
Key Indicators of the State of Government's Finances

4.1 Introduction

An important role of my Office is to provide the Members of the House of Assembly with information on the state of Government's finances. This information is necessary in order to have an informed debate about the issues that Government has to address. Issues include the ability of Government to fund programs and services, where the revenues will come from and the impact of deficits and debt.

This report provides financial and economic information to help readers understand Government's finances. The information in this report is taken from Government's Consolidated Summary Financial Statements contained in Volume I of the Public Accounts.

4.2 Key Indicators of the State of a Government's Finances

The Canadian Institute of Chartered Accountants is the professional body that recommends standards for financial reporting, accounting and auditing in the public sector. It also initiates research studies on public sector accounting and auditing matters.

In 1997, the Canadian Institute of Chartered Accountants issued a Research Report entitled Indicators of Government Financial Condition. That report identified financial indicators which it felt best describes the financial condition of a government. These indicators were categorized in terms of three elements of financial condition - sustainability, flexibility, and vulnerability.

In this report, we discuss these indicators in the Newfoundland and Labrador context. Each indicator can and should be analyzed in detail, combined with other information, and monitored over time. Government should consider including these indicators in an annual performance report. Performance reports show planned and actual results. Publishing an annual performance report would also provide Government with the opportunity to set out its thinking on the underlying issues, the status of its key performance indicators, and its plans for the future.

In 2004 the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants issued a statement of recommended practice relating to discussion and analysis information that should be considered for inclusion in governments' financial statements. Government has included such information in the Province's 2003-04 financial statements.