
Comments on Government's Financial Reporting

The current budget provides a focus on the Consolidated Statement of Operations (i.e. revenues and expenses) and does not provide any projected year-end balances relating to Government's net debt. I believe that the budget would be further improved if information on projected year-end balances relating to Government's net debt was also provided.

Furthermore, the Province has tax expenditure programs which provide special exemptions, deductions, rate reductions, rebates, credits and deferrals that reduce the amount of tax revenue otherwise due the Province and relate to such tax categories as personal income tax, corporation income tax, gasoline tax, health and post secondary education tax, provincial sales tax and tobacco tax. We identified approximately \$215.5 million of foregone revenue resulting from tax expenditure programs.

Although these tax expenditure programs have comparable economic impacts as direct spending programs and affect the financial position of the Province in a similar manner, details of these programs are not provided to Members of the House of Assembly as part of the annual budget approval process. In contrast, expenditure programs are outlined in the Estimates and approved by the Members of the House of Assembly as part of the annual budget process.

Reporting tax expenditures to the Members of the House of Assembly would provide information that the Members require in order to hold Government accountable. Three Canadian jurisdictions - Saskatchewan, British Columbia and the Government of Canada do disclose details of their major tax expenditure programs in their budget documentation.

Recommendation

Government should consider providing information in its budget relating to projected balances for its net debt. Government should also consider providing information in its budget relating to tax expenditures.

3.5 Periodic Financial Statements

Periodic financial statements, while not specifically required by generally accepted accounting principles, are considered to be an important component of any financial accountability framework. These statements are important to effectively monitor and control government operations.

Government has been preparing quarterly financial statements to show its results of operations and its financial position on an on-going basis since September 2002. Officials of Treasury Board Secretariat indicated that

these financial statements are only distributed to the Minister of Finance/ President of Treasury Board, other Treasury Board Ministers, the Deputy Minister of Finance, the Secretary to Treasury Board, the Comptroller General, various officials of the Treasury Board Secretariat, and the Auditor General.

While I commend the Office of the Comptroller General for preparing such financial statements; in my opinion, they should be more widely distributed. Ideally, these financial statements should be part of accountability information provided on an on-going basis to all Members of the House of Assembly and senior government officials.

Recommendation

Periodic financial statements should be provided to Members of the House of Assembly and senior Government officials as part of Government's accountability framework.

3.6 Liability Relating to Self-Insured Workers' Compensation Benefits

Government has recorded a liability of \$21.2 million relating to Provincial Government employees for whom it provides self-insured workers' compensation benefits. Government first attempted to estimate this liability in 2002-03 and recorded a liability of \$24.8 million. In 2003-04, Government changed its methodology for determining the liability which resulted in a decrease of \$3.6 million. We have been informed that Government is considering engaging the services of an actuary to assist in determining the extent of this liability for the 2004-05 fiscal year. This actuarial valuation will provide a more accurate and supportable estimated liability.

Recommendation

Government should continue with its efforts to provide a more accurate and supportable estimated liability relating to self-insured workers' compensation benefits.