior years, our Report includes information to help compare the condition of Saskatchewan's finances to that of other provinces. The information in these comparisons is one year behind the information in the rest of our report, although it is the most recent information available. We note that at March 31, 2007, the Government's financial condition continued to compare favourably with most other provinces.

Now, I want to talk about the inappropriate focus of the Government's financial reporting practices to the public. This year, we compared Saskatchewan's financial reporting focus to the financial reporting focus of all other provinces. We found that Saskatchewan's reporting practices have fallen behind those of other provinces.

Saskatchewan has fallen behind other provinces because it does not focus on the financial information that includes the financial affairs of all provincial government agencies. Instead, it focuses on only part of the Government's financial affairs. That is the part reflected by the General Revenue Fund. But, that Fund does not include all government activity.

Over the last several years, other provinces have succeeded in moving their focus to take into account the financial affairs of all of their agencies. Legislators and the public in other provinces receive the correct information about the financial condition of their governments.

It's time for Saskatchewan to also move forward. The Government should explain its financial condition based on information that includes the financial affairs of all provincial government agencies. This information is necessary for legislators and the public know the true financial condition of the Government. Legislators and the public can then have a more informed debate about the affordability of government programs, the level of taxation and government debt.

In our report, we make recommendations to help the Government move its financial reporting practices forward.

That ends my opening comments. I now invite questions. If you need more information, please call me.