
Selected Financial Information and Other Matters

Another initiative that could be utilized by more departments relates to the Office of the High Sheriff of Newfoundland and Labrador. That Office has a Judgment Enforcement Registry that all Government departments could use to register amounts owing to Government. This registry is checked by all financial institutions and other lenders before they will provide credit and, therefore, if used by departments would effectively eliminate or restrict the ability of Government debtors to obtain credit until they settled their debts to the Province.

Collecting monies owed on a timely basis is especially important given that the Province is reporting record annual deficits and debt.

Recommendations

Government should be more diligent in collecting amounts owed to it.

The initiatives identified by Treasury Board should be implemented.

5.5 Loan Guarantees

A loan guarantee represents an undertaking by the Province that it will pay the outstanding principal and interest relating to a guaranteed obligation in the event of a default by the borrower. These guarantees may be used to support regional development or to provide economic assistance to certain industries or individuals who meet specified criteria. The Province has guaranteed the repayment of principal and interest of certain debentures and bank loans on behalf of municipalities, individuals, and private and Crown corporations.

The responsibility for the issuance of these guarantees rests with the Minister of Finance.

These guarantees are not recorded as a direct liability of the Province because they become such only in the event of default. Accordingly, outstanding guarantees are disclosed in a schedule to the Consolidated Summary Financial Statements. Figure 22 indicates that, at 31 March 2004, Government had provided guarantees totalling \$1.5 billion for debentures and bank loans.

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Figure 22

Consolidated Summary Financial Statements
Loan Guarantees
As at 31 March
(\$ 000's)

Description of Guarantee	2003		2004	
	Amount	%	Amount	%
Debentures				
Newfoundland and Labrador Hydro	1,461,052	97.6	1,485,572	97.6
Municipalities	1,099	0.1	901	0.1
Newfoundland Liquor Corporation	105	-	-	-
Bank Loans				
Fisheries	29,589	2.0	30,936	2.0
Mortgages	3,976	0.2	3,551	0.2
Corporate	1,757	0.1	1,530	0.1
Municipalities	75	-	109	0.0
Total	1,497,653	100.0	1,522,599	100.0

The Canadian Institute of Chartered Accountants recommends that loan guarantees be accounted for and reported as contingent liabilities and that a provision for losses on loan guarantees be established when it is determined that a loss is likely. At 31 March 2004 the Province has established a provision of \$0.1 million for expected losses on loan guarantees.