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## Comments on Government's Financial Reporting

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The consolidated financial statements of the University for the year ended 31 March 2005 show total revenues of \$340.5 million, expenditures of \$340.0 million and total assets of \$279.9 million.

### 3.3 Environmental Liabilities

There are many sites in the Province which have environmental contamination resulting from such things as PCBs, old fuel storage tanks and solid waste landfills. These sites include, for example, the old Harmon airforce base, Octagon Pond, Buckmaster's Circle, Marystown Shipyard and abandoned mining properties.

In my 2002 Annual Report to the House of Assembly I concluded that *"There is no central inventory of contaminated sites ... The lack of a central inventory makes it more difficult for Government to determine the nature and extent of contaminated sites in the Province, the extent of progress of remediation efforts, and estimated future remediation costs to be incurred by Government."*

There is still no complete central inventory of contaminated sites and there is no liability recorded on the Province's financial statements for remediation costs associated with these sites.

Government will ultimately have involvement with all contaminated sites in the Province; however, the extent of the involvement and resulting financial costs may vary. Costs associated with remediation are usually significant - for example Government spent approximately \$18.9 million to complete remediation costs at the former Hope Brook Gold Mine property. While it is possible that the Province may be able to recover some of the remediation costs from other parties, the remaining remediation costs associated with contaminated sites would likely be significant.

Generally accepted accounting principles require that, if a reasonable estimate of the costs of the environmental remediation of Government-owned sites can be determined and it is likely that the Province will be liable for these costs, this amount be recorded in Government's financial statements. Currently, Government does not record any provision for environmental liabilities in the Province's financial statements. Note 8. (c)(vi) to the statements indicates that *"... while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable"*. However, a financial report made public by Government in January 2004 indicated that *"The Province is facing environmental issues requiring more than \$237 million for compliance with legislation and for remediation...."*

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## Comments on Government's Financial Reporting

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Last year I recommended that Government undertake a process to identify all contaminated sites in the Province for which it is potentially liable, determine the estimated liability associated with remediation costs and comply with generally accepted accounting principles by recording any resulting liability in the Province's financial statements. I note that during the year, Government has made very little progress in this area.

### **Recommendation**

*Again this year, I recommend that Government undertake a process to identify all contaminated sites in the Province for which it is potentially liable, determine the estimated liability associated with remediation costs and comply with generally accepted accounting principles by recording any resulting liability in the Province's financial statements.*

## **3.4 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 the Department of Finance 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 Comptroller General, various officials of the Department of Finance, 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.*